ATT Paper 4 Corporate Taxation

ATT Paper 4 Corporate Taxation May 2026

0/98

Cover Page

THE ASSOCIATION OF TAXATION TECHNICIANS

ATT PAPER 4 CORPORATE 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: 22 marks

Question 2: 19 marks

Question 3: 20 marks

Question 4: 22 marks

Question 5: 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 /22

Question 1 0/22

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:

Income	£
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

Expenditure	£
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_2 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:

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

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)

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ATTP4M26_Q1-ATT Tax Tables

ATTP4M26_Q1-ATT Paper 4 CT Manual

ATTP4M26_Q1-ATT Paper 4 OT Manual

ATTP4M26_Q1-ATT Paper 4 Required Knowledge from Paper-2 Manual

ATTP4M26_Q1-ATT P4 Q1

Part 1

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ATTP4M26_Q1-ATT P4 Q1

Response

1-part1-ATTP4M26_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

1)

Icarus Ltd is a close company as it is controlled by Hannah. Close companies are companies that are UK resident and controlled by five or few participators.

Closed Investment holding companies (CIHC) - From 1/4/23 a CIHC is charged corporation tax at main rate (25% FY 2023 and 2025) regardless of the level of profits. Since Icarus main trade is investment business (Shares and rental)it is considered as CIHC for corporation tax purpose.

2)

	FYA	GP	SRP	CA
TWDV	-	25,750	12,500	-
Additions	5,750	-	-	-
	2,500	-	27,500	-
Disposal	-	-	-7,500	-
	8,250	25,750	32,500	-
FYA 100%	-8,250			8,250
WDV 18%		-4,635		4,635
WDV 6%			-1,950	1,950
Balance	-	21,115	30,550	-
Total CA				14,835

3)

Date	Shares	cost
Mar-14	3,000	10,000
Indexation (Dec 17) (278.1-254.8)/254.8 (0.091 x 10000)	-	910
Apr-18	5,000	27,500
June 2022 (Bonus issue - 1:2)	4,000	-
	12,000	38,410
Disposal	-8,000	-25,607
Balance	4,000	12,803

Proceeds	40,000
Cost	-25,607
Gains	14,393

4)

Bank income		2,000
Rental receipts		280,000
Dividends - exempt		-
Chargeble gains on Crimson shares	14,393	

Loss on car	-3,000	11,393
Expenses:		
Depreciation - not allowable	-	-
Staff entertaiment	300	-
Salaries	-30,000	-
Insurance	-8,800	-
Commission	-2,000	-
Audit expenses	-3,200	-
Repairs	-5,400	-
Legal fees	-650	-
Interest on late payment of CT	-200	-49,950
		243,443
Capital Allowance		-14,835
QCDs		-500
TTP		228,108

5)

CT payable:

228108 @25%	57,027

Since Icarus is a CIHC the corporation tax is at main rate of 25%

Question 2 /19

Question 1 0/19

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:

<u>VAT</u>

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?

<u>Corporation Tax</u>

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.

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)

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Part 1

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ATTP4M26_Q1-ATT P4 Q1

Response

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

2)

We transport Ltd has associated companies. Associated companies are - Long Haul Ltd (55%) and Trucking Ltd (75%). WT Ltd is dormant so not considered as associated company along with Bronco Ltd since We transport Ltd is holding only 20%.

Profits are above the threshold of large companies (1.5 million, this will be apportioned based on number of associated companies) and very large companies (20 Million/3 ie., 6,666,667). We transport Ltd is a very large company.

3)

TTP for YE 3/4/26 - 9800000

CT @ 25% - 2450000

Amount due for each instalment - 3/12 x 2450000 = 612500

Due dates:

1st instalment - 14/8/25 (14th day of three month counting from start of AP)

2nd instalment 14/11/25

3rd instalment 14/2/26

4th instalment 14/3/26 (14th day of the final month of the AP)

1)

From: Advisors LLP

To: Marie

Subject: We Transport Limited VAT queries

Dear Marie

Thank you for your email. Please see my responses for your queries below:

1) VAT treatment of discounts:

Since Retail Products Ltd makes prompt payment discount can be allowed for this. Since this is an internal policy of the company on discount, this does not have to be a formal arrangement. It is beneficial to make a formal agreement to avoid disputes in future. Output VAT should be considered based on the discounted amount and not the full amount. VAT should be charged on the 97.5% of the invoice value if the discount is given.

2) Private use of fuel:

Since the fuel is used for private purposes for the employee can be allowed as a deduction when calculating the trade profits. Charging fuel can be treated as income since the company is receiving income. Output VAT can be claimed on this.

3) Purchase of vehicles:

Input VAT on purchase of vehicle can be claimed since it is used by employees. No need for apportionment of private and business use for VAT purposes.

4)VAT on entertaiment cost:

VAT can be claimed on entertaiment cost for the staff since its is allowed as business expense. Entertaiment cost of customers is disallowed expense so VAT on this cannot be claimed.

Kind regards

Advisors LLP

Question 3 /20

Question 1 0/20

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.

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)

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Part 1

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ATTP4M26_Q1-ATT Paper 4 Required Knowledge from Paper-2 Manual

ATTP4M26_Q1-ATT P4 Q1

Response

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

1)

PR Business is a mixed partnership since there is a company (Jackson Ltd) as a partner. Corporate partners are used to reduce the overall liability of the partnership.

the taxable profits or losses of the partners who are individuals are calculated using income tax rules

The taxable profit or losses of the partners who are companies are calculated using corporation tax rules.

Loss can be transfer based on the partnership share Jackson Ltd held in PR which is 20%. So only 20% of the total loss of 545000 is allotted to Jackson Ltd .

Since the accounting period of PR and Jackson Ltd is different.The losses will be further apportioned based on accounting period.

2)

Partnership total loss - 545000

Chris share is 27% - 147150

Capital Contribution is 49500

Further to contribute if LLP at loss - 10500

Total loss for Chris is 60000

A member's liability for the losses of an LLP is limited. Sideway loss relief can be claimed and are restricted to each members's contribution to the LLP. Contribution means the capital introduced in the LLP and any further amounts payable if the LLP is wound up. The restriction also applies to cumulative sideways loss/capital gain releif, not per tax year. There is no restrictions on the amount of loss that a member can carry forward under ITA 2007, s.83

Maximum sideway loss is lower of:

- 25000 or
- unrelieved contribution which is 60000

So Chris can use a maximum of 25000 as sideway relief

3)

Complaints and concerns should be dealth with atmost care to ensure better customer service.

Client should always be allowed to raise complaints in the most efficent manners so that their complaints are resolved immediately.

There should be a proper channel of communication to raise complaints. This should't be long or complicated.

Engagement manager should be the first point of contact to resolve any complaints or queries.

if the manager isnt available there should be a proxy or another colleague who can deal with the clients complains. Alternative contact should be provided to the client.

if the client is still not satisfied then the firm should cease working for the client and take feedbacks to improve further.

4)

b) NIC for Jackson Ltd would be Class 1 secondary

Earnings above ST is taxed at 15%

Employment allowance of 10500

Class 1 Secondary

10500 - nil

(59500-5000) x 15% - 8175

a) NIC for Jackson Ltd would be Class 4

LPL - 12570

UPL - 50270

(50270-12570) x 6% - 2262

(70000-50270) x 2% - 395

Total NIC - 2657

Question 4 /22

Question 1 0/22

Nolan Ltd is owned as follows:

	Ownership of ordinary shares	Taxable Total Profits for the year ended 31 January 2026
		£
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
	80,000

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.

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)

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Part 1

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- ATTP4M26_Q1-ATT P4 Q1

Response

1-part1-ATTP4M26_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

1) Nolan Ltd is a consortium company where at least 75% of the company are owned by other companies.

Brody Ltd - 24%

Tennant Ltd - 55%

Deleany Ltd - 8%

Tilman Inc - 6%

Maximum consortium relief available to each consortium member is lower of:

- The consortium company's loss multiplied by the member's interest
- the consortium member's available TTP

Loss relief

Brody Ltd:

TTP - 400,000

Loss relief (1760500 x 24% - 422520. 400000 is lower) - (400000)

Tennant Ltd:

Profit - 1,500,000

Loss relief (1760500 x 55%) - (968275)

TTP - 531,725

Deleany Ltd

Profit - 250000

Loss relief(1760500 x 8%) - (140840)

TTP - 109160

Tilman Inc - A consortium can be established using non-UK resident company but the losses cannot be claimed from or transferred to non-UK company.

Mr Peterson - Individual is not considered for consortium relief

2)

Shares for share exchange are not a disposal for chargeable gains purposes.

Gain will arise on cash received and be taxed immediately. The gain is calculated as per part disposal rule.

Any loan stock provided will be calculated same as cash for the gains but the gains will be frozen until the shares is sold.

Calculations below:

Cash proceeds	16,000
Cost (25000 * 16000/80000)	5,000
Gains chargeable	11,000

Loan stock	14,000
Cost (25000 * 14000/80000)	4,375
Gain - Frozen	9,625

Base cost	
1000 shares in Bank Ltd	15,625
10000 of loan stock	4,375
Cash	5,000

3)

General rule of time period of discovery assessment 4 years from the end of AP. Since the assessment is within the period there is a valid determination by the HMRC.

Brody Ltd can appeal the above determination.

The payment shown is 175000 and the CT paid is 110000. The balance of 65000 should be paid back to HMRC along with a penalty of 30% . This penalty can be avoided if the above appeal is successful.

Question 5 /15

Question 1 0/15

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:

	Marble Ltd	Granite Ltd
	£	£
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)

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ATTP4M26_Q1-ATT Paper 4 Required Knowledge from Paper-2 Manual

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Part 1

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- ATTP4M26_Q1-ATT Paper 4 Required Knowledge from Paper-2 Manual
- ATTP4M26_Q1-ATT P4 Q1

Response

1-part1-ATTP4M26_Q5.xlsx

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

1)

The maximum loss is restricted based on the deduction allowance.

	Marble Ltd	Granite Ltd				
Trading profit	6,275,000	3,695,000				
Bank interest	20,000	-				
Dividends - exempt	-	-				
	6,295,000	3,695,000				
Loss BF(W1)	-4,397,500	-3,097,500				
Chargeable gain	1,150,000	-				
Loss BF	-1,150,000	-				
TTP	1,897,500	597,500				
W1						
Since there is chargeble loss CF gains are set off against the capital loss CF first						
Deduction allowance	5,000,000					
Marble Ltd	2,500,000					
Granite Ltd	2,500,000					
Marble Ltd loss						
lower of:						
21000000						
2500000+50%(6295000-2500000)		4,397,500				
Losses for 30/4/26		4,397,500				
Granite Ltd - Losses can be transferred from Marble Ltd since Marble is holding 80% of Granite Ltd						
lower of:						
21000000						
2500000+50%(3695000-2500000)		3,097,500				

Losses for 30/4/26		3,097,500				

2)

	Trading loss	Capital loss
BF losses	21,000,000	7,000,000
Marble Ltd	-4,397,500	1,150,000
Granite Ltd	-3,097,500	-
CF losses	13,505,000	8,150,000

3)

First of all we need to find out the accounting period.

AP for Bluestone Ltd

1/1/24 - 31/12/24

1/1/25 - 31/3/25

Notification of chargeability must be made to HMRC within 3 months of the start of first AP.

CT600 return and financial statements of the company must be submitted to HMRC by the later of:

- 12 months after the end of the period of account
- 3 months from the receipt of the filing

Corporation tax returns must be filed online. For long period of account there are 2 APs and 2 CT600s but both are due on the same day.

Dates to file CT600 is 31/3/26

Tax should be paid within 9 months and 1 day after the end of AP

so for YE 31/12/24 payment date is 1/10/25. For YE 31/3/25 payment date is 1/1/26.