ATT Paper 2 Business Tax Exam

Candidate no: [redacted]

Question 1:

Saul – 10 months to 31st March 2026 (default Cash basis as not mentioned)

1)

Sales Receipts	46,000
Sale of Motor Cycle - Disallowed	0
Income Received	46,000
Less: COS	
Plumbing supplies - allowed	(24,000)
Motor Exp - 5,300 disallowed on cash basis	0
Motor Exp mileage claimed instead - Motorcycle (01.06.25 to 01.09.25) Bus miles 400 x 24p / mile	(96)
Motor Exp - Car (01.06.25 to 31.03.26) Bus miles 6,200 x 45p / mile	(2,790)
Wages - Not allowed	0
Use of Home claimed for Business Use (W1)	(578)
Storage Unit Costs - Business use 3,750 x 2/3	(2,500)
Taxable Trading Profit - 10 me 31st March 26	16,036

(W1) Use of Home for Business
Period 10 me 31st March 26

Council Tax	1,200
Insurance	300
Mortgage Interest	2,400
	3,900
3,900 x 1/8 = 487.50	488
Gas & Elec - 900 x 10% (use this as by room less beneficial)	90
	578

2)

Van - under cash Basis is considered Plant & Machinery so cant be written done – no CA's can be claimed. The full capital expenditure is claimed as an allowable expense.

Car – we would claim CA's

VAN Option

In year one - Full purchase cost allowed less 30% Pvt use: 24,000 x 70% =	16,800
Year 3 sales proceeds - 15,000 x 70% bus use	(10,500)
Net	6,300
Tax @ 20% BR - 6,300 x 20%	1,260
Class 4 NIC - 6,300 x 6%	378
Total tax Savings	1,638

Car Option

Purchase cost 24,000

CA's will be claimed via SRP @ 6% WDA PA

Year 1: 24,000 x 6% = 1,440

Year 2: (24,000 – 1,440) x 6% = 1,354

Year 3: (24,000 – 1,440 – 1,354) x 6% = 1,272

If sells in Yr 3 @ 15,000 there will be a Balancing Allowance.

TWDV = 21,287.62 - 15,000 = 6,287.62

Total CSA's claimed = 24,000 – 15,000 = 9,000 x 70% Business Use = 6,300

Net	6,300
Tax @ 20% BR - 6,300 x 20%	1,260
Class 4 NIC - 6,300 x 6%	378
Total tax Savings	1,638

3)
So both options have the same net effect but the van is still the best option as Saul can claim VAT on the VAN @ 70% business use. The car – no vat can be claimed as it has PVT use and vat rules don't allow this.

Saul must hold a valid VAT invoice from the supplier showing name, address, VAT no. Invoice date. Invoice no. Details of purchase as well as the price excl & Including vat

Question 2:

1)

Loss as per accounts for the period ending 31st December 2025	(43,600)
Add: disallowable expenditure	
Depreciation	13,000
Leg & Prof : costs ref building sale not allowed	3,300
Leg & Prof : Auctions costs not allowed	1,000
Client Ent - not allowed (1,250 x 10/25) - Staff Portion allowed	500
QCD's	600
Add: non trading expe - Rental exp	15,800
Add: Shared factory exp (18,200 x 50%)	9,100
Less income not taxed as trading income:	
Rental income	(36,000)
Profits on disposal of fixed assets	(133,700)
Tax loss Before CA's	(170,000)
Split - 9 me 30.09.25 (company Ceased Trading) (170,000 x 9/12)	(127,500)
3 me 31.12.25 - (170,000 x 3/12)	(42,500)

	AP 1 (9m)	AP 2 (3m)
Adjusted Trading Losses (before CAs) x 9/12 & 3/12	(127,500)	(42,500)
Add B/C	31,600	0
Taxable Trading Profit	(95,900)	(42,500)
NTLR	0	0
Prop Income	0	0
Gains	0	0
Total profits	(95,900)	(42,500)
Less: QCDS	0	0
TTP	(95,900)	(42,500)

(W1)

9 me 30.09.25	GP 18%	Total CAs Claim
Tax wdv b/f	15,400	
Additions	0	
Disposals (S/P 48,000 - 1,000 auction cost)	(47,000)	
Subtotal before allowances	(31,600)	
B/C	31,600	31,600
WDA @ 6% (Special Rate Pool)		0
Tax wdv c/f	0	
Total Capital Allowances Claim		0

2)

For Corporation Tax purposes, an accounting period cannot exceed 12 months. When Jazu Ltd ceased trading on 30 September 2025, its current 12-month period split into two distinct accounting periods. 9 months to 30.09.25 & 31.12.25

Return Filing deadline dates: 30.09.25 due by 30.09.26 & 31.12.25 due by 31.12.26

Payment dates: 30.09.25 payment due by 1st July 26 & 31.12.25 due by 1st October 2026

Question 3:

Email:

To: Akshar & Ulrika

From: Tax Technician

Subject: CGT Position on Disposal of Shares in Payprop Ltd

Date: Sept 2026

Dear Akshar and Ulrika,

Following the offer from Talass plc to acquire 100% of the share capital of Payrop Ltd for 5,000,000 in total, I have detailed below the Capital Gains Tax (CGT) position for each shareholder upon completion of the transaction which I have based it on the expected September 2026 date.

Shares:

1. Akshar
    - 500 shares (500 / 1,250 = 40% shareholder)
    - Selling Price: 1,250 / 5,000,000 = 4,000 value per share
    - Proceeds: 500 shares x 4,000 = 2,000,000
    - Cost: 500 shares @ par = 500
    - Gain: 2,000,000 – 500 = 1,999,500
    - Aksshar will qualify for BADR:
        - he held more than 5 % shares and held for more than 2 yrs.
        - Is a director / employee of the company

The BADR allowance is a lifetime £1m and as he has already claimed entrepreneurs relief in 2019 of 500,000 his allowance is reduced by this leaving him with 500,000 to use.

Tax Calculation as follows:

CGT Summary	BADR/IR	Normal
Gains (non BADR 1,999,500 - 500,000 = 1,499,500)	500,000	1,499,500
Less: Current year capital losses		0
Less: AEA		(3,000)
Less: Capital losses b/f		0
Taxable gains	500,000	1,496,500
500,000 @ 14% BADR / IR	70,000	
1,496,500 24%	359,160	
Total CGT	429,160	

2. Ulrika
    - 400 shares after gift of shares = 32% shareholder)

- Proceeds: 400 shares x 4,000 = 1,600,000
- Cost: 400 x £1 = 400
- Gain: 1,600,000 – 400 = 1,599,600
- Ulrika will qualify for BADR:
  - held more than 5 % shares and held for more than 2 yrs.
  - Is a director / employee of the company
  - No previous claim of BADR so has full allowance available

CGT Summary	BADR/IR	Normal
Gains	1,000,000	1,599,600
Less: Current year capital losses		0
Less: AEA		(3,000)
Less: Capital losses b/f		0
Taxable gains	1,000,000	1,596,600
1,000,000 @ 14% BADR / IR	140,000	
1,596,600 @ 24%	383,184	
Total CGT	523,184	

3. Sandi
   - 100 shares = 8% shareholder)
   - Proceeds: 100 shares x 4,000 = 400,000
   - Cost: M/V of gift (60,000) – Gift Relief (59,900) (Joint Gift Relief Claim made so gain deferred)
   - Gain: 400,000 – 100 = 399,900
   - Ulrika will NOT qualify for BADR as she isn't an officer / employee of the business

CGT Summary	BADR/IR	Normal
Gains		399,900
Less: Current year capital losses		0
Less: AEA		(3,000)
Less: Capital losses b/f		0
Taxable gains	0	396,900
0 @ 14% BADR / IR	0	
396,900 @ 24%	95,256	
Total CGT	95,256	

4. Alex
   - 250 shares after gift of shares = 20% shareholder
   - Proceeds: 400 shares x 4,000 = 1,600,000

- Cost: 400 x £1 = 400
- Gain: 1,600,000 – 400 = 1,599,600
- Alex will NOT qualify for BADR as he isn't an officer or employee
- Alex does qualify for Investors relief as shares are unlisted ordinary shares, held for more than at least 3 years and he isn't an employee / officer. Investors relief is taxed @ 14%

To summarise:

	No Of shares	Sales Proceeds	Cost
Akshar	500	2,000,000	500
Ulrika	400	1,600,000	400
Sandi	100	400,000	100
Alex	50	200,000	47,000
Alex (2) - June 2024	200	800,000	580,000
	1,250	5,000,000	628,000

Please let me know if you would like me to discuss tax planning strategies prior to completion.

Kind regards,

Tax Advisor

2)

Confidentiality: A member owes a strict duty of professional confidentiality to the client (Payrop).

Information concerning Payrop tax affairs, historical returns, or tax compliance status is confidential and must not be disclosed to a third party (Talass) without proper, specific, and prior authority from Payrop.

Client Authorization: Before responding to the due diligence questionnaire or providing documents, the practitioner must obtain formal written authority from the board/directors of Payrop (Akshar and Ulrika) authorizing the release of specific tax information to Talass.

Integrity, Accuracy, and Honesty: Once authority is granted, any information provided on behalf of Payrop must be true, accurate, complete, and not misleading.

Misrepresenting facts, concealing known tax liabilities, or providing misleading responses would breach the core principle of integrity and constitute professional misconduct.

Conflicts of Interest: We must ensure they act solely in the best interests of Payrop.

If we are also requested to advise or act for Talass in relation to the acquisition, an unmanageable conflict of interest arises we must decline to act for Talass and maintain client confidentiality at all times.

Question 4:

1)

YE 31st December 2025	FYA @ 100%	AIA @ 100%	GP 18%	Kalebs car	SRP 6%	BU %	CA claim
Tax wdv b/f					2,100		
Additions- Waste Disposal system (14,000 / 1.2)	0	11,667	0	0	0		
Factory Machining installed & Flooring - 168,000 / 1.2)		140,000					
Electric car - HP (no vat claimable as PVT use) - No PVT use deducted as Kaleb will get BIK tax	38,000						
Kalebs car CO2 160g/km				45,000			
Disposal machinery (57,600 / 1.2)			(48,000)				
Disposals car					(1,900)		
			0	0	0		
Subtotal before allowances	38,000	151,667	(48,000)	45,000	200		
B/C disposal Old machinery (57,600 / 1.2)			48,000				48,000
Small Pool Write off as less than £1K					(200)		(200)
FYA @ 100%	(38,000)	-	-	-	-		(38,000)
AIA @ 100%	-	(151,667)	-	-	-		(151,667)
WDA @ 6%	-	-	-	(2,700)	-	× bus 50%	(1,350)
Tax wdv c/f	Nil	Nil	0	42,300	0	-	
Total Capital Allowances Claim						-	(143,217)

1. Waste disposal net of VAT can claim AIA

2. Factory machinery can claim AIA. The factory floor was needed to instal the machinery so cost allowed (deduct VAT)

3.Old machinery claimed AIA previously and no wdv b/f so creates a balancing charge

4. No CA's on a leased car as not owned. Expenses can be claimed on P & L

5. Electric car – vat cant be claimed as PVT use. Full cost claimed under FYA @ 100%

6. Kalebs car – vat cant be claimed as PVT use. Put under single use column and PVT use deducted

7. Disposal of car – Pvt use deducted and only BU claimed.

2)

To determine whether Gary is self-employed or an employee of Kaleb we look at following:

- Control: Kaleb inspects Gary's work every morning and requires Gary to correct any substandard work before opening without additional pay. The company dictates his hours. This indicates a degree of control
- Personal Service: When Gary is sick or on holiday, Kaleb hires agency staff and Gary is not paid. This demonstrates that Gary is not required to provide a substitute at his own expense, supporting a self-employed status.
- Equipment & Provision of Tools: Gary supplies his own cleaning equipment, which is a strong indicator of being self-employed.
- Financial Risk & Profit Opportunity: Gary works for a fixed monthly invoice amount (£1,200) and risks unpaid time. he also works for residential customers during the day, showing he runs his own business with own financial income stream
- Mutuality of Obligation: Kaleb has no obligation to pay Gary when he does not work

Conclusion: On balance, given that Gary provides his own equipment, works for other clients, bears the risk of correcting work in his own time, and is not paid when absent, he is correctly treated as self-employed.

3)

Question 5:

1)

Disposal of factory - 31st Dec 2025	
Gross sale proceeds	686,000
Less: legal fees	(4,000)
Net sale proceeds	682,000
Less: cost incl fees etc (248,000 + 5,200)	(253,200)
Less: Construction, planning & Design (186,000 + 3,000 + 2,500)	(191,500)
Add: SBA (5yrs @ 3% PA x 191,500)	28725
Unindexed gain	266,025
Less: Indexation allowance on cost (253,200 x 278.10 - 252.60) / 252.60	(25,573)
Less: Indexation allowance on enhancement - none as after Dec 2017	0
Chargeable gain before reliefs	240,452

2)

- Both assets are qualifying assets for ROR so land & buildings
- She sold an old asset and bought a new one
- Old asset was used for Business but new asset is only partially used for business so there will only be a partial ROR claim available

3) New factory – Gain on the sale of old factory is deferred by using the base cost on the new factory. So CGT is postponed until new factory is sold.

Industrial Equip: Its an asset that gets depreciated as it has a life less than 50Yrs. It will qualify for holdover relief until the earliest of:

- Disposal of equipment
- Date equip ceases to be used in business
- 10 yrs from date it was acquired so 1st Jan 2036

Question 6:

1)

Land:

Land part disposal	
Gross sale proceeds	38,000
Less:legal fees	(600)
Net sale proceeds	37,400
Less acquisotion cost:	(49,100)

2)

P & M is a wasting chattel and as Val claimed AIA the wasting chattel status is exempt. The losses are also excluded / reduced to NIL

Book – is a NON-Wasting Chattel. The cost was less than £6k but sold for more than £6K. Gain is 10,000 – 2,2400 – 240 = 7,360 but there is a CAP on Chatells

3)

Elections must be made on or before 1st Jan 2028 – 1st anniversary of 31st Jan following the tax year in which disposal takes place (2025/26 tax year)