ATT May 2026

Paper 4: Corporate Taxation

Examiners' report

General comments

The paper is based on specific scenarios; in order to achieve high marks the candidate needs to address the requirements as they relate to the scenario. Unfortunately, many candidates just give generic information or even a "cut and paste" from the manual.

Question 1

Part 1

Most candidates correctly stated that Icarus Ltd was a close company as it was controlled by Hanna, however most candidates didn't understand what a CIHC was or made the incorrect conclusion that the company was a CIHC. Many candidates stated the company was an investment company, which wasn't what was being asked, although they then proceeded to treat it as a trading company in part 2.

Part 2

This part of the question was answered very well. Most candidates correctly claimed AIA rather than FYA and deducted the proceeds from the special rate pool for the car disposal.

Part 3

This part was answered well with most candidates using the share pool to calculate the gain on the disposal. The odd candidate rounded the indexation incorrectly but that only lost ½ a mark, as follow through marks were given. Candidates didn't always show the disposal in the share pool, but where the calculation for the disposal was done within the gain calculation they still received all the marks.

Part 4

Few candidates answered this part well. Lots of candidates treated the company as a trading company, as many marks as possible were awarded, however most were lost. Candidates should use pro formas to ensure that the different types of income/expenditure are included in the calculation of TTP in the correct order, however this was generously marked. The capital allowances needed to be clearly treated as management expenses in order to gain that ½ mark.

Part 5

Candidates did well on this part. Where a candidate had stated the company was a CIHC in part 1 and that this meant that the corporation tax was at the main rate, they then sometimes ignored that in answering part 5. However if they calculated marginal relief, marks were still awarded. Where errors were made in part 4 which resulted in the augmented profits exceeding £250,000 they would still have received most of the marks. Candidates should ensure that they calculate marginal relief properly using the formula,3/200 etc.

Question 2

Part 1

As with all VAT questions in Paper 4, this question was answered badly – for example no specific reference was made to the informal prompt discount taken by the customer and the input on both cars and vans (both were requirements). A worryingly large number of candidates didn't know the difference between input VAT and output VAT.

Part 2

This should have been an easy question but the majority of candidates did not identify We Transport Ltd as a very large company.

The requirement was to "…explain the factors to be taken into account …" – therefore identifying the associated companies needed to be done with explanations. Few candidates did this. Long Haul Ltd is not an overseas company as many candidates stated (it is "….operating in Scotland").

Part 3

Candidates do need to be able to apply the quarterly payment dates. The requirement was to state the tax payable on each date – many candidates missed this requirement, and lost easy marks

Question 3

Part 1

This part had easy marks if the candidate read the requirement which was to explain the issues relating to the **calculation** of the loss – ie under CT rules and the non-availability of AIA (etc). Most candidates stated the use of losses (not required) and thus failed to achieve marks.

Part 2

This part was generally answered well, candidates understood the restrictions on the use of the losses.

Part 3

A lot of candidates gave very generic answers to this, not addressing PRPG

Part 4

The vast majority answered this well, clearly confident in calculating NIC. However the requirement was to identify each class of NIC and hence easy marks were lost for failing to do so.

Question 4

Part 1

This part of the question was answered well. There were lots of marks available so many candidates will have got the majority of the marks even with the odd mistake. Some candidates mentioned that Mr Peterson wasn't part of the consortium as he is and individual but then still allocated losses to him This was also the case with Tillman Inc, the company was included in looking at the 75% test but wasn't able to have losses offset to it, and some candidates after mentioning this still allocated losses.

Part 2

Candidates found this part of the question trickier, but most did reasonably well. Most candidates correctly identified that SSE wasn't available. Candidates that didn't state that there was a part disposal but did the part disposal for the gain on the cash received didn't lose marks.

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Part 3

Many candidates talked about penalties and interest charges here, which wasn't asked for in the question and so didn't gain marks. This wasn't answered particularly well by most candidates, but most picked up some marks for stating that the return was late as it should have been filed by 31 January 2025.

Question 5

Part 1

Candidates who understood the allocation of the deductions allowance answered this well and got full (or almost full) marks.

The requirement was to include all necessary explanations. It therefore wasn't good enough to just ignore the dividend in the calculation of TTP – and explanation was needed, fir a ½ mark

Part 2

Generally answered well

Part 3

Again this was answered well and there was a generous number of marks available. Candidates understood the division of the long PoA. However for full marks, application of the scenario (ie specific dates) was needed.