

Certified Accounting Technician Examination
Advanced Level

Preparing Taxation Computations (UK Stream)

Tuesday 14 June 2011

Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

This paper is divided into two sections:

Section A – ALL TEN questions are compulsory and MUST be attempted

Section B – ALL FOUR questions are compulsory and MUST be attempted

Tax rates and allowances are on pages 2–4.

Do NOT open this paper until instructed by the supervisor.

During reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.

This question paper must not be removed from the examination hall.

The Association of Chartered Certified Accountants

Paper T9 (UK)

The ACCA logo consists of the letters 'ACCA' in a bold, white, sans-serif font, centered within a solid black rectangular background.

SUPPLEMENTARY INSTRUCTIONS

1. Calculations and workings need only be made to the nearest £.
2. All apportionments should be made to the nearest month.
3. All workings should be shown.

TAX RATES AND ALLOWANCES

The following tax rates and allowances are to be used in answering the questions.

		Income tax	
		Normal rates	Dividend rates
		%	%
Basic rate	£1–£37,400	20	10
Higher rate	£37,401 to £150,000	40	32·5
Additional rate	£150,001 and over	50	42·5

A starting rate of 10% applies to savings income where it falls within the first £2,440 of taxable income.

Personal allowance

Personal allowance – standard	£6,475
Income limit for standard personal allowance	£100,000

Car benefit percentage

The base level of CO₂ emissions is 130 grams per kilometre.

A rate of 5% applies to petrol cars with CO₂ emissions of 75 grams per kilometre or less, and a rate of 10% applies to petrol cars with CO₂ emissions between 76 and 120 grams per kilometre.

Car fuel benefit

The base figure for calculating the car fuel benefit is £18,000.

Pension scheme limit

The maximum contribution that can qualify for tax relief without any earnings is £3,600.

Authorised mileage allowances: cars

Up to 10,000 miles	40p
Over 10,000 miles	25p

Capital allowances: rates of allowance

	%
Plant and machinery	
Main pool	20
Special rate pool	10

Motor cars (purchases since 6 April 2009 (1 April 2009 for limited companies))

CO ₂ emissions up to 110 grams per kilometre	100
CO ₂ emissions between 111 and 160 grams per kilometre	20
CO ₂ emissions over 160 grams per kilometre	10

Annual investment allowance

First £100,000 of expenditure	100
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Industrial buildings

Writing down allowance	1
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Corporation tax

Financial year	2008	2009	2010
Small profits rate	21%	21%	21%
Main rate	28%	28%	28%
Lower limit	£300,000	£300,000	£300,000
Upper limit	£1,500,000	£1,500,000	£1,500,000
Standard fraction	7/400	7/400	7/400

Marginal relief

Standard fraction x (U – A) x N/A

Value added tax (VAT)

Standard rate – Up to 3 January 2011	17.5%
– From 4 January 2011 onwards	20.0%
Registration limit	£70,000
Deregistration limit	£68,000

Capital gains tax

Rate of tax – Lower rate	18%
– Higher rate	28%
Annual exempt amount:	£10,100
Entrepreneurs' relief – Lifetime limit	£5,000,000
– Rate of tax	10%

**National insurance contributions
(not contracted-out rates)**

		%
Class 1 employee	£1 – £5,715 per year	Nil
	£5,716 – £43,875 per year	11·0
	£43,876 and above per year	1·0
Class 1 employer	£1 – £5,715 per year	Nil
	£5,716 and above per year	12·8
Class 1A		12·8
Class 2	£2·40 per week	
	Small earnings exception limit	£5,075
Class 4	£1 – £5,715 per year	Nil
	£5,716 – £43,875 per year	8·0
	£43,876 and above per year	1·0

Where weekly or monthly calculations are required the Class 1 limits shown above should be divided by 52 (weekly) or 12 (monthly) as applicable.

Official rate of interest (assumed)

4·0%

**This is a blank page.
Section A begins on page 6.**

Section A – ALL TEN questions are compulsory and MUST be attempted

Please use the space provided on the inside cover of the Candidate Answer Booklet to indicate your chosen answer to each multiple choice question.

Two marks will be awarded for each correct answer.

1 By which date, following the end of the tax year, must an employer normally submit form P35 to HM Revenue and Customs (HMRC)?

- A 19 May
- B 6 July
- C 31 October
- D 31 May

2 A taxpayer has adjusted net income of £108,000 for the tax year 2010-11.

What amount of standard personal allowance is the taxpayer entitled to for the tax year 2010–11?

- A £6,475
- B Nil
- C £4,475
- D £2,475

3 A taxpayer has a trading loss of £80,000 for the tax year 2010–11. Due to carelessness he enters £88,000 on his tax return and makes a loss relief claim for £88,000 against his property business income for the tax year 2010–11. The property business income would otherwise have been taxed at 40%.

What is the maximum penalty that could be charged by HM Revenue and Customs (HMRC) in respect of the error?

- A £3,200
- B £960
- C £2,240
- D £2,400

4 A company makes up accounts to 31 December annually. For the years ended 31 December 2008 and 31 December 2009 taxable total profits (after deduction of a £1,000 gift aid payment in each year) have been £30,000 and £25,000 respectively. For the year ended 31 December 2010 the company made an adjusted trading loss of £40,000 and had other taxable income of £10,000 and made no gift aid payments.

What is the maximum amount of the loss that the company can claim to carry back to previous years?

- A £40,000
- B £30,000
- C £26,000
- D £25,000

- 5 A company has a 15-month accounting period ending 31 March 2011. The company will therefore be assessed to corporation tax for the two chargeable accounting periods ended 31 December 2010 and 31 March 2011.

By which date must the company submit its corporation tax return for the 12-month chargeable accounting period ended 31 December 2010 to avoid penalties and interest?

- A 31 March 2012
- B 31 December 2011
- C 1 October 2011
- D 1 January 2012

- 6 A company has an eight-month chargeable accounting period ending 30 September 2010. The company has always paid corporation tax at the main rate.

By what date must the company pay its final instalment of corporation tax to avoid penalties and interest?

- A 1 July 2011
- B 30 September 2011
- C 14 January 2011
- D 14 October 2010

- 7 An individual taxpayer has chargeable gains of £16,000 and allowable capital losses of £3,000 in the tax year 2010–11. He also has allowable capital losses of £4,000 brought forward from the tax year 2009–10.

What is the correct use of these amounts for the tax year 2010-11?

- A £16,000 – £3,000 (current year loss) – £4,000 (brought forward loss) = £9,000
- B £16,000 – £3,000 (current year loss) – £2,900 (brought forward loss) = £10,100
- C £16,000 – £4,000 (brought forward loss) – £1,900 (current year loss) = £10,100
- D £16,000 – £4,000 (brought forward loss) – £3,000 (current year loss) = £9,000

- 8 In December 2010 a sole trader disposed of his business, which he had owned for the last ten years, realising a gain of £180,000. The sole trader had no other capital gains and no other income in the tax year 2010–11.

Assuming that entrepreneurs' relief is claimed, how much capital gains tax is payable for the tax year 2010–11?

- A £30,582
- B £18,000
- C £47,572
- D £16,990

- 9 A trader has been in business since 1 June 2010 making plastic toys. His total taxable turnover for the seven months ended 31 December 2010 amounted to £45,000. He will prepare his first set of accounts for the 12 months ending 31 May 2011. On 1 January 2011 the trader received an order for plastic ducks amounting to £75,000 to be delivered later that month.

On what date will HM Revenue and Customs (HMRC) register the trader for value added tax (VAT) purposes?

- A 1 February 2011
- B 1 January 2011
- C 1 June 2011
- D 1 March 2011

10 A trader makes quarterly value added tax (VAT) returns using the normal calendar quarters. Accounts are made up annually to 30 September. The trader sold goods amounting to £8,000 on 22 September 2010 with a due date of payment of 10 October 2010. The customer has defaulted on the payment and the trader has written the debt off in his accounts. The trader does not use the cash accounting scheme.

In which quarterly VAT return may relief for the impaired debt be claimed?

- A** VAT quarter ended 31 December 2010
- B** VAT quarter ended 31 March 2011
- C** VAT quarter ended 30 June 2011
- D** VAT quarter ended 30 September 2011

(20 marks)

Section B – ALL FOUR questions are compulsory and MUST be attempted

1 (a) Amar is employed by a UK company and earns £50,000 per annum. During the tax year 2010–11 he received the following benefits:

- The use of a flat. This had been purchased by the company in 2002 for £240,000 and was first occupied by Amar on 1 September 2010 when the flat had a market value of £310,000. The flat has an annual rateable value of £3,200. Amar paid £200 a month to his employer for the use of the flat. The flat is not eligible as job related accommodation.
- The use of furniture in the flat. This had an original market value of £8,000 in 2002, when it was purchased by the company for the use of company employees. The market value when first provided to Amar on 1 September 2010 was £3,000.
- A motor mileage allowance. Amar used his own car to travel 18,000 miles in the tax year 2010–11 of which 14,000 were on business. The company paid Amar 50p a mile for each business mile travelled.
- A parking place at the company office. This costs the company £600 a year.
- Childcare vouchers for his two children. The vouchers amounted to £40 a week for each child for 52 weeks. The vouchers were for an approved carer and were available to all employees.

Required:

- (i) Calculate, for the purposes of income tax, the value of each of Amar’s benefits for the tax year 2010–11;** (10 marks)
- (ii) State the form that the company must use to report these benefits to HM Revenue and Customs (HMRC), and state the date by which it should be submitted to HMRC to avoid penalties.** (2 marks)

(b) Ivan is a sole trader and has taxable trading profits of £160,000 for the tax year 2010–11.

In the tax year 2010–11 Ivan also received the following amounts of other income. All the amounts shown are the amounts received or credited to the accounts.

Building society interest	£3,600
Interest from an individual savings account (ISA)	£900
Dividends from shares held in UK companies	£1,800
Gross rent from unfurnished property investments	£6,000

In the tax year 2010–11 Ivan paid £2,400 mortgage interest in respect of the purchase of the unfurnished property investments and a donation of £320 to a national charity under the gift aid scheme.

Required:

- (i) Calculate the income tax payable by Ivan for the tax year 2010–11;** (10 marks)
- Note: your answer MUST state if any item is not taxable
- (ii) Calculate the national insurance contributions (NIC) payable by Ivan for the tax year 2010–11.** (4 marks)

(26 marks)

- 2 (a) Violet Ltd prepares accounts annually to 31 March. Violet Ltd has no associated companies. The company had the following capital transactions in the accounting year ended 31 March 2011:

Purchases:

16 May 2010	–	A machine costing £180,000 (this is not a special rate item)
12 June 2010	–	A car for use by the finance director
19 August 2010	–	A car for business use by employees.

The finance director's car cost £25,000 and has a CO₂ emission rate of 183 grams per kilometre. For the year ended 31 March 2011 40% of the director's mileage was for private purposes.

The car for the use of employees cost £18,000 and has a CO₂ emission rate of 145 grams per kilometre. This car was never used for private purposes.

Disposals:

14 September 2010	–	A machine sold for £35,000. This had originally cost £60,000 in May 2008.
11 December 2010	–	A computer sold for £4,000. This had been purchased for £5,600 in June 2007 and had been treated as a short life asset.

The tax written down value of Violet Ltd's main pool on 1 April 2010 was £440,000. The tax written down value of the computer, sold on 11 December 2010, was £2,800 as at 1 April 2010.

Required:

Calculate the maximum capital allowances that Violet Ltd can claim for the year ended 31 March 2011.

Note: Ignore value added tax

(9 marks)

- (b) Indigo Ltd prepares accounts to 31 March annually. For the year ended 31 March 2011 Indigo Ltd had the following results:

Adjusted trading profit before capital allowances and interest	£700,000
Chargeable gains	£15,000
Property business income	£10,000
Interest received on investments	£20,000
Dividends received from Purple Ltd	£18,000
Dividends received from Orange Ltd	£9,000
Interest paid on a loan used to purchase plant and machinery	£40,000
Interest paid on a loan used to purchase investments	£4,000

Indigo Ltd owns 80% of the share capital of Purple Ltd and 40% of the share capital of Orange Ltd.

Capital allowances on plant and machinery of £28,000 were claimed for the year ended 31 March 2011.

Indigo Ltd owns a factory, which had cost £200,000 in May 2004 and is used by the company 100% for business purposes.

A capital loss of £3,000, and a property business loss of £8,000 were brought forward from the year ended 31 March 2010.

Required:

Calculate the corporation tax payable by Indigo Ltd for the year ended 31 March 2011 and state the due date of payment.

(13 marks)

(22 marks)

3 (a) Tanya made the following disposals of capital assets in the tax year 2010–11:

2 July 2010: 5,000 shares in S Ltd were sold for £40,000. These shares had been purchased as follows:

1,000 in May 2006 for £9,000
4,000 in June 2007 for £14,000

A 1 for 2 rights issue was made in August 2009 at a cost of £4 per share. Tanya purchased her full entitlement of rights issue shares.

14 October 2010: Two acres of a field were sold for £18,000. This was part of a six-acre field, which had been purchased in May 2006 for £14,000. The remaining four acres had a market value of £70,000 on 14 October 2010. Expenses of the sale amounted to £1,200.

12 November 2010: A painting, which had cost Tanya £8,000, was transferred to her business to be used as inventory. It was sold by the business in March 2011 for £14,000. The market value of the painting at the time of its transfer to the business was £12,000. No elections were made.

2 February 2011: An antique desk of historic interest, which had cost Tanya £9,000, was donated to a museum for national purposes. The market value of the desk in February 2011 was £20,000.

None of the gains qualified for entrepreneurs' relief.

Required:

Calculate the chargeable capital gain, if any, made by Tanya, on each disposal.

Note: your answer MUST state if any disposal is not chargeable. (9 marks)

(b) Beth disposed of assets in the tax year 2010–11 resulting in chargeable capital gains of £19,000.

Beth had a capital loss of £2,000 brought forward from the tax year 2009–10.

Beth has taxable income (after deduction of the standard personal allowance) of £33,000 for the tax year 2010–11.

None of the gains qualified for entrepreneurs' relief.

Required:

Calculate the capital gains tax payable by Beth for the tax year 2010–11 and state the due date of payment. (4 marks)

(c) Kate gave her daughter Heidi her total holding of 12,000 shares in T Ltd, an unquoted UK trading company, which she had owned for the last eight years. The shares had cost Kate £12,000 and had a market value of £28,000 at the date of the gift. The 12,000 shares represent 20% of the total T Ltd shares in issue.

T Ltd owned chargeable assets with a total value of £600,000, of which only assets with a value of £480,000 were used in the business.

Kate and Heidi have made a joint claim for gift relief. No claim for entrepreneurs' relief is to be made.

Required:

Calculate Kate's chargeable capital gain as a result of the gift, the amount of the gift relief claim and the revised base cost of the shares for Heidi. (5 marks)

(18 marks)

- 4 (a) Tonto has been a sole trader for several years preparing accounts to 31 December each year.

Tonto's most recent trading results have been:

Year ended 31 December 2008	£12,000
Year ended 31 December 2009	£8,000
Year ended 31 December 2010	(£17,000)

Tonto also received property business income each tax year amounting to:

2008–09	£8,000
2009–10	£6,000
2010–11	£4,000

Tonto had no other income for any of the above tax years.

Tonto claims maximum loss relief as early as possible but does not claim for any tax year where the claim would merely waste his personal allowances.

Required:

- (i) Calculate the income tax payable by Tonto for each of the tax years 2008–09, 2009–10 and 2010–11 before any loss relief claim is made; (4 marks)
- (ii) State the amount of loss used by Tonto in each of the tax years 2008–09, 2009–10 and 2010–11 and the amount of loss, if any, that will be carried forward to the tax year 2011–12; (3 marks)
- (iii) State the amount of tax refund due to Tonto for the tax year 2009–10. (1 mark)

Note: you should assume that the 2010–11 rates of tax and allowances apply throughout all of the tax years concerned.

- (b) For value added tax (VAT) purposes less detailed invoices may be acceptable in certain circumstances.

Required:

- (i) State the maximum amount for which a retailer may issue a less detailed invoice; (1 mark)
- (ii) State FIVE items of information, which MUST be shown on a less detailed invoice issued by a retailer. (5 marks)

(14 marks)

End of Question Paper