

# THE ASSOCIATION OF TAXATION TECHNICIANS

## ATT PAPER 4 CORPORATE TAXATION

May 2026

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TIME ALLOWED

3 HOURS 30 MINUTES

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- All workings should be shown and made to the nearest month and pound unless the question specifies otherwise.
- A maximum of two marks will be awarded for the quality of presentation of the answers.

### **Important Information – Please read carefully**

- An Excel spreadsheet is provided with each question. You do not have to use this, but where the requirements include calculations and workings, you may find it a useful tool. However, please note that all Excel calculations and workings that you wish to include as part of your answer **must** be copied into the word processor answer box, otherwise they will not be marked.

1. Icarus Ltd is wholly owned by Hanna and prepares its accounts to 31 March 2026. Icarus Ltd owns some residential properties that it rents out to unconnected individuals and has a portfolio of shares.

The following items have been included in arriving at the accounting profit for Icarus Ltd, and no adjustment made for tax purposes:

<u>Income</u>	£
Bank interest receivable on deposit account	2,000
Rental receipts	280,000
Dividends received from companies in which Icarus Ltd owns less than 10%	5,000

<u>Expenditure</u>	
Depreciation	12,000
Staff entertaining	300
Salaries	30,000
Insurance (£6,500 for the rental properties and £2,300 for the head office building)	8,800
Commission paid to stockbroker for managing the share portfolio	2,000
Audit and accountancy fees	3,200
Repairs to rental properties	5,400
Legal fees for short lease on a rental property (two years)	650
Loss on disposal of car	3,000
Interest on late payment of Corporation Tax	200
Donation to registered charity	500

Icarus Ltd purchased the following assets during the year ended 31 March 2026:

	£
New office equipment	5,750
New computer equipment	2,500
Car with CO <sub>2</sub> emissions of 75g/km	27,500

At 1 April 2025 the pool balances were:

General pool	25,750
Special rate pool	12,500

Icarus Ltd disposed of a car that was purchased in the year ended 31 March 2022 for proceeds of £7,500. The car had emissions of 120g/km and originally cost £20,000.

Icarus Ltd sold 8,000 shares in Crimson Ltd on 7 January 2026 for £40,000. Icarus Ltd had purchased the shares in Crimson Ltd as follows:

<u>Date</u>		<u>Shares</u>	<u>Cost</u> £
March 2014	Purchase	3,000	10,000
April 2018	Purchase	5,000	27,500
June 2022	1-for-2 Bonus issue		

*Continued*

**Requirements:**

- 1) **Explain whether Icarus Ltd is a close company and/or a close investment holding company for Corporation Tax purposes.** (2)
  - 2) **Calculate the maximum capital allowances available for the year ended 31 March 2026.** (4)
  - 3) **Calculate the chargeable gain on the disposal of shares in Crimson Ltd.** (6)
  - 4) **Calculate the total taxable profits for the year ended 31 March 2026.** (8)
  - 5) **Calculate the tax payable by Icarus Ltd for the year ended 31 March 2026.** (2)
- Total (22)

2. You work in the tax department of Advisers LLP. Marie is an audit manager at your firm. Advisers LLP has recently been engaged by We Transport Ltd, a company which operates in the haulage and logistics sector.

Marie has been asked to attend a meeting with the client, and in advance of the meeting has sent an email to you:

"I know that you have not yet had a chance to consider in detail We Transport Ltd's tax but could you look at various issues prior to my meeting:

VAT

There is a concern that the company is not correctly accounting for VAT, the issues being as follows:

- a) Invoices to customers who take a prompt payment discount. One customer of We Transport Ltd is Retail Products Ltd. This customer has an informal arrangement whereby its invoice from We Transport Ltd is paid on the next working day after it is submitted to them, but only pays 97.5% of the invoice value. The informal arrangement – i.e. not documented – allows them to do this. We Transport Ltd says they are ok with this arrangement but are concerned that their VAT treatment may not be correct. They currently base the VAT on the amount paid by Retail Products Ltd.
- b) Fuel. As a transport company, We Transport Ltd buys a lot of fuel for the business. Some of the employees are allowed to use the business vehicles (both cars and vans) for their private journeys, and hence some of the fuel bought by the company is used for private purposes. The company wants to ensure that it charges the employee for the fuel. The company suggests a nominal 10p per litre for fuel used for private purposes. Does that sort out any VAT issues? The company wants to reclaim all the input VAT incurred on all fuel purchased.
- c) Vehicles. The company buys a lot of vans and cars for use in the business and reclaims the input VAT on the purchases. Given that they allow some private use of some of these vehicles, how do they apportion the private and business use to make sure they reclaim the correct input VAT?
- d) Entertaining. The company does a lot of entertaining, of both employees and of key customers. What is the correct treatment of the input VAT incurred on the cost of entertaining?

Corporation Tax

We Transport Ltd had taxable total profits in the year ended 30 April 2025 of £8,000,000 and is forecasting taxable total profits of £9,800,000 in the year ended 30 April 2026.

The company has a 55% investment in Long Haul Ltd (a trading company operating in Scotland); a 75% investment in Trucking Ltd which was acquired on 31 May 2025; and also it has a dormant 100% subsidiary, WT Ltd.

In addition, the company has a 20% interest in Bronco Ltd from which it received a dividend of £250,000 in the year ended 30 April 2026. There was no dividend received in the previous accounting period.

Continued

*Continuation*

The company understands that it should be paying tax in instalments but has a concern as to when tax was or will be due for the year ended 30 April 2026 and how much should have been/will have to be paid.

If you could get back to me by email, I would be really grateful. The meeting is next Wednesday.

Many thanks

Marie”

**Requirements:**

**Write an email to Marie in which you;**

- 1) **Explain the correct VAT treatment of;**
    - a) **Prompt payment discounts, specifically referencing the informal arrangement with Retail Products Ltd;**
    - b) **Private fuel use and how this will affect the suggested 10p per litre charge;**
    - c) **Input VAT on the purchase of the vehicles by We Transport Ltd, and**
    - d) **Input VAT on entertaining costs.** (10)
  - 2) **Explain what factors are taken into account when deciding when Corporation Tax payments are due. For the year ended 30 April 2026 identify into which instalment payment regime We Transport Ltd falls.** (6)
  - 3) **State We Transport Ltd’s due dates for payment of Corporation Tax for the year ended 30 April 2026, and calculate the tax due on each date.** (3)
- Total (19)

3. You work in the tax department of Angel & Co. Your client is PR Business LLP, a limited liability partnership that provides public relations advice to medium sized businesses. The LLP makes up its accounts to 31 March each year.

PR Business LLP has a number of capital assets on which it claims capital allowances, but employees and members use their own cars when visiting clients. In the year ended 31 March 2026, PR Business LLP made a loss of £545,000.

Jakeson Ltd and Chris are two of the members of PR Business LLP and each has contacted you about the loss. They query what the tax implications of it are as the LLP has never made a loss before and they want to understand what the members can do with the loss.

Jakeson Ltd is a UK resident company and has a 20% share in the LLP. The company prepares its own accounts to 30 June each year.

Chris has a 27% share in the LLP which she obtained by investing £49,500 into it. In addition, she has agreed to contribute a further £10,500 if the LLP were ever to be wound up.

Rosa is a new member of the LLP. She tells you that she was unhappy with the way her previous LLP was dealt with by their advisors and she found making a complaint was difficult. She says that she hopes never to have to make a complaint against Angel & Co, but in case the need arises, can you confirm whether your firm has a complaints procedure and if so what does it contain?

Jakeson Ltd is also a client of your firm. The company is a growing business and believes it has sufficient employees to warrant having the services of an HR specialist three days a week. It is at the early stages of appointing such a specialist and the company has the option of using an employee or a self-employed consultant. Depending on what route they go down they may have to structure the salary or fee structure differently. In order to inform decision making Jakeson Ltd has asked your firm if you could advise it on the amount of National Insurance Contribution (NIC) that would be payable using the employee route versus that which would be payable using the self-employed consultant route. In order to make a comparison Jakeson Ltd has asked you in the first instance to assume that the salary would be £70,000 and the self-employed profit would be £70,000.

*Continued*

**Requirements:**

- 1) Explain the issues affecting the calculation of the loss of PR Business LLP to be allocated to Jakeson Ltd. (5)
- 2) Calculate the loss which is available to Chris for the period ended 31 March 2026 explaining how the loss can be used. Explain any restrictions to the use of the loss that may apply. (5)
- 3) Outline how Angel & Co should deal with complaints in line with ATT’s Professional Rules and Practice Guidelines (PRPG). (5)
- 4) Calculate the National Insurance Contributions (NIC) that would be payable if the HR specialist was either;
  - a) A self-employed consultant; or
  - b) An employee of Jakeson Ltd.

Identify each class of NIC.

No explanation is required in relation to employment status. (5)

Total (20)

4 Nolan Ltd is owned as follows:

	<u>Ownership of ordinary shares</u>	<u>Taxable Total Profits for the year ended 31 January 2026</u>
		£
Brody Ltd	24%	400,000
Tennant Ltd	55%	1,500,000
Delaney Ltd	8%	250,000
Mr Peterson	7%	100,000
Tilman Inc	6%	150,000

Tilman Inc is a company incorporated and tax resident in Arizona, USA. All the other shareholders are resident in the United Kingdom.

Nolan Ltd made a trading loss for tax purposes of £1,760,500 in the year ended 31 January 2026. Nolan Ltd has no other source of income.

Delaney Ltd owned 200 shares in Redeye Ltd which is 6% of the shareholding. Delaney Ltd accepted an offer from Banks Ltd, an unconnected company, to purchase these shares in February 2026. Delaney Ltd received the following in exchange for its shares in Redeye Ltd:

	£
1,000 shares in Banks Ltd	50,000
10,000 of loan stock in Banks Ltd	14,000
Cash	16,000
	<u>80,000</u>

The shares in Redeye Ltd were purchased in December 2018 for £25,000.

Brody Ltd was issued a determination by HMRC for the year ended 31 January 2024 on 16 February 2026 as it has not submitted a Corporation Tax return for that year. HMRC has determined that the corporation liability for the year is £175,000. Jess, the financial controller for Brody Ltd does not understand why this has been received. She also thinks that the Corporation Tax liability that has been determined is excessive as the draft computation shows a liability of £105,000 and so the company would like to appeal the determination. Brody Ltd has made payments of Corporation Tax totalling £110,000 for the year ended 31 January 2024.

Continuation

**Requirements:**

- 1) Explain why Nolan Ltd is a consortium company and calculate the maximum loss relief that Nolan Ltd can surrender to each consortium member. (8)
  - 2) Explain the chargeable gains implications of the sale of shares in Redeye Ltd. Calculate any chargeable gain that will arise on the disposal, stating when any gain will be chargeable. (10)
  - 3) Explain whether a valid determination has been issued to Brody Ltd and what can be done regarding the amount of tax that has been determined. (4)
- Total (22)

5. Your firm acts as tax advisors to Marble Ltd and its 80% subsidiary, Granite Ltd.

In the year ended 30 April 2026 the results for the companies were as follows:

	<u>Marble Ltd</u>	<u>Granite Ltd</u>
	£	£
Trading profit	6,275,000	3,695,000
Bank interest	20,000	
Chargeable gain	1,150,000	
Dividend from ABC plc		5,000

Granite Ltd's interest in ABC plc is less than 10%.

Marble Ltd has brought forward trading losses of £21,000,000 from the year ended 30 April 2021 and brought forward capital losses of £7,000,000 from the year ended 30 April 2023.

It is agreed that the deductions allowance will be allocated firstly to relieve all of the chargeable gain, and then the remainder will be shared equally between Marble Ltd and Granite Ltd.

Rex is the managing director of Marble Ltd and has contacted you regarding a start-up company, Bluestone Ltd, that he is possibly going to be involved with. Before being too involved he wants to make sure that the company has a clean HMRC record. He says:

"The company started trading (on incorporation) on 1 January 2024. I'm not sure if anyone has informed HMRC and if any notice or acknowledgement has been received. Initially there was a long accounting period to 30 April 2025 – when does this company need to notify HMRC? And what computations or Corporation Tax forms need to be submitted to HMRC and when?"

**Requirements:**

- 1) Calculate the total taxable profits for both Marble Ltd and Granite Ltd for the year ended 30 April 2026. Show the use of loss relief and include all necessary explanations. (8)
  - 2) Calculate the losses carried forward at 30 April 2026. (2)
  - 3) Explain when Bluestone Ltd should have notified HMRC of starting to trade. Explain what returns Bluestone Ltd should file and when they should be filed. (5)
- Total (15)