

UNIVERSITY OF BOLTON
OFF CAMPUS DIVISION
WESTERN INTERNATIONAL COLLEGE
BA (HONS) ACCOUNTANCY
SEMESTER ONE EXAMINATION 2024/2025
PERSONAL AND BUSINESS TAX
MODULE NO: ACC5003

Date: Thursday, 9 January 2025

Time: 4:00 pm – 7:00 pm

INSTRUCTIONS TO CANDIDATES:

There are **FIVE (5)** questions on this paper.

Answer **ALL** questions.

This is a 3-hour closed book examination. Tax tables are provided.

You must hand in this exam paper with your answer booklet.

Use of calculators is allowed.

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QUESTION 1

Richard Tryer is employed by Prog plc as a computer programmer.

Richard has tried to prepare his own income tax computation for the tax year 2024/25, but he has found it more difficult than expected. Although the sections which Richard has completed are correct, there are a significant number of omissions. The omissions are marked as outstanding (O/S).

The partly completed income tax computation is as follows:

Richard Tryer Income tax computation – 2024/25

Employment income	Notes	£
Salary		41,030
Car benefit	1	O/S
Fuel benefit	1	O/S
Living accommodation	2	O/S
Property income	3	O/S
Building society interest		1,260
Dividends		5,800
Taxable income		O/S
£		
37,700 at 20%		7,540
O/S at 40%		O/S
O/S at 0%		O/S
O/S at 40%		O/S
O/S at 0%		O/S
<u>O/S at 33.75%</u>		<u>O/S</u>
<u>O/S</u>		
Income tax liability		O/S
Less: PAYE		(19,130)
Income tax payable		O/S

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Question 1 continued...

Note 1 – Car and fuel benefits

Throughout the tax year 2024/25, Prog plc provided Richard with a petrol car which has a list price of £17,900. The car cost Prog plc £17,200, and it has a CO2 emission rate of 109 grams per kilometre. During the tax year 2024/25, Richard made contributions of £1,200 to Prog plc for the use of the car.

During the period 1 July 2024 to 5 April 2025, Prog plc also provided Richard with fuel for private journeys. The total cost of fuel during this period was £4,200, of which 45% was for private journeys. Richard did not make any contributions towards the cost of the fuel.

Note 2 – Living accommodation

Throughout the tax year 2024/25, Prog plc provided Richard with living accommodation. The property has been rented by Prog plc since 6 April 2024 at a cost of £1,100 per month. On 6 April 2024, the market value of the property was £122,000, and it has an annual value of £8,600.

On 6 April 2024, Prog plc purchased furniture for the property at a cost of £12,100. The company pays for the running costs relating to the property, and for the tax year 2023/24 these amounted to £3,700.

Note 3 – Property income

Richard owns a freehold shop, which is let out unfurnished. The ten-year-old shop was purchased by Richard on 1 October 2024. Richard spent £8,400 replacing the building's roof: the shop was not usable until this work was completed on 30 November 2024, and this fact was represented by a reduced purchase price.

On 1 December 2024, the property was let to a tenant, with Richard receiving a premium of £12,000 for the grant of a 30-year lease. The monthly rent is £664 payable in advance, and during the period 1 December 2024 to 5 April 2025 Richard received five rental payments.

Due to a fire, £8,600 was spent on repairing the ceiling of the shop during February 2025. Only £8,200 of this was paid for by Richard's property insurance. Richard paid insurance of £501 in respect of the property. This was paid on 1 October 2024 and is for the year ended 30 September 2025.

Required:

Calculate the income tax payable by Richard Tryer for the tax year 2024/25.

[TOTAL 25 MARKS]

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QUESTION 2

Hamza began trading on 1 July 2024, preparing accounts to 31 January. His first set of accounts covered the period 1 July 2024 to 31 January 2025. These accounts were prepared on the cash basis, and he has not elected for his taxable profits to be calculated in accordance with GAAP.

His income statement for the period from 1 July 2024 to 31 January 2025 is as follows:

	£
Sales income received (1)	94,150
Less: Purchases (2)	<u>(24,490)</u>
	69,660
Bank interest received	<u>30</u>
Gross profit	69,690
Less:	
Purchase of motor van (3)	(18,400)
Purchase of machinery (3)	(3,220)
Machine repair (3)	(480)
Rent paid (4)	(8,100)
Business rates and workshop insurance (5)	(1,810)
Wages and salaries (6)	(27,300)
Workshop energy (heat, light and power) (7)	(910)
Mobile telephone (8)	(350)
Motor running expenses (9)	(1,220)
Other expenses (10)	<u>(4,330)</u>
	<u>(66,120)</u>
Net profit for the period	3,570

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Notes:

1. Customers owed Hamza £6,230 as at 31 January 2025. This figure does not include a further £470 which is owed to Hamza by a customer who bought goods from him in August 2024 and has never paid for them. Despite taking legal action against the customer concerned, Hamza now accepts that he will never receive this £470.
2. Amounts owed to suppliers of raw materials as at 31 January 2025 were £2,280. And the inventory of raw materials as at 31 January 2025 (at cost) was £3,440.
3. On 1 July 2024, a motor van was purchased for both business and private use at a cost of £18,400. Private journeys will represent 40% of the total miles driven in this van. On the same date, second hand machinery was purchased for £3,220. This machinery could not be used until it had been repaired at a cost of £480. Hamza estimates that the van has depreciated by £1,400 during the period and that the machinery has depreciated by £500.
4. Hamza operates from a rented workshop at a rent of £900 per month. He is required to pay rent quarterly in advance (i.e. £2,700) on the first day of July, October, January and April.
5. Business rates are payable monthly by direct debit. Workshop insurance of £480 for the year to 30 June 2025 was paid on 1 July 2024.
6. Wages and salaries include Hamza's drawings of £2,000 per month and his personal pension contributions of £400 per month.
7. The workshop energy bill for the month of January 2025 was £160 and this was paid on 27th February 2025.
8. Mobile telephone costs are split 80:20 between business calls and private calls.
9. Motor van running expenses include parking fines of £120 incurred by Hamza whilst making business journeys. It has been agreed that 40% of the remainder of these expenses relate to the private use of the van.
10. Other expenses include debt collection fees of £50 and Christmas gifts to customers of £120 (twelve bottles of wine costing £10 each). Also included is a £200 payment to Hamza's accountant in connection with inheritance tax advice. The remainder of the other expenses are deductible for tax purposes.
11. Hamza does not claim fixed rate deductions in relation to any of his expenses.

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Required:

- a) Calculate Hamza's adjusted trading profit for the period.

(10 marks)

- b) Re-calculate Hamza's adjusted trading profit for the period (before capital allowances) as it would have been if hamza had elected that his taxable profit should be calculated in accordance with GAAP. Assume that there are no accruals or prepayments other than those mentioned above.

(10 marks)

- c) Reconcile the taxable trading profit calculated on the cash basis with the taxable trading profit calculated in accordance with GAAP.

(10 marks)**[TOTAL 30 MARKS]****QUESTION 3**

- 1) Raymond started trading on 1 October 2023. He chose 31 March as his accounting date and his first accounts were for the period 1 October 2023 to 31 March 2024. His purchases and sales of plant and machinery during the first two periods of account were as follows:

1 October 2023	Bought machinery	130,000
1 October 2023	Bought motor van (emissions 212g/km)	16,200
12 November 2023	Bought motor car (emissions 153g/km)	18,800
18 December 2023	Bought office equipment	4,800
4 February 2024	Bought motor car (emissions 32g/km)	9,200
12 April 2024	Sold car bought in February 2024	9,600
12 April 2024	Bought motor car (emissions 37g/km)	25,500
25 November 2024	Sold machinery (cost £11,500 in October 2023)	8,300
3 February 2025	Bought machinery	50,000

There was a 25% private use (by Raymond) of the motor car purchased in November 2023 but there was no private use of any of the other assets.

Required:

Prepare capital allowances computation for the period to 31 March 2024 and for the year to 31 March 2025.

[TOTAL 15 MARKS]**Please turn the page**

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QUESTION 4

- a) Clubs and Raddle form a partnership on 1 November 2024, preparing accounts to 31 May each year. Bardell is admitted as a partner on 1 January 2026. Clubs leaves the partnership on 28 February 2027 and Winkle is admitted as a partner on 1 March 2027.

Profit and losses are shared as follows:

Clubs and Raddle	1:2
Clubs, Raddle and Bardell	7:8:5
Raddle, Bardell and Winkle	4:3:1
	£

Adjusted trading profits are:

1 November 2024 to 31 May 2025	60,000
Year to 31 May 2026	120,000
Year to 31 May 2027	30,000

Required:

Prepare the partnership statement for tax years 2024-25, 2025-26 and 2026-27.

(15 marks)

- b) Raddles trading profit assessed to income tax for 2024-25 is £13,590.

Required:

Calculate the national insurance contributions payable for the year.

(5 marks)

[TOTAL 20 MARKS]

QUESTION 5

Company A has taxable total profits of £128,000 for the year to 31 March 2025 and receives no dividends.

Required:

- a) Compute the corporation tax liability. **(5 marks)**

- b) Recalculate the corporation tax liability if taxable total profits were lower by £10,000 and demonstrate that the company's marginal rate is 26.5%.

(5 marks)

[TOTAL 10 MARKS]

END OF QUESTIONS

PLEASE TURN THE PAGE FOR THE TAX TABLES

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TAX TABLES

Summary of Tax Data		
Income Tax		
	2024-25	2023-24
TAX RATES AND BANDS[†]		
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Basic rate limit [‡]	£37,700	£37,700
Higher rate limit	£125,140	£125,140
[†] Different tax rates and bands apply to the non-savings income of Scottish taxpayers (see below)		
[‡] Basic rate limit frozen at £37,700 until the end of tax year 2027-28		
Starting rate for savings	0%	0%
Starting rate limit for savings	£5,000	£5,000
Personal savings allowance (basic rate taxpayer)	£1,000	£1,000
Personal savings allowance (higher rate taxpayer)	£500	£500
Dividend ordinary rate	8.75%	8.75%
Dividend upper rate	33.75%	33.75%
Dividend additional rate	39.35%	39.35%
Dividend allowance	£500	£1,000
SCOTTISH TAX RATES AND BANDS[†]		
Starter rate	19%	19%
Basic rate	20%	20%
Intermediate rate	21%	21%
Higher rate	42%	42%
Advanced rate	45%	-
Top rate	48%	47%
Starter rate limit	£2,306	£2,162
Basic rate limit	£13,991	£13,118
Intermediate rate limit	£31,092	£31,092
Higher rate limit	£62,430	£125,140
Advanced rate limit	£125,140	-
[†] These tax rates and bands apply only to the non-savings income of Scottish taxpayers		

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Summary of Tax Data		
PERSONAL ALLOWANCES		
	2024-25	2023-24
Personal allowance†	£12,570	£12,570
Marriage allowance	£1,260	£1,260
Blind person's allowance	£3,070	£2,870
Married couple's allowance:		
Born before 6 April 1935	£11,080	£10,375
Minimum amount	£4,280	£4,010
Income limit for basic personal allowance	£100,000	£100,000
Income limit for married couple's allowance	£37,000	£34,600
† Personal allowance frozen at £12,570 until the end of tax year 2027-28		
CAR AND FUEL BENEFIT		
Zero emissions	2%	2%
1-50 g/km (depending upon electric range)	2%-14%	2%-14%
51g/km to 54g/km	15%	15%
55g/km to 59g/km	16%	16%
60g/km to 64g/km	17%	17%
65g/km to 69g/km	18%	18%
70g/km to 74g/km	19%	19%
75g/km	20%	20%
Each additional 5g/km	+1%	+1%
Maximum charge	37%	37%
Amount used in car fuel benefit calculation	£27,800	£27,800
These percentages are increased by 4% for most diesel cars, subject to the maximum of 37%.		
CAPITAL ALLOWANCES		
Writing Down Allowance (WDA)		
Main pool of plant and machinery	18%	18%
Special rate pool of plant and machinery	6%	6%
Annual Investment Allowance (AIA)	100%	100%
AIA annual limit from 1 January 2019†	£1,000,000	£1,000,000
First Year Allowances (FYAs)	100%	100%
Structures and Buildings Allowances (SBAs)	3%	3%
† The AIA annual limit is now set permanently at £1,000,000		
PENSION SCHEMES		
Annual allowance	£60,000	£60,000
Minimum annual allowance	£10,000	£10,000
Income limit for annual allowance	£260,000	£260,000
Lifetime allowance	-	£1,073,100
Lump sum allowance	268,275	-

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National Insurance Contributions		
	2024-25	2023-24
CLASS 1		
Lower earnings limit† (weekly)	£123	£123
Primary threshold (weekly)	£242	£242
Upper earnings limit (weekly)	£967	£967
Secondary threshold (weekly)	£175	£175
Employee contributions:		
Rate on earnings between primary threshold and UEL‡	8%	10%
Rate on earnings beyond UEL	2%	2%
Employer contributions:		
Rate on earnings beyond secondary threshold	13.8%	13.8%
Employment allowance	£5,000	£5,000
CLASS 1A		
Rate	13.8%	13.8%
CLASS 2		
Weekly contribution (voluntary)	£3.45	£3.45
Small profits threshold	£6,725	£6,725
Lower profits threshold	-	£12,570
CLASS 3		
Weekly contribution	£17.45	£17.45
CLASS 4		
Lower profits limit	£12,570	£12,570
Upper profits limit	£50,270	£50,270
Rate on profits between lower and upper limit	6%	9%
Rate on profits beyond upper limit	2%	2%
† Most National Insurance limits and thresholds frozen until the end of tax year 2027-28.		
‡ Class 1 main rate for employees was 12% until 6 January 2024		
Capital Gains Tax		
	2024-25	2023-24
Standard rate†	10%	10%
Higher rate†	20%	20%
Business asset disposal relief rate	10%	10%
Business asset disposal relief lifetime limit	£1,000,000	£1,000,000
Annual exempt amount	£3,000	£6,000
† Taxable gains on the disposal of residential property in 2024-25 are taxed at 18% and 24% instead of 10% and 20%. These rates were 18% and 28% in 2023-24.		

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Summary of Tax Data

Corporation Tax

	FY2024	FY2023	FY2022	FY2021
Financial Year	25%	25%	19%	19%
Main rate	19%	19%	-	-
Small profits rate	£50,000	£50,000	-	-
Lower limit	£250,000	£250,000	-	-
Upper limit	3/200	3/200	-	-
Marginal relief fraction	186%	186%	230%	230%
R&D-intensive SMEs percentage	14.5%	14.5%	14.5%	14.5%
R&D-intensive SMEs payable credit	20%	20%	13%	13%
R&D "above the line" tax credit	10%	10%	10%	10%
Patent box (effective rate)				

The rates of corporation tax in FY2025 will be the same as in FY2024.

Inheritance Tax

Date of transfer	Nil rate band†‡	Rate on life-time transfers	Rate on death	Lower rate
6 April 2006 to 5 April 2007	0 - £285,000	20%	40%	-
6 April 2007 to 5 April 2008	0 - £300,000	20%	40%	-
6 April 2008 to 5 April 2009	0 - £312,000	20%	40%	-
6 April 2009 to 5 April 2012	0 - £325,000	20%	40%	-
6 April 2012 to 5 April 2025	0 - £325,000	20%	40%	36%

† Residence nil rate band for 2024-25 is £175,000

‡ Nil rate band and residence nil rate band both frozen until the end of tax year 2027-28

Value Added Tax

Standard rate	20%	(from 4 January 2011)
Reduced rate	5%	
Registration threshold	£90,000	(from 1 April 2024)
Deregistration threshold	£88,000	(from 1 April 2024)

END OF PAPER