ATT Paper 2 Business Taxation

ATT Paper 2 Business Taxation May 2026

0/98

Cover Page

THE ASSOCIATION OF TAXATION TECHNICIANS

ATT PAPER 2 BUSINESS TAXATION

MAY 2026

TIME ALLOWED

3 HOURS 30 MINUTES

- All workings should be shown and made to the nearest month and pound unless the question specifies otherwise.

Marks available per question:

Question 1: 23 marks

Question 2: 15 marks

Question 3: 15 marks

Question 4: 15 marks

Question 5: 15 marks

Question 6: 15 marks

A maximum of two marks will be awarded for the quality of presentation of the answers.

Total: 100 marks

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.

When you have pasted calculations from Excel into the answer box, you might only see gridlines where there is an entry in the cell. You do not need to spend time adding extra gridlines manually. Please **do not** expand the width of tables in the answer box once pasted in from Excel. Column widths have been deliberately limited in the Excel spreadsheet to facilitate marking.

Question 1 /23

Question 1 0/23

Ben has run a VAT registered sole trader business servicing electrical equipment for 12 years and has always used the accruals basis of accounting. The business is run from a rented unit on an industrial park.

He prepares accounts to 30 June each year and recent taxable trade profits are:

	Year ended 30 June 2024 £	Year ended 30 June 2025 £
Taxable trade profits	56,000	12,400

In 2023/24, taxable trading profits before transition profits were £64,000. Transition profits arising in 2023/24 were £8,200. No election has been made to accelerate the amount of transition profits charged to tax.

During the year ended 30 June 2025, Ben's largest customer moved to a new supplier.

Ben identified a potential new business stream and on 10 July 2025 purchased a new machine for £28,000 (plus VAT at 20%) that would allow him to test and service additional equipment.

Despite Ben's best efforts, he was unable to find new customers and on 28 February 2026, he ceased trading.

The following information has been extracted from Ben's accounting software for the eight months ended 28 February 2026:

	£	£	Notes
Sales		14,690	
Costs:			
Depreciation	5,780		
Advertising and marketing	2,212		1)
Rent and Rates	15,000		
Utilities	2,400		
Site clearance	3,680		2)
Legal and accounting	400		3)
Postage and couriers	1,900		
Insurance	1,545		4)
Motor expenses	340		5)
Wages and tax	12,300		6)
Total costs		(45,557)	
Profit/(loss)		(30,867)	

Notes

1) Advertising and marketing included £1,600 for leaflet design and printing and £612 spent on taking existing customers out to lunch.

2) The site clearance costs included repairs to the rented unit and fees for a removal company to dispose of all fixtures and furnishings in the unit.

3) Legal and accounting fees included £300 for the completion of the business accounts and £100 for Ben's personal tax return.

4) Insurance includes business insurance of £925 and car insurance of £620. The car insurance relates to an electric car which has 20% personal use.

5) Motor expenses relate to the MOT and charging of the electric car.

6) Wages and tax is Ben's monthly drawings of £1,200 and a payment of £2,700 paid to HMRC for Ben's personal tax.

7) The following information is available in relation to capital allowances:

a) The tax written down value brought forward on the general pool on 1 July 2025 was £10,800.

b) The only addition to plant and machinery was the testing machine purchased on 10 July 2025.

c) The electric car was purchased on 18 June 2023. This was kept by Ben once the trade ceased. The car was purchased for £18, plus VAT and a first-year allowance was claimed in the year of acquisition. The market value of the car on 28 February 2026 was £9,200.

d) Ben stored the new testing machine in his garage until he found a buyer who paid £20,000 excluding VAT in May 2026. The pric paid reflected the market value of the machine at the date of cessation.

e) All other assets were scrapped as part of the clearance of the unit as they had been held for many years and had no re-sale val

Ben’s only other source of income is property income of £15,000 each year.

Requirements:

1) Calculate Ben’s tax-adjusted trading loss for the eight months ended 28 February 2026. (7)

2) Calculate Ben’s taxable income for each of 2023/24, 2024/25 and 2025/26 if Ben makes a claim for terminal loss relief. (8)

3) Explain how Ben can reduce his payments on account for 2025/26. (4)

4) Explain the VAT implications of Ben ceasing to trade. (4)

Total (23)

ATTP2M26_Q1-ATT P2 Q1

ATTP2M26_Q1-ATT P2 Memory Joggers

ATTP2M26_Q1-ATT TaxTables

ATTP2M26_Q1-ATT Paper 2 BT Manual

ATTP2M26_Q1-ATT Paper 2 CTVAT Manual

ATTP2M26_Q1-ATT Paper 2 ITCGT Manual

Part 1

This is your Excel spreadsheet for Question 1. It is only for your workings: the spreadsheet itself **will not be marked**.

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ATTP2M26_Q1-ATT P2 Q1

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ATTP2M26_Q1-ATT Paper 2 CTVAT Manual

ATTP2M26_Q1-ATT Paper 2 ITCGT Manual

Response

1-part1-ATTP2M26_Q1.xlsx

Part 2

This is your answer box for Question 1. If you use the Excel spreadsheet, you **must** copy and paste any calculations and workings that accompany your answer into this box

Response

Part 1

Calculation of tax adjusted trading profit					
		£			
Loss for the period		-30,867			
Add:					
Depreciation		5,780			
Adverstising - lunch with customer		612			
Site clearance		3,680			
Legal & professional - Ben's personal tax return		100			
Insurance - car insurance (620*20%)		124			
Motor expense (20% Private)		68			
Wages & tax - Drawings & Ben's personal tax		3,900			
Less:					
Capital Allowance (W1)		-7,627			
Trade Loss		-24,230			
W1					
Period ended 28/02/2026 - 8 months					
		MP	Electric Car (PU)		CA
TWDV b/f		10,800			
Purchase					
Testing machine		28,000			
Disposal					
Electric Car			-9,200		
Testing Machine		-20,000			
		18,800	-9,200		-
Balancing Allowance for 8 months		-18,800			12,533
Balancing Adjustment for 8 months			9,200		-4,907
		-	-		
					7,627

Note: No AIA/FYA available at the period of cessation.

Part 2

Trade profit/(loss) for the tax years				

2023/24				
		£		
Trade Profit		64,000		
Transition Profit		1,640		
		65,640		
2024/25				
		£		
Trade Profit (56000*3/12 + 12400*9/12)		23,300		
Transition Profit		1,640		
		24,940		
2025/26				
Trade Profit (12400* 3/12)		3,100		
Transition Profit (8200-1640-1640)		4,920		
		8,020		
Terminal Loss				
		£		
Loss for the final year		-24,230		
Loss for the penultimate tax year		-		
Terminal Loss		-24,230		
Terminal Loss Relief				
	2023/24	2024/25	2025/26	
Trading income (including transition profit)	65,640	24,940	8,020	
Property Income	15,000	15,000	15,000	
	80,640	39,940	23,020	
Less: Terminal Loss relief	-	-1,210	-23,020	
	80,640	38,730	-	
Less: PA	-12,570	-12,570	Wasted	
Taxable Income	68,070	26,160	-	

Part 3

If Ben believes that the payments on accounts will be too high, he can claim to HMRC to reduce them.

However, if the reduction is excessive and a balancing payment results, interest will be charged on the excessive reduction, allocated equally to each payment on account.

Part 4

Ben needs to compulsorily deregister for VAT where his business is cessing to trade.

When deregistration, any VAT on goods still at hand must be accounted for on the final VAT return, unless the VAT is not more than £1,000. This is the total VAT on all chargeable assets.

Question 2 /15

Question 1 0/15

Teri is 55 years old and in 2025/26 receives a salary of £18,000 for their part-time work in marketing.

Teri started teaching karate from their home in May 2025. Total receipts from karate students during 2025/26 were £16,200. Teri only accepted payments in cash. The costs of providing the lessons total £320 for insurance and certification.

Teri was aware of the need to notify HMRC of starting the karate business but decided that they wanted to see if it was going to be a success before doing so.

Teri has a passion for classic cars and enjoys restoring them, attending car shows and meeting other car enthusiasts. They bought their first classic car when they were 24 years old. Teri spent several months restoring the car and once it was complete, starting to save money to purchase another car. They continued with this process and by 6 April 2022, had built up a collection of 14 restored classic cars.

Over the last few years Teri has started to sell some of the cars.

a) 2022/23 – Teri took one car to an exhibition and was approached by a collector who offered more money than Teri thought the car was worth. Teri had not intended to sell the car but accepted the offer.

b) 2023/24 – the same collector visited Teri's home to look at the car collection and bought another car.

c) 2025/26 – Teri sold two of the remaining 12 classic cars on a specialist online marketplace as they needed to raise cash for some building work at their house.

Each car was sold for significantly more than its original purchase price and restoration cost.

Requirements:

1) Explain whether Teri's disposal of the two cars in 2025/26 is subject to tax. (6)

2) Assuming that the disposal of the classic cars is NOT deemed to be trading:

a) Calculate Teri's taxable income for 2025/26, assuming all beneficial claims are made. (2)

b) Calculate Teri's National Insurance on trading income for 2025/26 and state the payment deadline for this. (2)

3) Assuming that the disposal of the classic cars is NOT deemed to be trading, explain the implications if Teri does not notify HMRC of starting to trade on time and one of their karate students tips off HMRC about the business. (5)

Total (15)

- ATTP2M26_Q1-ATT P2 Q1
- ATTP2M26_Q1-ATT P2 Memory Joggers
- ATTP2M26_Q1-ATT TaxTables
- ATTP2M26_Q1-ATT Paper 2 BT Manual
- ATTP2M26_Q1-ATT Paper 2 CTVAT Manual
- ATTP2M26_Q1-ATT Paper 2 ITCGT Manual

Part 1

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ATTP2M26_Q1-ATT P2 Q1

ATTP2M26_Q1-ATT P2 Memory Joggers

ATTP2M26_Q1-ATT TaxTables

ATTP2M26_Q1-ATT Paper 2 BT Manual

ATTP2M26_Q1-ATT Paper 2 CTVAT Manual

ATTP2M26_Q1-ATT Paper 2 ITCGT Manual

Response

1-part1-ATTP2M26_Q2.xlsx

Part 2

This is your answer box for Question 2. If you use the Excel spreadsheet, you **must** copy and paste any calculations and workings that accompany your answer into this box

Response

Part 1

Cars is a exempt asset for the capital gains tax purpose. So selling of cars will not result in capital gains tax.

However since, Teri purchase car regularly and collected upto 14 cars, also he restores the car from the old form and then sells it more than the cost and restoration cost.

So it can argued that Teri has a trade of purchasing and selling old vintage cars, beacuse:

- He regularly purchases car.
- Made an alteration form the previous form.
- Sell it to make profit.

hence, then selling of these cars will result in Teri's trading profit and have to charged to income tax on non-savings marginal rate.

Part 2

Assuming disposal of classic cars is not trade.

Trading income for Teri			
	£		
Receipts from Karate students	16,200		
Less: Trading allowance	-1000		
Trading Income	**15,200**		
Teri's taxable income			
	£		
Trading Income	15,200		
Salary	18,000		
	33,200		
Less: PA	-12570		
Taxable Income	**20630**		

Since Teri' trading is more than £1,000, a claim can be made to deduct £1,000 instead of allowance expense as trading allowance.

Calculation of Class 4 NIC on trading income			
		£	
LPL	12570*0%	0	
LPL to UPL	2630*6%	158	
Total Class 4 NIC liability		**158**	

The Class 4 NIC is to be paid along with the income tax via payments on accounts and final balancing payment.

The due for payments of accounts in 2025/26 is 31 January 2026 and 31 July 2026.

The final balancing payments (if any) have to be made on 31 January 2027.

Part 3

The deadline for notification of chargeability to HMRC is six months after the end of the tax year so by 5 October 2026.

Failure to notify HMRC within this timeline will result in penalty of 'percentage of lost revenue'

If a karate student tip-off HMRC about the trade, HMRC can view this failure to notify as 'deliberate and concealed'.

The maximum penalty thus will be charged as 100% of lost revenue.

Question 3 /15

Question 1 0/15

Darren is 50 years old and is in business as a sole trader.

In 2025/26, his only income was trading income of £27,000.

During 2025/26 the following transactions took place:

a) Darren gifted a building used in his sole trader business to his wife Lindsay. The building had cost £140,000 in January 2005 and was valued at £292,000 when transferred to Lindsay.

b) Darren gifted his 10% shareholding in Hyxvel Ltd, an unquoted trading company, to his brother, David. He subscribed for the shares in September 2019 for £8,000. He has never been a director or employee of Hyxvel Ltd.

At the date of transfer to David, the market value of the shares was £38,300. The company's only chargeable asset is an office block which has three floors. The ground floor is used as Hyxvel Ltd's offices and the remaining two floors are rented out to third parties.

c) To fund an expansion of his business, Darren sold 10 Bitcoin on 4 May 2025. He had the following transactions in Bitcoin:

Date	Description
4 January 2018	Purchased 30 Bitcoin for £339,120
1 September 2021	Sold eight Bitcoin for £273,984
12 October 2023	Purchased 12 Bitcoin for £267,468
4 May 2025	Sold 10 Bitcoin for £730,080
7 May 2025	Purchased four Bitcoin for £285,160

At 6 April 2025 Darren had capital losses brought forward of £1,000.

Requirements:

Calculate, with supporting explanations:

1) The chargeable gains or allowable losses arising on each of the disposals made by Darren in 2025/26. (10)

2) Darren's Capital Gains Tax liability for 2025/26. (5)

Assume all claims and elections are made to minimise Darren's Capital Gains Tax liability.

Total (15)

ATTP2M26_Q1-ATT P2 Q1

ATTP2M26_Q1-ATT P2 Memory Joggers

ATTP2M26_Q1-ATT TaxTables

ATTP2M26_Q1-ATT Paper 2 BT Manual

ATTP2M26_Q1-ATT Paper 2 CTVAT Manual

ATTP2M26_Q1-ATT Paper 2 ITCGT Manual

Part 1

This is your Excel spreadsheet for Question 3. It is only for your workings: the spreadsheet itself **will not be marked**.

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ATTP2M26_Q1-ATT P2 Q1

ATTP2M26_Q1-ATT P2 Memory Joggers

ATTP2M26_Q1-ATT TaxTables

ATTP2M26_Q1-ATT Paper 2 BT Manual

ATTP2M26_Q1-ATT Paper 2 CTVAT Manual

ATTP2M26_Q1-ATT Paper 2 ITCGT Manual

Response

1-part1-ATTP2M26_Q3.xlsx

Part 2

This is your answer box for Question 3. If you use the Excel spreadsheet, you **must** copy and paste any calculations and workings that accompany your answer into this box

Response

Part 1

Gift of building to Lindsay				
		£		
Market Value		292,000		
Less: Cost		-140,000		
		152,000		
Gift relief (bal fig)		-152,000		
Chargeable gain		**-**		
Sale of shares to David				
		£		
Market Value		38,300		
Less: Cost		-8,000		
Chargeable gain		**30,300**		
Sale of Bitcoin				
Share acquired on following 30 days				
		£		
Sales Proceeds (730080*4/10)		292,032		
Less: Cost		-285,160		
Chargeable gain		**6,872**		
Section 104 Pool				
Date	Details	No. of Bitcoin		Cost
04/01/2018	Purchase	30		339,120
01/09/2021	Sold	-8		-273,984
		22		65,136
12-Oct-23	Purchase	12		67,468
		34		132,604
04-May-25	Disposal	-6		-23,401
		28		109,203
		£		
Sales Proceeds (730080*6/34)		128,838		
Less: Cost		-23,401		
Chargeable gain		**105,437**		
		£		
Total Chargeable gain		**112,309**		

Note: Sale of Shares of Hyxvel Ltd will be eligible ofr investor's relief at 14%

Part 2

		£		
Basic rate band left [37700- (27000-12570)]		23,270		
Calculation of CGT liability				
		Other Disposal		IR
Gift of building to Lindsay		-		
Sale of shares to David				30,300
Sale of Bitcoin		112,309		
		112,309		30,300
Less: Capital loss relief		-1,000		
		111,309		30,300
Less: AEA		-3,000		
		108,309		30,300
			£	
CGT @ 14%	30300*14%		4,242	
CGT HR @ 24%	108309*24%		25,994	
CGT payable			**30,236**	

Question 4 /15

Question 1 0/15

Chalt Ltd has traded for many years as a manufacturer of outdoor equipment. Accounts have been prepared to 31 March each year. The profit before tax in the accounts for the year ended 31 March 2026 was £185,000, which includes dividends received from a 10% shareholding in an unrelated company of £3,400.

The following have been deducted in the calculation of the profit before tax:

1) Staff costs including bonuses of £17,000 paid on 30 April 2026 and pension contributions of £2,400 paid on 15 April 2026.

2) Depreciation of £34,000, including £7,600 in respect of vans acquired on finance leases.

3) Interest costs of £6,400 for interest on finance lease agreements for four vans. The CO_2 emissions of the vans were 165 g/km.

4) Loss on sale of fixed assets of £8,600:

a) On 30 June 2025, Chalt Ltd sold machinery which had a net book value of £15,000. This resulted in a loss on sale of £1,500. No first-year allowance had been claimed on the machinery.

b) On 15 September 2025, Chalt Ltd took a heating system out of service in one of its buildings. The heating system had a net book value of £10,000 and Chalt Ltd received scrap proceeds of £2,900. The loss on sale recorded in the accounts was £7,100. The system had been bought on 17 May 2021 and the 50% first year allowance had been claimed.

The tax written down values on the general pool and the special rate pool at 1 April 2025 were £26,000 and £17,000 respectively.

Warehouse

Chalt Ltd uses a warehouse in its trade. The building had initially been constructed in 2012 at a cost of £175,000 and then extended on 30 November 2019 at a cost of £56,000. Chalt Ltd claims structures and buildings allowance.

Chalt Ltd has plans to sell its warehouse on 30 June 2026, and reinvest at least some of the proceeds in a new freehold warehouse.

Requirements:

1) Calculate the Corporation Tax liability for Chalt Ltd for the year ended 31 March 2026. (10)

2) Explain the Corporation Tax implications of the disposal of the warehouse and any reliefs that Chalt Ltd can claim. (5)

Total (15)

ATTP2M26_Q1-ATT P2 Q1

ATTP2M26_Q1-ATT P2 Memory Joggers

ATTP2M26_Q1-ATT TaxTables

ATTP2M26_Q1-ATT Paper 2 BT Manual

ATTP2M26_Q1-ATT Paper 2 CTVAT Manual

ATTP2M26_Q1-ATT Paper 2 ITCGT Manual

Part 1

This is your Excel spreadsheet for Question 4. It is only for your workings: the spreadsheet itself **will not be marked**.

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ATTP2M26_Q1-ATT P2 Q1

ATTP2M26_Q1-ATT P2 Memory Joggers

ATTP2M26_Q1-ATT TaxTables

ATTP2M26_Q1-ATT Paper 2 BT Manual

ATTP2M26_Q1-ATT Paper 2 CTVAT Manual

ATTP2M26_Q1-ATT Paper 2 ITCGT Manual

Response

1-part1-ATTP2M26_Q4.xlsx

Part 2

This is your answer box for Question 4. If you use the Excel spreadsheet, you **must** copy and paste any calculations and workings that accompany your answer into this box

Response

Part 1

Calculation of tax adjusted trading profit			
	£		
Profit before tax	185,000		
Add:			
Pension contribution accrued	2,400		
Depreciation (34000-7600)	26,400		
Interest cost - NTLR	6,400		
Loss on disposal of fixed assets	8,600		
Balancing allowance (2900*50%)	1,450		

Less:				
Dividend received (exempt)	-3,400			
Capital Allowance (W1)	-3,000			
Structure & building allowance (W2)	-6,930			
Tax Adjusted trading profit	**216,920**			

Calculation of total taxable profit	£		
Tax Adjusted Trading Profit	216,920		
NTLR deficit	-6400		
Total Taxable Profit	**210,520**		
Augmented Profit	£		
TTP	210,520		
Add: Dividend	3,400		
Augmented Profit	**213920**		

Since augmented profit is less than 250,000 but more than 50,000, marginal relief will apply.			
		£	
CT at 25%	210520*25%	52630	
Less: Marginal relief [3/200*(250000-213920)*(210520/213920)]		-535	
CT liability		**52095**	

W1			
Ye 31/03/2026			

	MP	SRP	CA
TWDV b/f	26000	17000	
Disposal			
Machinery	-15000		
	11000	17000	
WDA @ 18%	-1980		1980
WDA @ 6%		-1020	1020
TWDV c/f	9080	15980	
Total CA			**3000**

W2				
	£			
Cost	175000			
Add: Extension	56000			
Qualifying expense	231000			
		£		
SBA @ 3%	231000*3%	**6930**		

Part 2

Since Chalt Ltd has claimed structure and building allowance on the warehouse since 2012, the total accumulated SBA claimed have to be calculated and add back to the consideration received when selling.

If some of the proceeds re invested to a new freehold, the part which is invested will be eligible for roll-over relief and the other extra part will be to be charged as chargeable gain in the relevant year.

Question 5 /15

Question 1 0/15

You work for a firm of tax advisers. The firm has received an email from Luca and Raul, the two directors and shareholders of Dout Ltd. You have also seen in the local news that Dout Ltd has been set up in a prestige location in the town and will be a direct competitor to one of your firm's existing clients, Eben Ltd. Dout Ltd has invested heavily in advertising and sponsoring local events.

In the email, Luca and Raul explained the following:

Incorporation

Dout Ltd was incorporated on 1 January 2023 and the directors started to work for the company immediately. Trading started on 1 April 2023 and on that date, the directors notified HMRC of Dout Ltd's liability to Corporation Tax. They decided that the accounting year would end on 31 March each year.

HMRC notices to file

HMRC issued notices to file Corporation Tax returns as follows:

Year end	Date of issue
31 March 2024	29 April 2024
31 March 2025	28 April 2025

Filing and payment

No Corporation Tax return has been filed for the year ended 31 March 2024. Draft accounts for this period indicate an estimated Corporation Tax liability of £18,750.

The company made monthly payments on account of £2,000 from July 2025 to December 2025 but has made no further payments. There has been no contact with HMRC regarding the outstanding return or payments.

For the year ended 31 March 2025, a Corporation Tax return was submitted on 15 March 2026, using provisional figures. The Corporation Tax for that year was paid in December 2025. The directors now believe the profits in the submitted return were understated.

Luca and Raul have requested an explanation of the penalties and interest that may be due.

The partner, James, has asked you to help with the client acceptance procedures and to draft a proposed reply to Luca and Raul's queries.

Requirements:

1) Draft a memorandum to James setting out the client acceptance procedures and risk considerations according to the Professional Rules and Practice Guidelines that are relevant to Dout Ltd. (5)

2) Draft an email to Luca and Raul in which you explain:

a) The due dates for filing and payment;

b) The potential penalties for Dout Ltd; and

c) The interest for which Dout Ltd may be liable. Calculations are not required.

Assume the date is 6 May 2026. (10)

Total (15)

ATTP2M26_Q1-ATT P2 Q1

ATTP2M26_Q1-ATT P2 Memory Joggers

ATTP2M26_Q1-ATT TaxTables

ATTP2M26_Q1-ATT Paper 2 BT Manual

ATTP2M26_Q1-ATT Paper 2 CTVAT Manual

ATTP2M26_Q1-ATT Paper 2 ITCGT Manual

Part 1

This is your Excel spreadsheet for Question 5. It is only for your workings: the spreadsheet itself **will not be marked**.

When you have completed your calculations and workings, you **must** copy and paste them into the answer box to be marked.

- ATTP2M26_Q1-ATT P2 Q1
- ATTP2M26_Q1-ATT P2 Memory Joggers
- ATTP2M26_Q1-ATT TaxTables
- ATTP2M26_Q1-ATT Paper 2 BT Manual
- ATTP2M26_Q1-ATT Paper 2 CTVAT Manual
- ATTP2M26_Q1-ATT Paper 2 ITCGT Manual

Response

Part 2

This is your answer box for Question 5. If you use the Excel spreadsheet, you **must** copy and paste any calculations and workings that accompany your answer into this box

Response

Part 2

To: Luca and Raul

From: A tax adviser

Date: 06/05/2026

Subject: Advice on Dout Ltd's filing, payment and penalties

Hi Both,

Hope you are doing well.

Thank you for reaching out us regarding your new company. This email will clarify your doubts regarding the due dates, payment dates and potential payments and interest to be date.

Due dates for filling

The first accounting period runs from 1 January 2023 to 31 March 2024, so for 13 months. In this case two separate corporation tax return have to be files, one for first 12 months and one for later short 3 months. However both will be filed together and due dates will be same.

The normal filing due date is 12 months after the end of the accounting period.

However since the filing notice have been issued by HMRC, the due dates then will be 3 months from the receipt of the filing notice. Hence,

- 31 March 2024 - Due date is 29 July 2024
- 31 March 2025 - Due date is 28 July 2025.

Due dates for payments

The due dates for payments depends on the size of the company. If the augmented profit of the company doesn't exceeds £1.5 million, corporation tax is payable by 9 months and 1 day after the date of the accounting period. Hence,

- 31 March 2024 - Payment date is 1 January 2025
- 31 March 2025 - Payment date is 1 January 2026.

If the augmented profit exceeds £1.5 million, the corporation tax have to be paid in installments.

Penalties & Interest

Here Penalties will apply for not filing the 31 March 2024 return and understating the 31 March 2025 return. late filing penalty will also apply for 31 March 2026.

- The penalties will be flat £100 where the return is filed late.
- This doubles to £200 where return is filed three months late.
- Where return is not filed after 18 months, tax geared penalty applies for 10% of the corporation tax liability for 18 months late and 20% of the corporation tax liability for more than 2 years late.

Interest on late payment will be charged at 7%.

Interest on underpaid corporation tax paid is 5.5%.

Do let me know if you have any questions on this.

Best regards,

A Tax Adviser.

Question 6 /15

Question 1 0/15

Flick Ltd has traded for many years as a furniture manufacturer preparing accounts to 31 December each year. On 31 December 2025, the company accounts include:

	£
Freehold building: factory (cost £150,000 June 2018)	125,000
Plant and machinery	86,000

Hugo has been the only director and shareholder of Flick Ltd since its incorporation on 3 March 2000. The share capital is 100 £1 ordinary shares.

Glack Ltd has approached Hugo with an offer to take over the business on 31 December 2026 and has suggested two alternative methods for this:

Alternative 1

Glack Ltd will pay a premium of £40,000 for a 25-year lease on the factory. The freehold reversion is valued at £160,000. It will also buy the plant and machinery for around £75,000. None of the plant will be sold for more than cost.

Alternative 2

Glack Ltd will buy Hugo’s shares at the market value at the date of the sale.

Office building

Flick Ltd also uses an office building in its trade. Hugo owns the office building. He bought the building in September 2018 and immediately started to rent it to Flick Ltd. He currently charges a rent of £25,000 per annum. A similar office building would be available to rent at £30,000. Glack Ltd doesn’t want to take over the office building. So the two options available to Hugo are:

a) To sell the office building on 31 December 2026; or

b) To rent the office building to a new tenant and sell in two years’ time.

Requirements:

1) Calculate the chargeable gain on the lease, under Alternative 1. (3)

2) Explain the Corporation Tax implications for Flick Ltd and the Capital Gains Tax implications for Hugo of the two alternatives for the sale of the business. (7)

3) Assuming Hugo sells the shares in Flick Ltd (Alternative 2), explain the Capital Gains Tax implications for Hugo of the two options relating to the office building. (5)

Total (15)

ATTP2M26_Q1-ATT P2 Q1

ATTP2M26_Q1-ATT P2 Memory Joggers

ATTP2M26_Q1-ATT TaxTables

ATTP2M26_Q1-ATT Paper 2 BT Manual

ATTP2M26_Q1-ATT Paper 2 CTVAT Manual

ATTP2M26_Q1-ATT Paper 2 ITCGT Manual

Part 1

This is your Excel spreadsheet for Question 6. It is only for your workings: the spreadsheet itself **will not be marked**.

When you have completed your calculations and workings, you **must** copy and paste them into the answer box to be marked.

ATTP2M26_Q1-ATT P2 Q1

ATTP2M26_Q1-ATT P2 Memory Joggers

ATTP2M26_Q1-ATT TaxTables

ATTP2M26_Q1-ATT Paper 2 BT Manual

ATTP2M26_Q1-ATT Paper 2 CTVAT Manual

ATTP2M26_Q1-ATT Paper 2 ITCGT Manual

Response

1-part1-ATTP2M26_Q6.xlsx

Part 2

This is your answer box for Question 6. If you use the Excel spreadsheet, you **must** copy and paste any calculations and workings that accompany your answer into this box

Response

Part 1

Calculation of chargeable gains on short lease		
		£
Sales Proceeds [125000*2%*(25-1)]		60,000
Less: Cost [150000*(60000/40000+160000)]		-45,000
Chargeable gain		**15,000**

No chargeable gain will arise in plant and machinery disposal.

Part 2

Alternative 1

Hugo

There will immediate chargeable gain on the granting of lease to Flick Ltd and the Hugo will have to pay chargeable gains tax.

Plant and machinery is wasting chattel so will not impact Hugo's personl tax return.

Flick Ltd

Flick Ltd is eligible for a premium of £40,000 from Glack Ltd, but this a taxable incom from Flick Ltd's trade profit.

Plant and machinery will be addition to Glack Ltd's fixed assets and they can deduct capital allowance on it. Flick Ltd will have to show disposal, and charge profit or loss on disposal from its trade profit.

Alternative 2

Hugo

Since Hugo has been the only director and shareholder of flick Ltd from 3rd March 2000. This is his personal company.

Disposal of director/shareholders personal company will result in Business Asset Disposal Relief (BADR) claim for Hugo, where his gain on disposal of shares will be charged at 14% only.

BADR is available for a individual who is a director/employees in the selling company, holds atleast 5% of the share and hold more than 2 years prior to disposal. Here Hugo is eligible for all, so he can claim BADR.

Flick Ltd

There will be no corporation tax implication for sale of shares.

Part 3

a) If Hugo sells his shares, the building which is used by Flick Ltd will also have to be sold as a associate disposal.

This is also eligible for BADR claim, however relief on an associated disposal will be restricted if the individual charges rent for the use of the asset. Here Hugo charges £25,000 rent, this amount have to be deducted while calculating gain.

b) If Hugo decides to rent the building to a new tenant, he will receive rent of the current market value of £30,000. This will be part of his property income and will be charged accordingly on his non-savings marginal rate.