
Answers

1 Una

- (a) To The files
From Tax senior
Date 15 June 2012
Subject Una – Gifts to son and granddaughter

The purpose of this memorandum is to provide advice to Una on the tax implications of a gift to be made to her son, Won, and the payment of rent on behalf of her granddaughter, Alona. For the purposes of this memorandum, it has been assumed that the gift to Won will be made on 18 November 2012 and that Una's death will occur on 31 December 2017.

(i) Gift to Won

Inheritance tax

Farmland situated in the UK

	£
If Una owns the farmland at her death – it will be included in her death estate	
Market value in death estate	1,100,000
Agricultural property relief (£1,100,000 x 35%) (100% of agricultural value)	(385,000)
Included in death estate	715,000
Inheritance tax at 40%	286,000
If Una gifts the farmland to Won – it will be a potentially exempt transfer (note 1)	
Market value (note 2)	900,000
Annual exemptions 2012/13 and 2011/12	(6,000)
	894,000
Inheritance tax on death on 31 December 2017	
Inheritance tax ((£894,000 – £325,000) x 40%)	227,600
60% taper relief (death within five to six years of the gift)	(136,560)
	91,040
Additional tax on death estate due to use of nil rate band (£325,000 x 40%)	130,000
	221,040
Potential saving (£286,000 – £221,040)	64,960

Notes

1. There will be no UK inheritance tax when the gift is made as it will be a potentially exempt transfer.
2. Agricultural property relief will not be available in respect of a gift on 18 November 2012 as Una will not have owned the farm for the requisite seven years. This is on the assumption that the farmland did not replace other agricultural property which, together with this farmland, had been owned for seven out of the previous ten years.

Villa situated in Soloria

There will be no UK inheritance tax due to the exemption clause in the UK–Soloria Double Taxation Agreement. There will be no inheritance tax in Soloria until Una's death.

The gift will save inheritance tax in Soloria as set out below.

	£
Liability if Una owns the villa at her death on 31 December 2017	170,000
Liability if Una gifts the villa to Won on 18 November 2012	(34,000)
Inheritance tax saved	136,000

Capital gains tax

Farmland situated in the UK

A gift of the farmland would result in a liability to capital gains tax as set out below. No business asset reliefs would be available as the farmland is an investment (as opposed to a business asset), does not qualify for agricultural property relief and the gift does not give rise to an immediate charge to inheritance tax.

	£
Proceeds (market value)	900,000
Cost	(720,000)
Capital gain	<u>180,000</u>
Capital gains tax at 28% (Una is a higher rate taxpayer)	<u>50,400</u>

Villa situated in Soloria

A gift of the villa would result in a liability to UK capital gains tax as set out below. The villa is an investment and not a business asset, such that no capital gains tax business reliefs would be available. There is no capital gains tax in Soloria.

	£
Proceeds (market value)	745,000
Cost (probate value)	(600,000)
Capital gain	<u>145,000</u>
Capital gains tax at 28% (Una is a higher rate taxpayer)	<u>40,600</u>

Summary of position re capital taxes

	Farmland	Villa
	£	£
Inheritance tax – potential saving	64,960	136,000
Capital gains tax – liability	(50,400)	(40,600)
Net tax saving	<u>14,560</u>	<u>95,400</u>

Other tax implications in respect of the gift to Won

Inheritance tax

If Una were to die after 18 November 2018, there would be an additional 20% taper relief in the UK. If she were to survive the gift by seven years, there would be no UK inheritance tax in respect of the asset gifted and the inheritance tax nil rate band would be available against the death estate.

Stamp duty land tax

There is no stamp duty land tax in the UK on a gift of land. The situation in Soloria would need to be investigated if a gift of the villa is proposed.

Financial implications in respect of the gift to Won

The potential gifts are income generating assets. Accordingly, Una should be aware that the gift will reduce her available income. The income in respect of the villa is subject to income tax in Soloria at the rate of 50%, such that no UK income tax is payable due to double tax relief. The income in respect of the farmland is subject to UK income tax at the rate of 40%.

The capital gains tax would be payable on 31 January 2014 (31 January following the end of the tax year in which the gift is made). This is at least four years prior to the eventual inheritance tax saving. Because gift relief is not available, it would be possible to pay the capital gains tax in ten equal annual instalments (provided Won continues to own the asset gifted), but interest would be charged on the balance outstanding.

(ii) Payment of Alona's rent

The payments will be exempt if they represent normal expenditure out of income. For this exemption to be available, Una would have to show that:

- Each gift is part of her normal expenditure
- The gifts are made out of income rather than capital
- Having made the gifts, she still has sufficient income to maintain her usual standard of living.

Una will have annual income of £90,000 as reduced by income tax and the post tax income in respect of whichever asset she gifts to Won. She must be able to demonstrate that her annual income exceeds her normal expenditure by the annual rental cost of £5,400 (£450 x 12).

(b)

Firm's address

Una's address

15 June 2012

Dear Una

Income received in respect of the luxury motor car

I set out below our advice in relation to the income received in respect of the luxury motor car.

I have considered the circumstances surrounding the rental income in respect of the car and concluded that the profits from the hiring of the car are liable to income tax. In determining the taxable profit, the income you have received can be reduced by the expenses relating to the running and maintenance of the car. We can assist you in determining the taxable profit.

The taxable profit must be reported to HM Revenue and Customs; failure to disclose the profit would amount to tax evasion, a criminal offence. In addition, you will appreciate that we would not wish to be associated with a client who has engaged in deliberate tax evasion, as this poses a threat to the fundamental principles of integrity and professional behaviour. Accordingly, we cannot continue to act for you unless you are willing to disclose the hiring activity to HM Revenue and Customs and to pay any ensuing tax liabilities. We are required to notify the tax authorities if we cease to act for you, although we would not provide them with any reason for our action.

HM Revenue and Customs will charge interest on any tax liabilities that are overdue. A penalty may also be charged in respect of the non-declaration of the income. The maximum penalty for a deliberate non-disclosure of income is 70% of the tax liability. Any penalty charged will be a percentage of the tax due. This percentage will depend on whether or not Una is regarded as having been careless in not disclosing the income.

Yours sincerely

Tax manager

2 Janus plc group

(a) Use of the trading loss of Janus plc

(i) Alternative reliefs available

Janus plc can relieve the trading loss against its chargeable gain of £44,500 in the year ended 31 March 2012. Once this current period claim has been made, the loss can then be relieved against the company's total profits of the previous accounting period of £95,000.

Janus plc can surrender trading losses to its 75% subsidiaries. For a company to be a 75% subsidiary, Janus plc must have an effective 75% interest in the company's ordinary share capital, its distributable income and its net assets were it to be wound up. Accordingly, Janus plc is in a group relief group with Seb Ltd and Viola Ltd only.

Any amount of losses can be surrendered up to the level of the group member's taxable total profits for the corresponding accounting period. Seb Ltd and Viola Ltd did not become members of the group until 1 December 2011. Accordingly, only 4/12 of each of these companies' taxable total profits can be relieved via group relief.

Duet Ltd is a consortium company as at least 75% of its share capital is owned by companies, each of which own at least 5%. Accordingly, £110,000 (£200,000 x 55%) of its taxable total profits can be relieved via consortium relief.

Castor Ltd is not a consortium company as the minority interest shareholding is owned by an individual rather than a company.

(ii) Strategy in order to maximise the corporation tax saved

The maximum tax saving will be achieved where losses are relieved in the companies paying corporation tax at the marginal rate. The marginal rate is charged on taxable total profits lying between the limits.

The limits are divided by six as all five subsidiaries are controlled by, and therefore associated with, Janus plc. Accordingly, for the year ended 31 March 2012 the upper limit is £250,000 and the lower limit is £50,000. In the previous year (prior to the acquisition of Seb Ltd), there are only four associated companies such that the upper limit is £375,000 and the lower limit is £75,000.

In the year ended 31 March 2012:

- Viola Ltd has marginal profits of £36,000 (£86,000 – £50,000)
- Duet Ltd has marginal profits of £150,000 (£200,000 – £50,000)
- Janus plc and Seb Ltd are both paying tax at the small profits rate.

In the year ended 31 March 2011:

- Janus plc has marginal profits of £20,000 (£95,000 – £75,000)

In order to achieve the maximum tax saving, the trading loss of Janus plc should be relieved as follows:

	Loss £	Rate of tax %
Viola Ltd (maximum 4/12 x £86,000)	28,667	27.5
Duet Ltd (maximum)	110,000	27.5
Janus plc: Current year	44,500	20
Prior year	20,000	29.75
Prior year (remainder of the loss)	833	21
Total available trading loss	204,000	

The group relief and consortium relief claims will need to be dated the day before the claims to offset the loss against the total profits of Janus plc in order to avoid relieving the whole of the profits for the year ended 31 March 2011.

Tutorial note: Credit was given to candidates who identified that it may be possible to transfer £13,000 of the chargeable gain from Janus plc to Seb Ltd in order to increase the loss in Janus plc that was available for relief in the year ended 31 March 2011. This loss could be relieved at 21% in the year ended 31 March 2011 as opposed to 20% in the year ended 31 March 2012.

(b) Assets to be sold

(i) P HQ

Pollux Ltd and Janus plc are not in a capital gains group as Castor Ltd is not a 75% subsidiary of Janus plc. The sale of the building will result in a chargeable gain equal to the excess of the proceeds, £285,000, over the building's base cost.

Pollux Ltd acquired the building from Castor Ltd. The two companies are in a capital gains group as Pollux Ltd is a 75% subsidiary of Castor Ltd. Accordingly, the building would have been transferred at no gain, no loss. The base cost of the building to Pollux Ltd is the original cost when it was acquired by Castor Ltd (assuming Castor Ltd did not acquire it via a no gain, no loss transfer), together with indexation allowance from the date the building was acquired by Castor Ltd until the date it was sold to Pollux Ltd. Further indexation allowance will then be available from the date of the no gain, no loss transfer until the date of sale by Pollux Ltd. The indexation allowance reflects the movement in the retail prices index for the relevant period (rounded to three decimal places) multiplied by the relevant cost of the building.

Information required – the date the building was acquired by Castor Ltd and the price paid.

(ii) Warehouse

Year ended 31 March 2011 – recoverable input tax after annual adjustment	
£64,000 x 70%	£44,800
Year ended 31 March 2012	
£64,000 x 15% (70% – 55%) x 1/10	£960 repayable to HMRC
Year ended 31 March 2013	
£64,000 x 20% (70% – 50%) x 1/10	£1,280 repayable to HMRC
£64,000 x 30% (100% – 70%) x 7/10	£13,440 recoverable from HMRC

(iii) Patent rights

The patent rights are an intangible fixed asset. On a disposal of the rights, the sales proceeds will be compared with the amortised cost.

	£	£
Proceeds		41,000
Cost	45,000	
Amortisation (£45,000 x 10% x 4)	(18,000)	
Amortised cost		(27,000)
Profit on sale		14,000

The profit on sale will be included as part of Castor Ltd's trading income because the patent rights were purchased for the purposes of the trade.

(c) Investment in Kupple Inc

(i) Value added tax (VAT) on consultancy services

When services are provided to a business, the place of supply is the place where the customer's business is established. Accordingly, the consultancy services provided by Kupple Inc to Janus plc will be treated as being made in the UK. Janus plc will be required to account for output tax in respect of the supply under the reverse charge procedure. It will then be able to recover the output tax as input tax in the normal way.

(ii) Sale of the shares

The tax treatment of the profit or loss on the sale of the shares will depend on when the sale occurs.

If the shares are sold during the first 12 months of ownership, the sale will result in a chargeable gain (proceeds less cost less indexation allowance) or an allowable loss (proceeds less cost). An allowable loss could be offset against the chargeable gains of Janus plc or of the other companies in its chargeable gains group (Seb Ltd and Viola Ltd).

However, as Janus plc will hold at least 10% of Kupple Inc's shares, once the shares have been held for 12 months, the substantial shareholding exemption will apply. As a result of this exemption, any profit would not be taxable and any loss would not be allowable.

(d) Janus plc group senior accounting officer

The senior accounting officer of Janus plc is the director or officer with overall responsibility for the company's financial accounting arrangements. In relation to the Janus plc group of companies, this is likely to be Mrs Pairz, as she is the Group Finance Director.

The rules will only impose responsibilities if the Janus plc group of companies has a turnover of more than £200 million and/or a balance sheet total of more than £2 billion.

Where the rules apply, the senior accounting officer is required to:

- Establish and monitor accounting systems that are adequate for the purposes of accurate tax reporting.
- Certify to HM Revenue and Customs that such accounting systems exist for each financial year; or notify HM Revenue and Customs of any inadequacies in the accounting systems.

Penalties apply for non-compliance with the rules.

3 Jerome and Tricycle Ltd

(a) Value added tax (VAT) on the sale of the business

HM Revenue and Customs should be notified of the sale of the business within 30 days.

Jerome's VAT registration will need to be cancelled unless it is to be taken over by Tricycle Ltd.

VAT must be charged on the sale of the business assets unless it qualifies as a transfer of a going concern. For the sale of the business to be regarded as a transfer of a going concern, the following conditions must be satisfied:

- The business must be a going concern.
- Tricycle Ltd must use the assets to carry on the same kind of business as that carried on by Jerome.
- Tricycle Ltd must be VAT registered or be required to be VAT registered as a result of the purchase (based on the turnover of the purchased business in the previous 12 months).
- There should be no significant break in trading before or after the purchase of the business.

Even if the transfer satisfies the above conditions, Jerome will need to charge VAT on the sale of the building as it is a commercial building that is less than three years old. The only exception to this is if Tricycle Ltd makes an election to tax the building at the time of purchase.

(b) Tax costs incurred in respect of the motor car

(i) Motor car is leased by Tricycle Ltd

Jerome

	£
Taxable benefit in respect of private use of the motor car 27% (15% + ((170 - 125) ÷ 5)% + 3%) x £31,000	8,370
Taxable benefit in respect of private fuel 27% x £18,800	5,076
	<u>13,446</u>
Income tax at 40% payable by Jerome	<u>5,378</u>

Tricycle Ltd

	Allowable expenses £	Tax £
Lease payments (£4,400 x 85% (100% – 15%))	3,740	
Running costs	5,000	
Class 1A national insurance contributions (£13,446 x 13.8%)	1,856	1,856
	<u>10,596</u>	
Reduction in corporation tax liability (£10,596 x 20%)		(2,119)
Net taxes saved by Tricycle Ltd		<u>(263)</u>
Total tax cost (£5,378 – £263)		<u>5,115</u>

Tutorial notes:

- 1 Jerome's salary of £48,000 per year exceeds the personal allowance plus the basic rate band, such that he will be a higher rate taxpayer.
- 2 Tricycle Ltd will pay corporation tax at the small profits rate as the profits of the business (£75,000 less the allowable costs of employing Jerome) are less than the lower limit.

(ii) Motor car is leased by Jerome**Jerome**

	£
Taxable mileage allowance:	
10,000 x (50p – 45p)	500
(14,000 – 10,000) x (50p – 25p)	1,000
	<u>1,500</u>
Income tax at 40% payable by Jerome	600
Class 1 national insurance contributions payable by Jerome:	
14,000 x (50p – 45p) x 2%	14
Total tax payable by Jerome	<u>614</u>

Tricycle Ltd

	Allowable expenses £	Tax £
Mileage allowance paid (14,000 x 50p)	7,000	
Class 1 national insurance contributions payable by Tricycle Ltd:		
14,000 x (50p – 45p) x 13.8%	97	97
	<u>7,097</u>	
Reduction in corporation tax liability (£7,097 x 20%)		(1,419)
Net taxes saved by Tricycle Ltd		<u>(1,322)</u>
Net taxes saved (£1,322 – £614)		<u>708</u>

Tutorial notes:

- 1 The calculations reflect the tax implications of the two alternatives. Jerome controls the company such that the non-tax costs incurred (lease payments, running costs and mileage allowances) are going to be incurred regardless of who leases the car and are therefore only relevant to the extent that they increase or reduce a tax liability. However, Jerome may need to extract funds from the company in order to pay the costs relating to the motor car. This would give rise to further tax liabilities that would need to be considered.
- 2 Class 1 national insurance contributions are payable in respect of mileage allowances on the excess of the rate paid over the HMRC rate for up to 10,000 miles. Jerome's salary of £48,000 exceeds £42,475 such that the rate of Jerome's national insurance contributions will be 2%.

(c) Conditions

- The employee must be absent from the UK for a continuous period of at least 60 days for the purposes of performing the duties of his employment.
- The journey must be from the UK to the place where the employee is carrying out the duties of his employment.

Tutorial note:

A deduction is only available for two outward and two return journeys by the same person(s) in the same tax year.

4 Tetra

(a) Income tax implications of the redundancy payments made by Ivy Ltd

The statutory redundancy of £4,200 falls within the £30,000 exemption such that it is not subject to income tax.

The first £25,800 (£30,000 – £4,200) of the non-contractual payment is also exempt from income tax, provided it relates solely to redundancy and is not simply a terminal bonus. The remainder of the payment is subject to income tax in full.

The payment in consideration of Tetra agreeing not to work for any competitor of Ivy Ltd for 12 months is subject to income tax.

(b) Class 4 national insurance contributions for 2012/13

Tetra's share of the adjusted trading profits

Period from 1 June 2012 to 31 December 2012

	Profit £	Tetra £
Profit (£300,000 x 7/12)	175,000	
Salary payable to Fore (£24,000 x 7/12)	(14,000)	
Salary payable to Tetra (£18,000 x 7/12)	(10,500)	10,500
	<u>150,500</u>	
Tetra's share (£150,500 x 30%)		45,150
		<u>55,650</u>

Year ending 31 December 2013

	Profit £	Tetra £
Profit	380,000	
Salary payable to Fore	(24,000)	
Salary payable to Tetra	(18,000)	18,000
	<u>338,000</u>	
Tetra's share (£338,000 x 30%)		101,400
		<u>119,400</u>

Tetra's taxable trading profit for the tax year 2012/13

Period from 1 June 2012 to 5 April 2013

	£
1 June 2012 to 31 December 2012	55,650
1 January 2013 to 5 April 2013 (£119,400 x 3/12)	29,850
	<u>85,500</u>

Class 4 national insurance contributions

	£
(£42,475 – £7,225) x 9%	3,172
(£85,500 – £42,475) x 2%	860
	<u>4,032</u>

(c) The alternative investments

Effect on income tax liability

In the absence of any pension contributions, Tetra's net income would exceed £114,950 (£100,000 + (2 x £7,475)) such that he would not receive any amount of personal allowance.

If Tetra subscribes for the shares in the venture capital trust, his income tax liability would be as follows:

	£
Net income	120,000
Personal allowance	0
Taxable income	<u>120,000</u>

	£
Income tax liability	
£35,000 x 20%	7,000
£85,000 x 40%	34,000
	<u>41,000</u>
Relief for investment in VCT (£36,000 x 30%)	(10,800)
Income tax liability	<u>30,200</u>

If Tetra were to make pension contributions of £36,000, the pension fund would receive a further £9,000 (£36,000 x 20/80) from HMRC as the contributions would be deemed to be made net of basic rate tax. Tetra's basic rate band would be extended by £45,000 (£36,000 x 100/80) and his adjusted net income for the purposes of determining his personal allowance would be reduced by the same amount. He would receive the whole of the personal allowance as his adjusted net income would be less than £100,000. His income tax liability would be as follows:

	£
Net income	120,000
Personal allowance	(7,475)
Taxable income	<u>112,525</u>
Income tax liability	
£80,000 (£35,000 + £45,000) x 20%	16,000
£32,525 x 40%	13,010
Income tax liability	<u>29,010</u>

By making pension contributions, Tetra would save income tax of £1,190 (£30,200 – £29,010). This, together with the additional contributions into the pension fund of £9,000 from HMRC, would result in an overall financial advantage of £10,190 (£1,190 + £9,000).

Risk

A VCT is a relatively high-risk investment in that it must hold at least 70% of its investments in unquoted trading companies.

A personal pension fund is permitted to hold a very wide range of investments such that the level of risk can be varied to suit the preferences of Tetra.

Timing

A VCT is a medium-term investment; the tax relief will be withdrawn if Tetra holds the shares for less than five years.

A pension fund is a long-term investment; Tetra cannot withdraw benefits from the scheme until he is 55 years old (unless he is incapacitated due to ill health).

5 Sank Ltd and Kurt Ltd

(a) Sank Ltd

(i) Increase in the budgeted corporation tax liability for the 11 months ended 30 September 2012

Sank Ltd will pay corporation tax at the main rate (its augmented profits for the period will exceed the upper limit as it has a large number of associated companies). Accordingly, its corporation tax liability for the period is expected to be £195,000 (£750,000 x 26%).

It is required to pay its corporation tax liability for the period in instalments because it also paid corporation tax at the main rate in the previous accounting period.

The payments required are:

14 May 2012	3/11 of the final liability for the period
14 August 2012	3/11 of the final liability for the period
14 November 2012	3/11 of the final liability for the period
14 January 2013	2/11 of the final liability for the period

A payment should have been made on 14 May 2012 of £45,382 (£640,000 x 26% x 3/11), based on the budget prepared on 31 March 2012. However, if the new figure of taxable total profits is correct, the payment required on that day was £53,182 (£750,000 x 26% x 3/11).

Interest will be charged from 14 May 2012 until the additional £7,800 (£53,182 – £45,382) is paid. The total interest due will be calculated by HM Revenue and Customs, once the corporation tax return has been submitted.

Future payments, i.e. from 14 August 2012 onwards, should be based on the latest budgeted figures in order to minimise interest charges.

(ii) Circumstances necessary for the compliance check enquiry to be regarded as valid

The deadline for raising a notice of enquiry depends on when the corporation tax return was filed.

Where the return was filed on time (i.e. on 31 October 2010), the enquiry must be raised by 31 October 2011.

Where the return was submitted late, the enquiry must be raised by the first quarter day following the first anniversary of the date on which the return was submitted. The quarter days are: 31 January, 30 April, 31 July and 31 October.

Accordingly, an enquiry dated 31 May 2012 will only be valid if the corporation tax return was submitted after 30 April 2011.

Tutorial note: *This answer assumes that the group of which Sank Ltd is a member is not a small group due to the large number of associated companies. Credit was also given to candidates who assumed that the group was small such that the deadline was 12 months after the date on which the return was filed.*

(b) Kurt Ltd

Machinery

A 100% annual investment allowance is available for expenditure on machinery up to a maximum of £100,000 for a 12-month period. The maximum amount available to Kurt Ltd for the period ended 31 March 2012 is therefore £66,667 (£100,000 x 8/12).

However, only one annual investment allowance is available to companies that are related to each other. The other companies controlled by Mr Quinn will be regarded as related to Kurt Ltd if they share premises or carry on similar activities. Mr Quinn can choose to allocate the allowance available to related companies in the most tax efficient manner.

The excess of the expenditure over the available annual investment allowance will be eligible for a writing down allowance of 13.33% (20% x 8/12) in the period to 31 March 2012.

Scientific research

Kurt Ltd is a small enterprise for the purposes of research and development. Accordingly, the expenditure of £28,000 will result in tax deductions of £56,000 (£28,000 x 200%).

Kurt Ltd can choose to claim a repayment of 12.5% of the lower of its trading loss and £56,000. The repayment is restricted to a maximum of the amount of PAYE and national insurance contributions paid by the company in respect of the accounting period. This relief is an alternative to carrying the loss forward against future profits of the same trade.

Kurt Ltd should consider claiming the 12.5% repayment if cash flow is its main priority. Alternatively, if the company wishes to maximise the tax saved in respect of the expenditure, it should carry the loss forward; it will then save tax at a minimum rate of 20% (provided it succeeds in becoming profitable).

Professional Level – Options Module, Paper P6 (UK)
Advanced Taxation (United Kingdom)

June 2012 Marking Scheme

	<i>Available</i>	<i>Maximum</i>
1 (a) Calculations		
Farmland – inheritance tax		
Owned at death	2	
Lifetime gift	4	
Farmland – capital gains tax	1	
Villa – inheritance tax (Soloria)	1	
Villa – capital gains tax (UK)	1.5	
Notes on availability of relevant reliefs – one mark each	3	
Other relevant tax and financial implications – one mark each	5	
Relevant assumption	1	
Summary of position re capital taxes	2	
Payment of rent	3	
	<u>23.5</u>	21
 Professional marks for the overall presentation of the memorandum and the effectiveness with which the information is communicated	 3	
	<u>3</u>	3
 (b) Determination of taxable profit	 1	
The need to disclose	4	
Interest and penalties	3	
	<u>8</u>	6
 Professional mark for the overall presentation of the letter	 1	
	<u>1</u>	1
 Total		 <u>31</u>

	<i>Available</i>	<i>Maximum</i>
2 (a) (i) Alternative reliefs		
Against total profits of Janus plc	1.5	
Group relief		
Identification of group	1.5	
Amount of loss	1	
Consortium relief	2	
(ii) Strategy		
Relieve profits at the marginal rate	1	
Limits	2	
Advice and summary	3.5	
	<u>12.5</u>	11
(b) (i) Administrative premises		
There will be a gain on the disposal	1.5	
Indexed base cost	4.5	
Information required	0.5	
	<u>6.5</u>	5
(ii) Warehouse	4	
	<u>4</u>	4
(iii) Patent rights		
Calculation	1.5	
Explanation	1.5	
	<u>3</u>	3
(c) (i) VAT on consultancy services	2.5	
	<u>2.5</u>	2
(ii) Sale of shares	4	
	<u>4</u>	4
(d) Responsibilities of senior accounting officer	4.5	
	<u>4.5</u>	4
Total		<u>33</u>
3 (a) Administration – one mark for relevant point	1	
Charge VAT unless transfer of a going concern	1	
Conditions (one mark each, maximum three marks)	3	
Land and buildings	2.5	
	<u>7.5</u>	6
(b) (i) Motor car leased by Tricycle Ltd		
Income tax payable by Jerome	2.5	
Net taxes saved by Tricycle Ltd	3	
Net tax cost	0.5	
(ii) Motor car leased by Jerome		
Total tax payable by Jerome	3	
Net taxes saved by Tricycle Ltd	1.5	
Net tax saved	0.5	
	<u>11</u>	10
(c) Conditions – one mark each	2	
	<u>2</u>	2
Total		<u>18</u>

	<i>Available</i>	<i>Maximum</i>
4 (a) Statutory redundancy	1	
£30,000 exemption	1.5	
Restrictive covenant	1	
	<u>3.5</u>	3
(b) Tetra's share of the adjusted trading profit	3.5	
Tetra's taxable trading profit	2	
Class 4 national insurance contributions	1.5	
	<u>7</u>	7
(c) Income tax		
Venture capital trust		
Personal allowance	1.5	
Tax liability with VCT credit	1.5	
Pension contributions		
Basic rate band	1	
Tax liability with pension contributions	1	
Tax relief at source	1	
Risk	1.5	
Timing	1.5	
	<u>9</u>	8
Total		<u>18</u>
5 (a) (i) Rate of tax	1.5	
Payments required	3	
Payment already made	1.5	
Interest	1	
Future payments	0.5	
	<u>7.5</u>	7
(ii) Deadlines	2.5	
Conclusion	1	
	<u>3.5</u>	3
(b) Equipment		
Annual investment allowance	3	
Writing down allowance	1	
Scientific research		
Tax deduction	1	
Repayment	2	
Evaluation	2	
	<u>9</u>	8
Total		<u>18</u>