

Institution **CIOT - ATT**
Course **ATT Paper 2 Business Taxation**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID 

Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 1	202	1124	1424
Section 2	239	1266	1691
Section 3	210	1234	1664
Section 4	189	1111	1595
Section 5	128	797	963
Section 6	174	933	1313
Total	1142	6465	8650

Answer-to-Question- 1

--1)Taxable trade profit for 2023/2024

Net loss (£23850)

Add:Disallowed expenses

Depreciation (£16000-£4000). £12000

Administrative cost. £1500

1/3 space used (flat rate)

(£350*12) £4200

Cost of sales £750

Total before capital allowance= (£5400)

Less:CA (53900 AIA 100%) (53900)

TTP =£59300

2)Loss of £58000 can be claimed in 2023/24, 2024/25, and 2025/26 tax year. As 23/24 tax year it is loss so can claim in next two years. Relief is claimed on greater of £50000 or 25% of adjusted net profet.

3)Class 4 NIC for 24/25

(£25000-£12570)=£12430*6%=£746

Class 4 NIC for 25/26

(£50270-12570)=£37700*6%=£2262

(£65000-50270)=£14730*2%=£295

4)Maximum penalty can be charged 100%, however in this case it is for carelessness o penalty will be charged 30%. But for resonable excuse given to HMRC it can be reduced

to nil.

5)Purpose: Legal dicuments as a compleance purpose agent and client need to sign or agree on terms and conditions.

Content: Engagement letter should contains about the fees and services will be provided to clients, agents and clients liability towards any work done.

Procedures: Before starting the work it must be signed off by the client as per professional ethics and princiles to practice. Once client agree and sign it then agent can proceed with necessary action.

-----ANSWER-1-ABOVE-----

-----ANSWER-2-BELOW-----

Answer-to-Question- 2

1)Cessation: As company has ben cessased and stopped trading on december 24. so vat need to deregister and final vat need to submit. For final vat return below vat return need to be done:

Output vat:

(sales)(£56000*20%). £11200

Disposal on F&F (£12600/6) £2100

Input vat:

Zero rated purchase 0

Standard rated purchase (£8900*20%) (£1780)

Vat due = £11520

2)Capital gain tax:

Eligible for BADR.

Sale proceed(restaurant+associated) £450000

Less cost. (£175000)

Less:enhancement cost (£80000)

gain =£195000

Less anuual exemption (£3000)

Less: Loss brought forward. (£12000)

Chargable gain =£180000

CGT Due=£180000*10%=£18000

Note-1: Not single asset sold in the business so qualify for BADR as well as associated sales.

Note-2: F&F-already capital allowances has been claimed and profit considered ion P&L.

3)NIC: As from january 2026 Antoni will have only employment income so he will be liable to pay class 1 primary NIC. From £12570 to £50270 he will pay *% and aboce £50270 @2%.

Claims: Any brought forward or current year claim need to adjust on his last return on 31 jan 2026. relief can be claimed as soon as possible by going 3 year backwards and offset against trading profit.

4)Relief: He could claim rollover relief (lifetiome limit 1 million)by buying replacement asset, however as he cessaes trading so he can claim gift relief or investor relief (lifetime 10 million). For gift relief he will pay cgt only after deductiong the gift relief if any gain (actial sale proceed-original cost)remains.

-----ANSWER-2-ABOVE-----

-----ANSWER-3-BELOW-----

Answer-to-Question- 3

1)a)For sole trade and partnetship business, if no claim has been made to notify HMRC then by default business will apply cash basis. All income and expemnses will be calculatdaed on actual receipts and payment basis.

b)Taxable trading profit 24/25

Sales	£85600
Less Expenses:	
Allowable exp	(£27900)
Trading profit	=£57700
Transition adjustment:	
less: capital allowances	
private Use of car (note-1)	0
general pool(£7300*18%).	(1314)
SBA (£9250*3%).	(£278)
TTP	=£56108

Note-1: For car capital allowance in special pool already been claimed in accrual basis.
On cash basis expenses are blocked on cars and business entertainment.

2)Business use of car:

Actual expenses= $£8000 * 50\% = £4000$

or flat rate expenses=10000 miles @0.45 & above 0.25.

($10000 * 0.45 + 14000 * 0.25 = £8000$)

Recommendation: Flat rate is more efficient on tax planning points. as in actual expenses we can only claim motor exp and fuel, however in flat rate claimed on mileage basis which is more reseasonable.

3)Yaneks mother CGT:

sales proceed.	£250000
Less: Cost	(95000)
Gain	=£155000
Gift releif	£120000
Chargable gain (130000-95000)	=£35000
less:annual exempt amount.	(£3000)
Taxable gain	= £32000

CGT payable= $£32000 * 10\% = £3200$

As mother and nora both own this building, so it will be shown on their SA return.

Mother ($3200 * 50\%$) £1600 and Nora £1600.

Base cost of the building:

Cost MV	250000
Less gift releif.	(120000)
Revised cost.	=£130000

-----ANSWER-3-ABOVE-----

-----ANSWER-4-BELOW-----

Answer-to-Question- 4

1)Corporation tax:

Profit before tax	£125680
Add: disallowed expenses	
Staff cost(20000+9000).	£29000
Building insurance (50000*10%).	£5000
Depreciaion	£18500
Replace parts for a machine.	0. (allowable)
Loss on disposal.	£4000
Donation to uk charity	£500
Health & safety cost	£15000 (fines)
entertainment cost	£2000 (1700/8=213 cross 150pp p/a)
Interest payable.	£1200 (NTLR)
Total	=£200880
Less:	
Non trading rental income	(24000)
Dividend	(8300)
Less: capital allowance	
Superdeduction of CA on machine(6000*130%).	(7800)
General pool (7200*18%).	(1296)

Special pool (800*6%) (48)

TTP =£159,436

Augmented profit (TTP+Dividend)=159436+8300=£167736

Main rate 25% (159436*25%). £39859

Less marginal relief

{3/200*(250000-167736)*159436/167736} (£1173)

CT payable =£38686

2)Enquiry:

HMRC will open enquiry on 1st anniversary of tax return submitted. For the year ending march 24, accounts will be submitted by march 25, so HMRC will open enquiry on march 26. as they open quarterly basis if submitted out of the date. in this case submitted on 20 april 2025 which falls under april quarter. (april 2026).

Circumstances for raising assessment:

HMRC can issue discovery assessment on next 4 years, if careless behaviour then it will extend to 6 years, however it can extend to 20 years if it is deliberate.

-----ANSWER-4-ABOVE-----

-----ANSWER-5-BELOW-----

Answer-to-Question- 5

1) To qualify for investor relief neither he can work for the company nor connected to that company. Also he subscribed shares for cash which qualifies him for investor relief. He need to hold for 3 years to claim this relief.

2) Chargeable gain:

Sale proceed (part disposal). 73000

Less: selling cos. (5000)

=£68000

Less cost

$(73000/73000+240000)*95000$ (22156)

Less Enhancement

$(73000/73000+240000)*3000$. (700)

Less indexation cost

$(278.10-204.40)/278.10*95000$. (25176)

$(278.10-204.40)/278.10*3000$. (795)

Chargeable gain. =£19173

3)a)As it is a large company and pay quaterly.

1st payment is on 14th of 7 month which is 14 march 25 and payment is
 $300000/8*3=£112500$

2nd date 14 june 25 and payment $300000/8*3=112500$

3rd instalment is on 14 september 25 and payment $300000/8*2=£75000$

3)b)Interest need to pay 7.5% to HMRC and repayment is 4.5%.

1st= $112500-70000=42500*7.5%=3188$

2nd= $112500-160000=(47500)*4.5%=2138$

3rd=No interest

-----ANSWER-5-ABOVE-----

-----ANSWER-6-BELOW-----

Answer-to-Question- 6

1) Trading profit:

Partnership. Arika. Bindi

Jun 24:

Profit. 120000. £60000. £60000

Transition of profit(A). £35000

Total =£95000. =£60000

Jun 25. 100000

Shared equally until

Sep 24(100000/12*3). (25000). £12500. £12500

(100000/12*9) =75000

Arika salary.

(10000/12*9). (7500). 7500

Capital interest

(50000*5%)(20000*5%). (3500) 2500. 1000

=£64000

Share profit(2:3). (64000). 25600. 38400

Total =0 =£48100. =£51900

2) Arika's trading profit for 24/25

$(95000/12 \times 3) = \text{£}23750$

$(48100/12 \times 9) = \text{£}36075$

Total = $\text{£}59825$

Election: she needs to make the election by 31 Jan 2027.

3) Donald will not share any profit in the business as he will join as a partner. He will be paid on a subcontractor basis or as casual staff who is not an employee. He will be paid only based on the work he will be doing. The contract needs to be signed by both parties. He will report his income on his self-assessment tax return.

4) Ethical actions: Geoff needs to take confirmation in writing from all partners in the partnership as it is GDPR and acting in good faith. What information he can share with RZ LLP needs to be confirmed with partners.

