# 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)

ATTP4M26_Q1-Tolley ATT Paper 4 Memory Joggers

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 Paper 4 Required Knowledge from Paper-2 Manual

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) A close company is a company that is:

- resident in the UK; and
- controlled by either:
  - 5 or fewer participators; or
  - any number of participator directors

As Icarus Ltd is wholly owned by Hanna and is resident in the UK, it meets the criteria for a close company.

To be a close investment company you must be deriving income wholly or partly from the making of investments. Therefore, meets the criteria of an investment company.

Icarus Ltd is therefore a close investment company.

2)

| | | AIA | Main Pool | Special Rate Pool | CA's |
|---|---|---|---|---|---|
| TWDV b/f | | | 25,750 | 12,500 | |
| Additions: | | | | | |
| New office equipment | | 5,750 | | | |
| New computer equipment | | 2,500 | | | |
| Car (75g/km) | | | | 27,500 | |
| Disposal | | | | | |
| Car (120g/km) | | | | -7,500 | |
| | | 8,250 | 25,750 | 32,500 | |
| AIA @ 100% | | -8,250 | | | 8,250 |
| Main Rate @ 18% | | | -4,635 | | 4,635 |
| Special Rate @ 6% | | | | -1,950 | 1,950 |
| TWDV C/f | | - | 21,115 | 30,550 | |
| CA's | | | | | 14,835 |

3)

| Date | | Shares | Cost |
|---|---|---|---|
| | | | £ |
| Mar-14 | | 3,000 | 10,000 |
| Indexation to December 17 | (278.1-254.8)/254.1 x 10,000 = 0.092 x 10,000 | | 920 |
| Apr-18 | | 5,000 | 27,500 |
| | | 8,000 | 38,420 |
| Jun-22 | | 4,000 | |
| Total | | 12,000 | 38,420 |

| | | |
|---|---|---|
| Proceeds | | 40,000 |
| Less: Cost | 8,000/12,000 x 38,420 | -25,613 |

| | | | |
|---|---|---|---|
| Gain | | | 14,387 |

4)

| | | £ |
|---|---|---|
| Non Trading Profits (LR) | W1 | 1,800 |
| Property Income | W2 | 265,100 |
| Chargable Gain | | 14,387 |
| Less: CA's | | -14,835 |
| Total Income | | 281,287 |
| Less: | | |
| Depreciation | Not allowable deduction | - |
| Staff entertaining | | -300 |
| Management expenses | W3 | -34,300 |
| Loss on disposal of car | | -3,000 |
| Less: QCD | | -500 |
| TTP | | 243,187 |

| W1 | | £ |
|---|---|---|
| Bank interest receiveable | | 2,000 |
| Less: Interest on late payment of CT | | -200 |
| Non Trading Profits (LR) | | 1,800 |

| W2 | | £ |
|---|---|---|
| Rental receipt | | 280,000 |
| Less: Insurance | | -6,500 |
| Repairs | | -5,400 |
| Legal fees | | -3,000 |
| Property Income | | 265,100 |

| W3 | | £ |
|---|---|---|
| Insurance | | 2,300 |
| Salaries | | 30,000 |
| Comission | | 2,000 |
| Management expenses | | 34,300 |

5)

| | | £ |
|---|---|---|
| TTP | | 243,187 |
| Dividends | | 5,000 |
| Augmented Profits | | 248,187 |
| Upper Limit | Assume no connected comapnies | 250,000 |
| Lower Limit | | |
| CT @ 25% | | 62,047 |
| Less: Marginal Relief | | -27 |
| CT Liability | | 62,020 |

# 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:

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.

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)

ATTP4M26_Q1-Tolley ATT Paper 4 Memory Joggers

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

This is your Excel spreadsheet for Question 2. 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.

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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

From: Tax Advisor

To: Marie

Date: Todays Date

Hi Marie,

I hope this finds you well.

Please find the email below outlining the queries you have above:

1)

VAT

a)

As the supplier, there are two possible treatments to take when prompt payment discount options are available. These are:

Method 1 – the supplier issues a credit note to evidence the reduction in consideration. A copy of the credit note must be retained as proof of that reduction.

Method 2 – if the supplier does not wish to issue a credit note the invoice must include the terms of the prompt payment discount and must refer to the time by which the discounted price must be paid, and a statement that the customer can only recover as input tax the VAT paid to the supplier.

HMRC have suggested that it might for sensible for suppliers who do not wish to issue a credit note to include the discounted price, the VAT due on the discounted amount and the total amount due if the customer takes advantage of the prompt payment discount on their sales invoices.

Suppliers can adjust their records to record the amount of VAT actually due on supplies where the customer has taken advantage of the prompt payment discount. Suppliers will need to retain adequate evidence to support any

reduction in the input tax where they do not issue a credit note (ie the copy of the invoice and satisfactory evidence that the customer paid the discounted amount).

If the supplier receives the discounted amount from a customer who did not satisfy the terms of the discount, VAT must be accounted for on the full amount. The supplier can make a claim for bad debt relief if the customer does not remit the additional amount due.

Customers receiving invoices from suppliers offering a prompt payment discount need to ensure that they recover the correct amount of input tax which will be dependent on whether they take advantage of the discount or not.

b)

There are four available choices when considering motor fuel for private use. These are:

Choice 1 - The first choice is that it could claim all input tax incurred on the fuel purchased and then, using specific fuel scale charge set by HMRC, calculate the appropriate output tax. The scale charges are dependent on the $CO_2$ rating of the car and are set by way of statutory instrument.

Choice 2- The second choice is to claim absolutely no input tax on the fuel purchased. As there are no input tax issues there is no need for any output tax calculations.

Choice 3 - The third choice is for a business to keep detailed mileage records so that it can prove that the fuel it bought is only used for business purposes and effectively the business therefore does not pay anything towards the cost of fuel used for private purposes. In such a case, input tax can be recovered on the business proportion

and there is no output tax charge.

Choice 4 - The fourth choice is to recover all input VAT and make a charge to the employee for the cost of the private fuel element. In this case, VAT must be accounted for on the amount charged to the employee. However, where the charge is artificially

low, VAT must be accounted for on the open market value of the supply.

Currently, choice 4 is being undertaken. However, with 10p per liter being charged, this would be deemed artificially low, and hence VAT must be accounted for on the open market value of the supply.

c)

If a supply is purchased which is used partly for business purposes and partly for non-business purposes, then the input tax on the supply has to be apportioned and only the input tax which relates to the business purpose is available for credit. VATA 1994, s.24(5)

Therefore, only the input tax associated with the business use of the vans are included.

d)

In certain cases input tax is specifically irrecoverable. The blocking order includes input tax on business entertaining – input tax can never be recovered on these items even if the trader meets all the conditions outlined in this

chapter. SI 1992/3222

‘Business entertainment’ means entertainment (including hospitality of any kind) provided by a taxable person in connection with a business carried on by him, but does not include the provision of any such entertainment for either or both:

- employees of the taxable person, or
- if the taxable person is a company, its directors or persons engaged in the management of the company,

unless the provision of entertainment for such persons is incidental to its provision for others. SI 1992/3222, Art 5(3)

Staff entertainment. HMRC accept that where an employer provides entertainment for the benefit of its employees (eg to reward them for good work or to maintain and improve staff morale), it does so wholly for business purposes.

Thus, the VAT incurred on entertainment of employees (eg staff parties, team building exercises, staff outings and similar events) is input tax and is not blocked from recovery under the business entertainment rules.

2)

Companies which are large or very large are required to pay their CT by installments.

A company is large if augmented profits exceed £1.5 million and do not exceed £20million.

A company is very large if augmented profits exceed £20 million.

These limits are proportionately reduced for short accounting periods and the number of associated companies at the end of the previous accounting period.

You have one associated companies during the period ended 30 April 2025, therefore the limits are:

Large Company: £750,000 - £10million

Very Large company: £10mn+

Therefore for the periods ended 30 April 2025 you are a very large company.

You have two associated companies during the period ended 30 April 2026, therefore the limits are:

Large Company: £500,000 - £6.67million

Very Large company: £6.67mn+

Therefore for the periods ended 30 April 2026 you are a very large company.

The investment in Trucking Ltd is only relevant for period ended 30 April 2026.

WT Ltd is a dormant company, and therefore excluded as an associated company.

Large companies and very large companies are required to pay their corporation tax by instalments.

The amount of corporation tax due for each instalment is calculated as:

3/n × estimated corporation tax liability for current accounting period

In the formula above, n is the number of months in the accounting period.

Installment dates for large companies are:

- The first instalment is due on the 14th day of month seven counting from the start of the accounting period.
- Further instalments are each due three months after the previous instalment.
- The final instalment is always due three months plus 14 days counting from the end of the accounting period.
- In short accounting periods where there is only one instalment it is due on the final instalment date.

Installment dates for very large companies are:

- The first instalment is due on the 14th day of month three counting from the start of the accounting period.
- Further instalments are each due three months after the previous instalment.
- The final instalment is always due on the 14th day of the final month of the accounting period.
- In short accounting periods where there is only one instalment it is due on the final instalment date

There are exemptions for when installments are not required.

If a large company has augmented profits of less than £10 million, it will not be required to make instalment payments if it was not large or very large in the previous accounting period. The £10 million threshold is reduced for short accounting periods and also divided by the number of associated companies at the end of the previous accounting period.

Unlike when a company first becomes large, there is no exception made for a company when its profits first exceed the very large company limit.

Large and very large companies do not have to pay by instalments if the corporation tax liability for that period is not more than £10,000 (reduced proportionately if the accounting period is less than 12 months).

3)

For the period ended 30 April 2026 the payment dates and amounts will be (based on TTP of £9,800,000):

Total CT liability @ 25% = £2,450,000

| Payment Date | Amount |
|---|---|
| | £ |
| 14 July 2026 | 612,500 |
| 14 November 2026 | 612,500 |
| 14 January 2027 | 612,500 |
| 14 April 2027 | 612,500 |

Kind regards,

Tax Advisor

# 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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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-Tolley ATT Paper 4 Memory Joggers

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ATTP4M26_Q1-ATT Paper 4 OT Manual

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

ATTP4M26_Q1-ATT P4 Q1

## Response

1-part1-ATTP4M26_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

1)

2) Sideways loss relief/capital gains relief claims are restricted to reach members contribution to the LLP.

This is the capital introduced into the LLP, and any further amounts payable if the LLP is wound up i.e. 49,000+10,500 = £60,000

Sideways loss relief is setting off losses against non-trading income in the same or previous tax years.

Capital gains relief is setting off losses against capital gains in the same or previous years.

| | | £ |
|---|---|---|
| LLP loss | | 545,000 |
| Chris' share of loss | | 147,150 |
| Restricted to: | | 60,000 |

There may be further elements where Chris is a non-active member of the LLP. This is someone who does not devote ten hours per week or more on average to working in the business. There is not enough information provided to know if this is satisfied.

The ‘relief cap’ always applies. Therefore, the maximum amount of losses which can be set off against non-trading income in any tax year for any individual is either 25% × adjusted total income or £50,000, whichever is HIGHER. This applies to EVERYONE.

Any losses which can’t be relieved can always be carried forward against future trading profits.

Further restrictions re sideways loss relief and capital gains relief apply to certain partners.

The statutory rules setting out these restrictions are at ITA 2007, s.103 onwards.

3)

Complaints should will dealt with in line with the ATT's PRPG. Therefore Angel & Co should deal with complains in the following order:

- Follow the process outlined in the engagement letter
- Acknowledge the complaint in writing
- Investigate the complaint prompty
- Inform PII insurers if there are grounds to the complaint.

Additionally, it is possible for clients to complain directly to the Taxation Disciplinary Board (TCB), which is independent of CIOT and ATT.

- Information requests here must be responded to without 'unreasonable delay'; and
- Failure to respond is a disciplinary matter.

4)

a) As a self employed consultant class 4 NIC will be due:

| | | £ |
|---|---|---|
| Trade Profit | | 70,000 |
| LPL | | 12,570 |
| UPL | | 50,270 |
| 37,700 | @ 6% | 2,262 |
| 19,730 | @ 2% | 395 |

| | | |
|---|---|---|
| NIC Due | | 2,657 |

b) As an employee of Jakeson Ltd, the company would be subject to Class 1 secondary NIC.

| | | £ |
|---|---|---|
| Salary | | 70,000 |
| ST | | 5,000 |
| NI Paid on | | 65,000 |
| NIC @ 15% | | 9,750 |

Assumption is made the employment allowance has already been used.

And the employee will be subject to Class 1 primary:

| | | £ |
|---|---|---|
| Salary | | 70,000 |
| PT | | 12,570 |
| UEL | | 50,270 |
| 37,700 | @ 8% | 3,016 |
| 19,730 | @ 2% | 395 |
| NIC Due | | 3,411 |

# 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)

ATTP4M26_Q1-Tolley ATT Paper 4 Memory Joggers

ATTP4M26_Q1-ATT Tax Tables

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

ATTP4M26_Q1-ATT P4 Q1

## Part 1

This is your Excel spreadsheet for Question 4. 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.

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ATTP4M26_Q1-ATT Tax Tables

ATTP4M26_Q1-ATT Paper 4 CT Manual

ATTP4M26_Q1-ATT Paper 4 OT Manual

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## 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) A consortium exists where at least 75% of the shares of the company (the consortium company) are owned by other companies (the consortium members). Each member must own 5% or more of the consortium company.

Both of these criteria are met. Nolan Ltd is the consortium company and the consortium members are Brody Ltd, Tennant Ltd, Delany Ltd and Tilman Ltd.

Mr Peterson is an individual and is therefore not a member of the consortium.

Tillman Inc, even though it is a non-UK resident company is a member of the consortium. However, losses cannot be claimed from or transferred to Tillman Inc as it is a company which are is not subject to UK Corporation Tax.

When the consortium company makes a loss, the maximum consortium relief available to each consortium member is the lower of:

- the consortium's company's loss multiplied by the consortium member's interest in the consortium company; and
- the consortium members available TTP

If the consortium has other income, it is deemed that a current year claim has been made before the consortium relief is calculated. However, Nolan Ltd does not have any additional income and therefore the full loss is available for consortium relief.

| | Ownership of shares | TTP | Consortium company loss x ownership % | Max relief available |
|---|---|---|---|---|
| | | £ | £ | £ |
| Brody Ltd | 24% | 400,000 | 422,520 | 400,000 |
| Tennant Ltd | 55% | 1,500,000 | 968,275 | 968,275 |
| Delaney Ltd | 8% | 250,000 | 140,840 | 140,840 |

| | |
|---|---|
| Loss Memarandum | £ |
| Loss y.e. 31.1.26 | 1,760,500 |
| Used: Brody Ltd | -400,000 |
| Used: Tennant Ltd | -968,275 |
| Used: Delaney Ltd | -140,840 |
| Remaining Loss | 251,385 |

2)

The sale of the shares in Banks Ltd does not meet the criteria for a substantial shareholding exemption an it has not held at least 10% of the available shares.

The shares were purchased in December 2018 therefore no indexation.

| | | |
|---|---|---|
| Cash Gain | | £ |
| Proceeds | | 16,000 |
| Less: Cost | 25,000*16,000/8,0000 | -5,000 |
| Gain | | 11,000 |

| | | |
|---|---|---|
| Shares Gain | | £ |
| Proceeds | | 50,000 |
| Less: Cost | 25,000*50,000/80,000 | -15,625 |
| Gain | | 34,375 |

| | | |
|---|---|---|
| Loan stock Gain | | |
| Proceeds | | 14,000 |
| Less: cost | 25,,000*14,000/8,0000 | -4,375 |
| Gain | | 9,625 |

The gain on cash is chargrable within the period.

The gain on shares affects the base cost

3)

# 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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## Part 1

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## 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)

| | | Marble Ltd | Granite Ltd |
|---|---|---|---|
| | | £ | £ |
| Trading Profit | | 6,275,000 | 3,695,000 |
| Bank Interest | | 20,000 | - |
| Charegable Gain | | 1,150,000 | - |
| Unrelieved Profits | | 7,445,000 | 3,695,000 |

| | | Marble Ltd | Granite Ltd |
|---|---|---|---|
| | | £ | £ |
| Trading Profit | | 6,275,000 | 3,695,000 |
| Bank Interest | | 20,000 | - |
| Charegable Gain | W1 | - | - |
| Total Profit | | 6,295,000 | 3,695,000 |
| Less: b/f losses | W3 | -4,972,500 | |
| Less: Group relief | W4 | | -1,260,000 |
| TTP | | 1,322,500 | 2,435,000 |

| W1 | | £ |
|---|---|---|
| Capital Gain y.e. 30.4.26 | | 1,150,000 |
| Less: c/f capital loss | W2 | -1,150,000 |
| Chargable Gain y.e. 30.4.26 | | - |

=

| W2 | | | £ |
|---|---|---|---|
| This is the lower of: | | | |
| c/f unrelieved loss | | | 7,000,000 |
| deductions allowance + 50% x (unrelieved profits - deductions allowance) | 0 + 50% x (7,445,000-0) | N1 | 3,722,500 |

N1 - £0 of the deductions allowance is allocated to Capital Loss

| W3 | | | £ |
|---|---|---|---|
| This is the lower of: | | | |
| c/f unrelieved loss | | | 21,000,000 |
| deductions allowance + 50% x (unrelieved profits - deductions allowance) | 2,500,000 + 50% x (7,445,000-2,500,000) | N1 | 4,972,500 |

| W4 | | | £ |
|---|---|---|---|

| | | | |
|---|---|---|---|
| This is the lower of: | | | |
| c/f unrelieved loss | | | 21,000,000 |
| deductions allowance + 50% x (unrelieved profits - deductions allowance) | 2,500,000 + 50% x (3,965,000-2,500,000) | N1 | 1,260,000 |

2)

| Loss Memorandum - Trade Losses | | £ |
|---|---|---|
| b/f loss | | 21,000,000 |
| Used: c/y loss | | -4,972,500 |
| Used: Group Relief | | -1,260,000 |
| Remaining loss (in Marble Ltd) | | 14,767,500 |

| Loss Memorandum - Capital Losses | | £ |
|---|---|---|
| c/f capital losses | | 7,000,000 |
| Used | | -1,150,000 |
| Remaining capital loss (in Marble Ltd) | | 5,850,000 |

3)

Bluestone Ltd stared to trade on 1 January 2024.

Notification of chargeability must be done within 3 months of the start of its first AP. i.e by 31 March 2024.

Bluestone Ltd will be required to file the CT return (CT600) must be submitted to HMRC by the later of:

- 12 months after the period of account
- 3 months from the receipt of the filing notice (CT603)

For the Period of Account 1 January 2024 - 31 March 2025 the CT600 must be submitted to HMRC online by 31 March 2026.

This includes a full copy of the company accounts, suitably 'tagged' in iXBRL format.

As this is a long period of accounts there are two Accounting Periods. These are 1 January 2024 - 31 December 2024, and 1 January 2025 -31 March 2025.

Two CT600s are therefore due, one for each AP. Both of these are due on the same date. i.e. 31 March 2026/