

**UNIVERSITY OF GREATER MANCHESTER**  
**GREATER MANCHESTER BUSINESS SCHOOL**  
**MSC ACCOUNTANCY AND FINANCIAL**  
**MANAGEMENT**  
**SEMESTER TWO EXAMINATIONS 2024/2025**  
**ADVANCED TAXATION**  
**MODULE NO: ACC7506**

Date: Wednesday 14 May 2025

Time: 10.00 – 1.00

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**INSTRUCTIONS TO CANDIDATES:**

There are 3 questions on this paper.

Answer **ALL THREE** questions.

This is a 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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## **SECTION A – ANSWER ALL QUESTIONS FROM THIS SECTION**

### **Question 1**

You should assume that today's date is 1 September 2025.

Your manager has just had a meeting with **Arthur, Finn and Harry** who are clients of your firm.

Advice is required in respect of:

- Arthur who is a partially exempt VAT registered trader,
- The inheritance tax payable as a result of Finn's death,
- The capital gains tax payable by Harry, and
- the consequences of non-disclosure of income by Harry.

The following **exhibits** provide information relevant to the questions:

### **Exhibit 1- Arthur**

Arthur is a partially exempt VAT registered trader and sells only to UK customers. During the year ended 31 May 2025 he made the following supplies:

	£
Standard-rated taxable supplies (excluding VAT)	48,000
Exempt supplies	62,000
	110,000

Arthur's input tax for the year is:

	£
Wholly attributable to taxable supplies	16,000
Wholly attributable to exempt supplies	25,000
Non-attributable	12,450
	53,450

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### **Question 1 continued**

In addition to the above, during the year ended 31 May 2025 Arthur sold plant for £10,000 which had been used in the taxable part of the business. Arthur was de minimis in the partial exemption year ended 31 May 2024. Therefore, he has been using the annual partial exemption test and during the year ended 31 May 2025 Arthur recovered all of his input tax suffered. Arthur has correctly calculated that he does not pass either Simplified Test One or Two for the year ended 31 May 2025. All figures above are exclusive of any VAT.

### **Exhibit 2- Finn**

Finn was UK resident and domiciled at the date of his death on 6 January 2025. Finn's wife, Marian, is UK resident but non-UK domiciled and has made no election to become UK domiciled.

At his death Finn's estate comprised:

- his home in London worth £1,600,000.
- 5,000 shares (0.1% holding) in Sitron plc, a UK quoted company. On 6 January 2025 the shares were quoted at 230 – 234p with marked bargains of 224p, 226p and 240p.
- a painting worth £500,000. This was part of the estate inherited from his mother when she died in June 2023. The value of her chargeable estate on death was £1.2 million and she left the entire estate to Finn. She had made no previous lifetime transfers.
- shares in Bulda Ltd, an unquoted investment company worth £115,000.
- cash and personal chattels of £180,000.

At his death Finn had credit card debts totalling £2,500 and his funeral costs amounted to £7,400. He had income tax payable for 2024/25 of £3,816. Finn left his home in London to his wife Marian and the remainder of his estate to his brother Olaf.

Finn's only previous lifetime transfers were:

- a gross chargeable transfer of £250,000 in January 2016.
- a gift of an investment property worth £285,000 to a new discretionary trust in October 2022. The trustees agreed to pay any tax due.

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**Question 1 continued**

**Exhibit 3- Harry**

Harry made disposals as follows during 2024/25:

• **Aranas Ltd shares**

On 14 June 2024, Harry sold his 10% holding of shares in Aranas Ltd, an unquoted trading company, to his sister Stacy for £60,000. The shares had a market value at that time of £100,000. Harry had originally purchased the shares for £12,000. Harry had owned the shares for five years and had worked full-time for Aranas Ltd for 10 years.

• **Web Towers**

On 15 July 2024, Harry made a gift of a commercial property worth £454,700 to a discretionary trust. The trustees will pay any inheritance tax due. Harry had purchased the property for £420,600 in May 2000 and had rented it out at a commercial rent from that date to Booth plc.

• **Cherry Tree House**

Harry sold his home, Cherry Tree House, in December 2024 for £12,450,000. Harry originally purchased the house in December 2004 for £160,000. Harry has lived in the house since its acquisition except for a four-year period from December 2012 when he took time off work to travel, leaving the house empty.

Harry has taxable income for 2024/25 of £12,000 and has brought forward capital losses of £21,652 from previous years. Harry is domiciled in the UK, living in England.

• **Non-disclosure of income**

Harry has realised that he has not declared some of his income in respect of the tax year 2020/21. As a result of this, his income tax liability for that tax year was understated. He is aware of the interest and penalties which may be charged in respect of this error.

**Required:**

**You should assume that today's date is 1 September 2025.**

- a) **For the partial exemption year ended 31 May 2025, determine whether Arthur is de minimis; and calculate the amount of input tax payable to HMRC as a result of the annual adjustment.**

**(10 Marks)**

- b) **Calculate the inheritance tax payable as a result of Finn's death.**

**(15 Marks)**

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**Question 1 continued**

- c) Calculate the capital gains tax payable by Harry for 2024/25. Clearly show the amount(s) of any relief(s) available. State the actions necessary to effect any claims.

(10 Marks)

- d) State the other matters which need to be considered, by us and by Harry, in relation to the disclosure of the error to HM Revenue and Customs (HMRC).

(5 Marks)

(40 marks)

Professional marks will be awarded for the demonstration of skill in communication, analysis and evaluation, scepticism and commercial acumen in your answer.

(10 marks)

(Total: 50 marks)

**End of Question 1**

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**SECTION B – ANSWER ALL QUESTIONS FROM THIS SECTION**

**Question 2**

You should assume that today's date is 4 June 2025.

You work for an Accountancy practice in Manchester and you are preparing the corporation tax computation for Bridgerton Ltd, a VAT-registered UK resident trading company, for the year ended 31 March 2025.

Bridgerton Ltd.'s draft tax-adjusted trading income for the year ended 31 March 2025 is £349,663.

However, items (1) to (3) below have not yet been fully considered and may require adjustment. Capital allowances have **not** yet been calculated.

(1) On 24 February 2025 Bridgerton Ltd sold an office building, Smith's Plaza, used in its trade for £800,000. Smith's Plaza had been purchased on 31 March 2000 for £380,000. In calculating the draft tax-adjusted trading income of £349,663, solicitors' fees of £2,000 relating to the sale have been deducted and the accounting profit on disposal of £24,000 has been added.

(2) A letter was received from HMRC stating that the interest payable to 31 March 2025 in relation to the late-paid corporation tax for the previous year is £2,475. This has not been deducted in the calculation of the draft tax-adjusted trading income.

(3) Interest payable of £3,750 on a loan to purchase Hughes Towers, a three-floor office building, was not deducted in arriving at the draft tax-adjusted trading income. Hughes Towers had been purchased in December 2023 for a cost of £900,000 when it was 15 years old. The company uses two floors for its own business and lets out the third to an unconnected third party.

(4) At 1 April 2024 the tax written down values were £16,500 on the main pool, and £25,100 on the special rate pool. During the year ended 31 March 2025 the company purchased machinery costing £45,000 and a car with CO2 emissions of 61g/km costing £33,000 (both amounts are stated inclusive of VAT). The managing director uses the car 40% for business purposes. The company also sold an item of plant and machinery for £2,000 which had cost £8,000. The item had been purchased 10 years earlier.

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**Question 2 continued**

**Income from subsidiary**

Bridgerton Ltd had the following income from its wholly owned subsidiary:

	Country of Residence	Dividends received £	Property income receivable £
Caius SA	Overlandia	11,890	31,200

Income from Caius SA is stated net of Overlandian withholding tax at 22%.

**Other UK income/expenditure**

Bridgerton Ltd had two other sources of income in the year ended 31 March 2025:

- £10,500 interest receivable on bank deposits; and
- UK property income of £127,500 in relation to surplus office space in Hughes Towers. This does not include rent of £42,500 for the quarter to 31 March 2025 which was received on 10 April 2025.

Bridgerton Ltd also paid £30,000 as a qualifying donation on 1 December 2024.

**Advice on trading overseas**

Bridgerton Ltd wishes to trade overseas in the future and has asked you advice on the choice of business structure between an overseas branch(PE) and overseas subsidiary.

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**Question 2 continues**

**Required:**

**You should assume that today's date is 4 June 2025.**

- a) Calculate Bridgerton Ltd.'s final tax-adjusted trading income for the year ended 31 March 2025 after capital allowances.  
(6 Marks)
- b) Calculate the corporation tax payable by Bridgerton Ltd for the year ended 31 March 2025.  
(10 Marks)
- c) Critically evaluate the differences between an overseas branch(PE) and overseas subsidiary highlighting the corporation tax implications for each structure.  
(4 Marks)

**Note- Indexation factor relevant for this question: 0.651**

**Professional marks will be awarded for the demonstration of skill in analysis and evaluation, and commercial acumen in your answer.**

**(5 marks)**

**Total 25 Marks**

**End of Question 2**

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### Question 3

You should assume that today's date is 1 September 2025.

You are employed at an accountancy firm based in Bolton, and your manager has asked you to review the following case concerning one of the firm's clients, Pierre.

#### Pierre

Pierre, who is 40 years old, came to the UK 10 years ago, having been born and brought up in the country of Erewhon, where his family has lived for many generations. Shortly after coming to the UK he met and married Madge, who is UK-resident. Pierre is treated as UK-resident but not UK-domiciled for income tax purposes.

#### Employment at Rutherford Ltd

He is employed by Rutherford Ltd, a UK company, as the sales and marketing director. His remuneration arrangements are as follows:

- (1) Salary of £27,000 per annum.
- (2) Pierre is not provided with a company car, but he travelled 12,000 business miles in his own car during 2024/25 and was paid 50p per mile for this.
- (3) Pierre has had the use of a bicycle since 1 October 2023 as part of a scheme open to all employees. The bicycle had been bought for £600 by Rutherford Ltd. On 1 July 2024 Pierre bought the bicycle from Rutherford Ltd for £40, when it was worth £130.
- (4) Rutherford Ltd paid £410 in private medical insurance for Pierre. If Pierre had purchased it himself it would have cost £520.
- (5) Pierre's PAYE deducted for 2024/25 totalled £5,000.
- (6) Rutherford Ltd pays Pierre a bonus based on the results for each year ended 31 December:

Accounts to year ended	Bonus £	Date approved at AGM	Date received
31 December 2023	11,300	25 March 2024	28 April 2024
31 December 2024	9,100	24 March 2025	30 April 2025

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### Question 3 continued

#### Other income and expenses

Pierre received dividends from Rutherford Ltd of £5,650 in January 2025. He also had two sources of income relating to 2024/25 from Erewhon received after deduction of tax at source at the rates shown below:

	Received £	Overseas tax rate
Bank interest	3,444	30%
Property income	6,160	45%

The UK has no double tax treaty with Erewhon and Pierre decided not to make a remittance basis election.

Pierre also contributed £4,160 into his personal pension scheme during 2024/25.

#### Required:

You should assume that today's date is 1 September 2025.

- a) Explain why Pierre is treated as non-UK domiciled, and state any actions that he must take to become UK domiciled for income tax purposes. You do not need to consider the deemed domicile rules.

(2 Marks)

- b) For 2024/25, calculate Pierre's:

I. Taxable employment income (5 Marks)

II. Class 1 primary national insurance contributions (3 Marks)

- c) For 2024/25, calculate Pierre's income tax payable.

(10 Marks)

Professional marks will be awarded for the demonstration of skill in analysis and evaluation, and commercial acumen in your answer.

(5 marks)

Total 25 Marks

END OF EXAM PAPER

Please turn the page for Tax tables

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## Tax rates and allowances

- 1 You should assume that the tax rates and allowances for the tax year 2024/25 and for the financial year to 31 March 2025 will continue to apply for the foreseeable future unless you are instructed otherwise.
- 2 Calculations and workings need only to be made to the nearest £.
- 3 All apportionments should be made to the nearest month.
- 4 All workings should be shown.

	Income tax	Normal rates	Dividend rates
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			£500

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.

### 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

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## Tax tables continued

### Remittance basis charge

#### UK resident for

Seven out of the last nine years	£30,000
12 out of the last 14 years	£60,000

### 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:

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.

### Rent-a-room relief

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

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### Tax tables continued

#### Pension scheme limits

Annual allowance	2021/22 and 2022/23	£40,000
	2023/24 and 2024/25	£60,000
Minimum allowance		£10,000
Threshold income limit		£200,000
Income limit		£260,000
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

<b>Plant and machinery</b>	18%
Main pool	6%
Special rate pool	

#### 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

#### Enhanced capital allowances for companies

Main pool first year allowance (full expensing)	100%
Special rate pool first year allowance	50%

#### Structures and buildings allowance

Straight line allowance	3%
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## Tax tables continued

### Cap on income tax reliefs

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

### Corporation tax

Financial year	2022	2023	2024
Small profits rate	N/A	19%	19%
Main rate	19%	25%	25%
Lower limit	N/A	£50,000	£50,000
Upper limit	N/A	£250,000	£250,000
Lower limit	N/A	3/200	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 (VAT)

Standard rate	20%
Registration limit	£90,000
Deregistration limit	£88,000

### 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 daily penalty at an annual rate of 4%

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### Tax tables continued

#### Inheritance tax: nil rate bands and tax rates

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

#### Inheritance tax: taper relief

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

#### Capital gains tax: tax rates

	Normal rates	Residential property
Lower rate	10%	18%
Higher rate	20%	24%
Annual exempt amount		£3,000

#### Capital gains tax: business asset disposal relief and investors' relief

Lifetime limit – business asset disposal relief	£1,000,000
– investors' relief	£10,000,000
Rate of tax	10%

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### Tax tables continued

#### National insurance contributions

Class 1 Employee	£1 – £12,570 per year	Nil
	£12,571 – £50,270 per year	8%
	£50,271 and above per year	2%
Class 1 Employer	£1 – £9,100 per year	Nil
	£9,101 and above per year	13.8%
	Employment allowance	£5,000
Class 1A		13.8%
Class 4	£1 – £12,570 per year	Nil
	£12,571 – £50,270 per year	6%
	£50,271 and above per year	2%

#### Rates of interest (assumed)

Official rate of interest	2.25%
Rate of interest on underpaid tax	7.75%
Rate of interest on overpaid tax	4.25%

#### Standard penalties for errors

Taxpayer behaviour	Maximum penalty	Minimum penalty – unprompted disclosure	Minimum penalty – prompted disclosure
Deliberate and concealed	100%	30%	50%
Deliberate but not concealed	70%	20%	35%
Careless	30%	0%	15%

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**Tax tables continued****Stamp duty land tax on non-residential properties**

Up to £150,000	0%
£150,001 – £250,000	2%
£250,001 and above	5%

**Stamp duty**

Shares	0.5%
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**END OF TAX TABLES****END OF EXAM PAPER**