

**UNIVERSITY OF BOLTON**  
**GREATER MANCHESTER BUSINESS SCHOOL**  
**BA (HONS) ACCOUNTANCY**  
**SEMESTER 1 EXAMINATIONS 2024/2025**  
**ADVANCED TAXATION**  
**MODULE NO: ACC6002**

Date: Monday 13th January 2025

Time: 10.00am – 1.00pm

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**INSTRUCTIONS TO CANDIDATES:**

There are **FOUR** questions on this paper.

Answer **ALL FOUR** questions.

This is a 3-hour closed book examination.

All questions carry equal marks.

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### **Question 1**

#### **Part A**

Blyth Ltd, a company resident in the United Kingdom, made the following disposals of assets during the year ended 31 March 2024:

1. Investment property: An investment property owned by Blyth Ltd was destroyed by a flood on 30 June 2023. On 31 July 2023 Blyth Ltd received insurance proceeds of £290,000 for the property. Blyth Ltd had originally bought the property for £135,000. At the date, the insurance proceeds were received the indexed cost of the property was £242,000. On 30 October 2023 Blyth Ltd paid £276,350 for a replacement investment property and elected to defer the gain from the receipt of the insurance proceeds.
2. Factory: Blyth Ltd sold a factory to its 100% subsidiary Venus Ltd on 2 January 2024 for £300,000. The cost of the factory was £110,000 in November 2003 and repairs were made to the roof in April 2009 at a cost of £20,000. Assume the indexation factor from November 2003 to December 2017 is 0.522 and from April 2009 to December 2017 is 0.315.
3. Land: On 30 November 2023 one hectare of a car park, was sold for £130,000. Blyth Ltd originally purchased three hectares of land, for use in the business as a customer car park, at a cost of £200,000. The indexed cost of the three hectares on 30 November 2023 was £300,000. The market value of the two unsold hectares of land as at 30 November 2023 was £350,000. Blyth Ltd incurred legal fees of £2,500 on disposal of the land.

Blyth Ltd is considering purchasing another asset for use in its trade, with the money received from the sale of the one hectare of land, but is undecided as to what type of asset to acquire.

#### **Required:**

- a) Assuming Blyth Ltd claims to defer as much of the gain as possible, how much of the gain arising on the disposal of the investment property will be chargeable?

(6 Marks)

- b) Calculate Venus Ltd's base cost of the factory acquired from Blyth Ltd.

(2 Marks)

- c) Calculate the chargeable gain on the disposal of the land.

(5 Marks)

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**d) If Blyth Ltd were to invest the money received from the sale of the land in one of the following assets, which would NOT be a qualifying asset for rollover relief?**

- A. A machine fixed to the factory floor.
- B. A warehouse.
- C. A delivery van.
- D. A new building to be used as the head office.

**(1 Mark)**

**e) Consider the following statements in relation to rollover relief:**

- (1) A replacement qualifying asset must be acquired before 30 November 2026.
- (2) If Blyth Ltd acquired a replacement qualifying asset on 10 April 2024 it must submit a rollover relief claim by 10 April 2028.

**Complete the following statement:**

If Blyth Ltd wishes to make a rollover relief claim in respect of the gain arising on the sale of the one hectare of land, then, of the above,

- A. both statements
- B. statement (1) only
- C. statement (2) only
- D. neither statement

is/are TRUE.

**(1 Mark)**

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**Part B**

Jones bought a house in Manchester on 1 November 2001 for £75,000. He occupied the house as his principal private residence until 1 November 2005 when he left to work abroad for a year, living in rented accommodation. He moved back into his house on 1 November 2006 and stayed until 1 August 2010 when he left to work in Aberdeen, again living in rented accommodation until his return on 1 November 2014. This time he stayed for three years, leaving on 1 November 2017 to go to live with a friend. He never returned to the house, and it was sold on 1 March 2024 for £343,000.

During his absences, Jones always let his house in Manchester and claimed no other Property to be his principal private residence. He also let rooms (comprising one-sixth of the house) to a tenant between 1 November 2006 and 31 July 2010.

**Required:**

**Compute the chargeable gain arising on the March 2024 disposal.**

**(10 Marks)**

**Total 25 Marks**

**END OF QUESTION 1**

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## Question 2

### Part A

On 31 March 2017, Kelly gave £500,000 to her daughter as a wedding present. On 1 April 2018 she gave £497,000 to a relevant property trust. Kelly died on 1 January 2024, having made only these two transfers during her life.

**(a) Calculate any lifetime tax due on each of the above transfers and state the due date of payment, assuming that Kelly paid this tax herself.**

**(8 Marks)**

**(b) Calculate any further tax due on Kelly's death in relation to these transfers and state the due date of payment. Assume that there is no unused nil-rate band to be transferred from a previously deceased spouse or civil partner.**

**(12 Marks)**

### Part B

Stacy made the following transfers during 2023-24:

		£
12-Apr-23	Gift to grandson	50
17-May 23	Gift to her nephew on his marriage	3,000
3-Aug-23	Gift to her husband	25,000
31-Oct-23	Gift to a relevant property trust	10,000
1-Jan-24	Gift to the Labour Party	5,000

None of the gifts are regarded as normal expenditure out of income. Stacy made no transfers at all during 2022-23.

**Required:**

**Calculate the value of each of her 2023-24 transfers after deduction of all the available exemptions.**

**(5 Marks)**

**Total 25 Marks**

**END OF QUESTION 2**

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### Question 3

Sony has been registered for VAT since 1 April 2017. His business is situated in Great Britain. His partly completed VAT computation for the quarter to 31 March 2024 is shown below. The figures in brackets refer to the notes which follow.

#### Output VAT

Sales (all standard rated)	22500
Discounted sale (1)	?
Equipment (2)	?
Fuel scale charge	89

#### Input VAT

Purchases (all standard rated)	-11200
Motor car purchased on 1 January 2024	0
Equipment (2)	?
Bad debts (3)	?
Entertaining UK customers	0
Entertaining overseas customers (4)	?
Motor expenses (5)	?
<b>VAT payable</b>	<u>?</u>

#### Note 1: Discounted sale

On 10 February 2024, a sales invoice for £4,300 (before VAT) was issued by Sony in respect of a standard rated supply. Sony offered the customer a 10% discount for payment within 14 days and the customer paid within the 14-day period. This invoice has not been taken into account in calculating the output VAT figure of £22,500, and this is the only sale for which Sony has offered a prompt payment discount.

#### Note 2: Equipment

During the quarter to 31 March 2024, Sony acquired some new equipment at a cost of £12,400 (before VAT). This equipment was imported from outside the UK and Sony provided his VAT registration number to the overseas supplier.

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### Note 3: Bad debts

On 31 March 2024, Sony wrote off three bad debts. Details are as follows:

Amount before VAT	Invoice date	Payment due date
£1,400	30-Jul-23	29-Aug-23
£2,700	12-Sep-23	12-Oct-23
£1,900	4-Oct-23	3-Nov-23

### Note 4: Entertaining

During the quarter to 31 March 2024, Sony spent £960 on entertaining his overseas customers. This figure is inclusive of VAT.

### Note 5: Motor expenses

The motor car purchased on 1 January 2024 is used 60% for business mileage. During the quarter to 31 March 2024, Sony spent £1,008 on repairs to the motor car and £660 on fuel for both business and private mileage. Both of these figures include VAT.

### Additional information

Sony does not use the cash accounting scheme, the annual accounting scheme or the flat rate scheme, but he has read that the use of these schemes can be beneficial for small businesses such as his. His VAT-exclusive annual turnover is currently £450,000. He pays for most of his purchases and expenses on a cash basis but allows many of his customers 30 days credit when paying for sales.

### Required:

- a) Calculate the amount of VAT payable for the quarter to 31 March 2024.  
(17 Marks)
- b) Analyse the VAT schemes that exist and state which VAT schemes Sony is currently permitted to use and explain which ONE of these schemes would be the most beneficial for him to use.

(8 Marks)  
 Total 25 Marks

**END OF QUESTION 3**

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#### **Question 4**

Michael disposed of the following assets during tax year 2023-24:

- 1) On 19 May 2023, Michael sold a freehold warehouse for £522,000. This warehouse was purchased on 6 August 2011 for £258,000 and was extended at a cost of £99,000 during April 2013. In January 2017, the floor of the warehouse was damaged by flooding and had to be replaced at a cost of £63,000. The warehouse was sold because it was surplus to requirements as a result of Michael purchasing a newly built warehouse during 2022. Both warehouses have always been used for business purposes in a wholesale business run by Michael as a sole trader.

**(6 Marks)**

- 2) On 12 August 2023, Michael sold an acre of land for £81,700. He had originally purchased five acres of land on 19 May 2008 for £167,400. The market value of the unsold four acres of land as at 12 August 2023 was £268,000. The land has never been used for business purposes.

**(4 Marks)**

- 3) On 24 September 2023, Michael sold 70,000 £1 ordinary shares in Bowling Ltd, an unquoted trading company, for £367,500. He had purchased 50,000 shares in the company on 2 June 2015 for £96,000. On 1 June 2020, Bowling Ltd made a 3 for 2 bonus issue. Michael has been a director of Bowling Ltd since 1 January 2015.

**(6 Marks)**

- 4) On 19 January 2024, Michael made a gift of his entire holding of 24,000 £1 ordinary shares in Orange plc, a listed investment company, to his son, Romero. On that date the shares were quoted on the London Stock Exchange at 698p - 710p. The shares had been purchased on 8 May 2018 for £76,800. Michael's shareholding was less than 1% of Orange plc's issued share capital, and he has never been an employee or a director of the company.

**(4 Marks)**

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**Required:**

- a) Assuming that no reliefs are available, calculate the chargeable gain arising from each of Michael's asset disposals during the tax year 2023-24. You need to also state which capital gains tax reliefs might be available to Michael in respect of each of his disposals during the tax year 2023-24, and what further information you would require in order to establish if those reliefs are actually available and to establish any restrictions as regards the amount of relief.

**(20 Marks)**

- b) Critically discuss the criteria for related 51% group companies and 75% group including group relief.

**(5 Marks)**

**Total 25 Marks**

**END OF QUESTIONS**

**SUMMARY OF TAX RATES AND ALLOWANCES OVER THE PAGE**

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### Tax Rates and Allowances

#### INCOME TAX

		<b>Normal rates</b>	<b>Dividend rates</b>
Basic rate	£1 – £37,700	20%	8.75%
Higher rate	£37,701 – £125,140	40%	33.75%
Additional rate	£125,141 and over	45%	39.35%
Savings income nil rate band	– Basic rate taxpayers		£1,000
	– Higher rate taxpayers		£500
Dividend nil rate band			£1,000

A starting rate of 0% applies to savings income where it falls within the first £5,000 of taxable income.

#### Personal allowance

Personal allowance	£12,570
Transferable amount	£1,260
Income limit	£100,000

Where adjusted net income is £125,140 or more, the personal allowance is reduced to zero.

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## Tax Rates and Allowances continued

### Residence status

Days in UK	Previously resident	Not previously resident
Less than 16	Automatically not resident	Automatically not resident
16 to 45	Resident if 4 UK ties (or more)	Automatically not resident
46 to 90	Resident if 3 UK ties (or more)	Resident if 4 UK ties
91 to 120	Resident if 2 UK ties (or more)	Resident if 3 UK ties (or more)
121 to 182	Resident if 1 UK tie (or more)	Resident if 2 UK ties (or more)
183 or more	Automatically resident	Automatically resident

### Child benefit income tax charge

Where income is between £50,000 and £60,000, the charge is 1% of the amount of child benefit received for every £100 of income over £50,000.

### Car benefit percentage

The relevant base level of CO<sub>2</sub> emissions is 55 grams per kilometre.

The percentage rates applying to petrol cars (and diesel cars meeting the RDE2 standard) with CO<sub>2</sub> emissions up to this level are:

51 grams to 54 grams per kilometre	15%
55 grams per kilometre	16%

The percentage for electric cars with zero CO<sub>2</sub> emissions is 2%.

For hybrid-electric cars with CO<sub>2</sub> emissions between 1 and 50 grams per kilometre, the electric range of the car is relevant:

#### Electric range

130 miles or more	2%
70 to 129 miles	5%
40 to 69 miles	8%
30 to 39 miles	12%
Less than 30 miles	14%

### Car fuel benefit

The base figure for calculating the car fuel benefit is £27,800.

### Company van benefits

The company van benefit scale charge is £3,960, and the van fuel benefit is £757.

A van with zero CO<sub>2</sub> emissions does not give rise to a benefit.

### Individual Savings Accounts (ISAs)

The overall investment limit is £20,000.

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## Tax Rates and Allowances continued

### Rent-a-room relief

The rent-a-room relief limit is £7,500.

### Pension scheme limits

Annual allowance	£40,000
Minimum allowance	£4,000
Income limit	£240,000
Lifetime allowance	£1,073,100
The maximum contribution which can qualify for tax relief without any earnings is £3,600.	

### Approved mileage allowances: cars

Up to 10,000 miles	45p
Over 10,000 miles	25p

### Capital allowances: rates of allowance

#### Plant and machinery

Main pool	18%
Special rate pool	6%

#### Cars

New cars with zero CO <sub>2</sub> emissions	100%
Second-hand cars with zero CO <sub>2</sub> emissions	18%
CO <sub>2</sub> emissions between 1 and 50 grams per kilometre	18%
CO <sub>2</sub> emissions over 50 grams per kilometre	6%

#### Annual investment allowance

Rate of allowance	100%
Expenditure limit	£1,000,000

#### Structures and buildings allowance

Straight line allowance	3%
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### Cash basis accounting

Revenue limit	£150,000
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### Cap on income tax reliefs

Unless otherwise restricted, reliefs are capped at the higher of £50,000 or 25% of income.

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### Tax Rates and Allowances continued

#### CORPORATION TAX

Financial year	2021	2022	2023
Small profits rate	N/A	N/A	19%
Main rate	19%	19%	25%
Lower limit	N/A	N/A	£50,000
Upper limit	N/A	N/A	£250,000
Standard fraction	N/A	N/A	3/200

#### Marginal relief

$$(\text{Upper limit} - \text{Augmented profits}) \times \text{Standard fraction} \times \frac{\text{Taxable total profits}}{\text{Augmented profits}}$$

#### Quarterly instalments

Profit threshold	£1,500,000
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#### VALUE ADDED TAX

Standard rate	20%
Registration limit	£85,000
Deregistration limit	£83,000

#### Penalties for late VAT payments

Days late	Penalty
Up to 15 days	None
16 to 30 days	2%
More than 30 days	4% plus a 4% daily penalty

#### INHERITANCE TAX: tax rates

Nil rate band	£325,000
Residence nil rate band	£175,000
Rate of tax on excess	– Lifetime rate 20%
	– Death rate 40%

#### Inheritance tax: taper relief

Years before death	Percentage reduction
More than 3 but less than 4 years	20%
More than 4 but less than 5 years	40%
More than 5 but less than 6 years	60%
More than 6 but less than 7 years	80%

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### **Tax Rates and Allowances continued**

<b>STANDARD PENALTIES FOR ERRORS</b>			
<b>Taxpayer behaviour</b>	<b>Maximum penalty</b>	<b>Minimum penalty – unprompted disclosure</b>	<b>Minimum penalty – prompted disclosure</b>
Deliberate and concealed	100%	30%	50%
Deliberate but not concealed	70%	20%	35%
Careless	30%	0%	15%

**END OF TAX RATES AND ALLOWANCES**

**END OF EXAMS**