

# Taxation (IRL)

## Sample Questions – September 2020

### Get to know your exam

*These graphical representations are intended to give an indication of past exam requirements and associated question content.*

*Please note that you will not be able to complete answers within these documents and in isolation they will not sufficiently prepare you for your exam.*

*We encourage you to visit the ACCA Practice Platform in order to attempt up to date practice exams within the computer-based exam environment.*

# Introduction screen

Taxation - Ireland (TX - IRL) Sample Questions - September 2020



## Introduction

This practice exam indicates how the live exam will be structured and assessed, and the likely style and range of questions that could be asked.

You should use the practice exam to become familiar with the question types and the features and functionality contained within the live exam.

The practice exam is reflective of the live exam experience but has some differences:

- The live exam will be timed, however there is no time limit in this exam.
- If you want to sit this exam in exam style conditions you should answer the questions presented within the time allowed for your live exam.
- Once you have started this exam you are able to leave at any time by closing the browser window. When you return, anything you have entered into the response options will be saved and you can continue sitting the exam.
- In the live exam your answers to the constructed response questions will be expert-marked. At the end of this exam, all objective test questions (OTs) be auto-marked however you should use the solution material provided to assess your performance in the constructed response questions.
- You will be able to access solution material at the end of this exam when using the Self-Marking resources which include a Marking Guide and/or Sample Answer for each question. If you wish to access these without completing the questions, click on **End Exam** on the Item Review Screen and navigate to the Marking tab on the Dashboard to Self-Mark.

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# Instruction screens

Taxation - Ireland (TX - IRL) Sample Questions - September 2020

## Instructions (1 of 4)

The instructions displayed below are representative of those displayed in the live exam. Where there are differences between this exam and the live exam these are explained.

### General Instructions

- In this exam, the instruction screens are not timed however in the live exam they will be available for a maximum of 10 minutes prior to the exam starting.
- In the live exam, the stated exam time will automatically start once the 10 minute period has passed (or earlier if you choose to start the exam within the 10 minute period).
- A copy of the instruction screens can be accessed at any time during the exam by selecting the Help button provided.

### Answering and Navigating

- Please read each question carefully.
- The question number you are viewing is displayed in the top display bar. You can hide or restore this display by selecting 
- You can navigate between screens by selecting **Next →** or **← Previous**, or by clicking on a question number from the Navigator or Item Review screens.
- A warning message will display to remind you that you cannot navigate away from a question if you have not viewed all of the question content. Ensure that you use all scrollbars and/or open any on-screen exhibits before navigating from each question.
- Some questions have the scenario and answer area divided by either a horizontal or vertical splitter bar. You can move this splitter bar to see more or less of the scenario or answer area.
- Please ensure you provide an answer for all elements of each question.
- You can revisit questions and change your answers at any time during the exam.

### Flag for Review

- If you wish to revisit/review a question later in the exam, click  **Flag for Review**
- Click the button again if you no longer wish to revisit/review the question later in the exam.

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## Instruction screens (continued)

Taxation - Ireland (TX - IRL) Sample Questions - September 2020

### Instructions (2 of 4)

#### Help

- Click the **Help** button provided to access:
  - A copy of these exam instructions.
  - Help and guidance on constructed response questions. (in the constructed response section of the exam only).
  - Formulae sheets/tax tables if your exam requires these. Note that the name of the Help button will indicate if formulae sheets/tax tables are available i.e.  **Help**,  **Help/Formulae Sheet** or  **Help/Tax Tables**

#### Calculator

- You have the option to use the on-screen standard or scientific calculators by selecting  **Calculator**
- Note that in the live exam you are also permitted to use your own calculator providing it does not have the facility to store or display text.

#### Highlight and Strikethrough

- You can highlight key phrases or figures in the question scenario by selecting  **Highlight**
- You can strikethrough text in the question scenario by selecting  **Strikethrough**
- Highlighted and strikethrough text will be displayed on all questions relating to the scenario.

#### Workings/Scratch Pad

- You may use an on-screen Scratch Pad to make notes/workings by selecting  **Scratch Pad**
- The Scratch Pad retains all notes/workings entered for all questions and these are available for the duration of the exam. They will not be submitted for marking after your live exam.
- You will also be provided with paper for notes/workings for your live exam, should you prefer to use it. This will not be submitted for marking. It will be collected at the end of the exam and must not be removed from the exam room.
- Important:**
  - The notes/workings entered onto the Scratch Pad or your workings paper during the live exam will not be marked.
  - If you want the marker to see any notes/workings for questions in the constructed response section of the live exam you must show them within the answer areas.

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## Instruction screens (continued)

Taxation - Ireland (TX - IRL) Sample Questions - September 2020

### Instructions (3 of 4)

#### Copy and Paste

- You can copy and paste from the Scratch Pad or question scenario into your answers in the constructed response section of the exam by using the Ctrl-C (Copy) and Ctrl-V (Paste) shortcuts. **Note:** When pasting into a spreadsheet in the live exam you must double-click the cell or paste directly into the formula bar. In this exam you can also paste into the spreadsheet by selecting the cell.

#### Symbol

- You can add a selection of currency symbols to your answers in the constructed response section of the exam by selecting  **Symbol** on the top toolbar.

#### Navigator Screen

- The Navigator screen can be accessed at any time during the exam by selecting  **Navigator**
- This screen allows you to jump to any question number in the exam.
- It also allows you to see the status of questions and whether they have been viewed, are complete or incomplete, or have been flagged for review.

#### Close All

- You can close each window (eg. Calculator or Scratch Pad) individually or you can close multiple windows by selecting  **Close All** on the top toolbar.

#### Reviewing the Exam

- You can review your exam once you have attempted any, or all, of the questions.
- To do this:
  - Navigate to the **last question** in the exam.
  - Click **Next→**
- This takes you to the Item Review screen.

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## Instruction screens (continued)

Taxation - Ireland (TX - IRL) Sample Questions - September 2020

### Instructions (4 of 4)

#### Item Review Screen

- This screen gives you an opportunity to see the flag and completion status of all questions before you exit the exam.
- You can select individual questions you wish to revisit, or quickly access groups of questions from the Item Review screen.
- During the item review period Navigator is not available however you can navigate to questions by selecting **Next** , **Previous** or **Review Screen**.
- When reviewing questions you can change your answer and click **Review Screen** to view any updated status on the Item Review screen.

#### Ending the Exam

- Once you have completed your item review and wish to finally end the exam click **End Exam**
- Once you end the exam, you cannot revisit any questions.

Select **Next** to move to the Exam Summary screen.

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# Exam summary screen

Taxation - Ireland (TX - IRL) Sample Questions - September 2020

**Time allowed:** This sample exam is not timed.

This exam is divided into two sections:

## Section A

- 15 objective test (OT) questions, each worth 2 marks.
- 30 marks in total.

## Section B

- Six constructed response questions that may contain a scenario which relates to one or more requirement(s).
- Each constructed response question is worth 10 or 15 marks in total.
- 70 marks in total.

All questions are compulsory.

Select **Next** to start your exam.

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## Sample exam questions

### Section A – summary screen

Taxation - Ireland (TX - IRL) Sample Questions - September 2020

Flag for Review

#### Section A

This section of the exam contains **15 objective test (OT) questions**.

Each question is worth **2 marks** and is compulsory.

This exam section is worth **30 marks** in total.

#### Important:

1. Calculations and workings need only be made to the nearest whole unit of currency, unless instructed otherwise.
2. All apportionments should be made to the nearest month.

Select **Next** to continue.

 Navigator

## Section A - questions

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 Close All  Flag for Review

     On 1 February 2014, George was granted a share option by his employer, OPS Ltd, whereby he could purchase 5,000 €1 shares at €2 each. The market value of the shares on 1 February 2014 was €4 per share and George could exercise the option up to 31 December 2020. George exercised the option on 1 March 2019 when the share price was €5 per share.

On what amount of taxable benefit will George be assessed to income tax in 2019?

- €15,000
- €10,000
- €0
- €25,000

On 18 June 2019, Michelle sold one acre of land for €70,000. Solicitor's fees on the disposal amounted to €2,000. Michelle had purchased the land (for investment purposes) as part of a larger holding (six acres) on 16 September 2002 for €52,000 (inclusive of legal and professional fees). The market value of the remaining land at the date of disposal was €280,000.

What is Michelle's chargeable gain in respect of the disposal of the land?

- €58,908
- €13,452
- €57,090
- €59,090

Which of the following are forms of capital taxation?

- (1) Capital gains tax (CGT)
- (2) Stamp Duty
- (3) Capital Acquisitions Tax (CAT)
- (4) Local property tax (LPT)

- 1, 2, 3 and 4
- 1 and 3 only
- 2 and 4 only
- 1, 3 and 4 only

## Section A – questions (continued)

IRL Ltd, an Irish tax resident and incorporated company, owns 4% of the share capital of UK Ltd, a UK tax resident and incorporated company. During 2019, UK Ltd paid a dividend of €100,000 to IRL Ltd. 75% of UK Ltd's profits come from trading activities and 25% from investment activities.

**What Irish tax liability will apply to IRL Ltd's UK dividend income?**

- €15,625
- €25,000
- €0
- €12,500

Roger, a self-employed hairdresser, is registered for value added tax (VAT). He had the following transactions in the VAT period May/June 2019.

- (1) Sold gift vouchers for their face value of €200 to customers
- (2) Gave gifts valued at €100 each to several customers
- (3) Took goods costing €500 out of the business for his own use
- (4) Sold goods to a customer in Canada for €400

**Which of the transactions are taxable supplies in May/June 2019 for the purposes of VAT?**

- 1 and 2 only
- 1, 3 and 4 only
- 1, 2, 3 and 4
- 3 and 4 only

Rebecca is a barrister who provides legal opinions to the Irish Department of Justice. During 2019, Rebecca issued the Department with invoices totaling €246,000, inclusive of value added tax (VAT).

**What is the amount of professional services withholding tax (PSWT) which will be deducted by the Department when paying Rebecca's invoices?**

- €40,000
- €49,200
- €0
- €80,000

## Section A – questions (continued)

Barry (72 years old), would like to bring his tax affairs up to date. He would like to submit an unprompted qualifying disclosure to the Revenue.

If Barry submits an unprompted qualifying disclosure to the Revenue, which of the following benefits will apply to him?

- (1) A reduced level of penalties
- (2) Barry's name will not be published on the tax defaulters list
- (3) The Revenue will not initiate a prosecution against Barry
- (4) Interest will not be applied to the underpaid tax

- 1, 2, 3 and 4
- 1, 2 and 3 only
- 1 and 4 only
- 2 and 3 only

Maria owns her principal private residence (PPR) in Dublin, Ireland. On 1 May 2013, the market value of the property was €1,250,000. Maria has a mortgage on the property of €780,000.

What is Maria's local property tax (LPT) liability for the year 2019?

Note: Use the table provided in the tax reference material

- €655
- €0
- €3,125
- €2,425

A Holdings Ltd, owns 90% of the share capital of B Trading Ltd, which in turn owns 80% of C Trading Ltd.

Which of the following statements describes the group relationship between A Holdings Ltd and C Trading Ltd for tax purposes?

- They are in a group for both group loss relief and chargeable gains purposes
- They are in a group for group loss relief purposes but not for chargeable gains purposes
- They are in a group for chargeable gains purposes but not for group loss relief purposes
- They are not in a group for either group loss relief or chargeable gains purposes

## Section A – questions (continued)

Paula and Clara have been in partnership for over ten years, sharing profits/losses in the ratio 6:4. The partnership accounts are prepared annually to 31 May. Clara decided to retire from the partnership on 31 January 2019 and was replaced by Sheila. The recent results of the partnership are:

	€
Year ended 31 May 2018	150,000
Year ended 31 May 2019	180,000

What is the amount of the partnership income on which Clara will be assessed for 2019?

- €6,000
- €48,000
- €24,000
- €15,000

Brendan is a self-employed carpenter, who is registered for value added tax (VAT). He has just completed installing a new kitchen in a residential property, for a private individual, Ciara. The value of the materials used was €5,500, excluding VAT. Brendan has billed Ciara €11,500 in total, excluding VAT.

What is the total amount of VAT charged in the final bill prepared by Brendan?

- €2,645
- €2,075
- €1,553
- €2,123

Carol made the following gifts during 2019:

- (1) A gift to her son of an investment property with a market value of €250,000; the property cost Carol €210,000 in 2012
- (2) A gift of shares to her wife with a market value of €12,000; the shares cost Carol €9,000 in 2015
- (3) A gift of shares to her daughter with a market value of €9,000; the shares cost Carol €15,000 in 2016

What is the total chargeable gain (before deduction of the annual exemption) assessable on Carol for 2019?

- €37,000
- €43,000
- €34,000
- €40,000

## Section A – questions (continued)

John, aged 72 years, is a retired medical consultant and has the following taxable income for 2019:

	€
Schedule E private pension	50,000
Schedule E state pension	13,000
Schedule F Dividends	5,000

**What is John's universal social charge (USC) liability for 2019?**

- €2,383
- €1,798
- €920
- €2,158

NR Ltd. is a UK incorporated and tax resident company. The company trades in Ireland through a branch, in Dublin.

**On which profits is NR Ltd liable to tax in Ireland?**

- World-wide profits of the company
- Profits of the branch, Irish source income of the company, plus any Irish chargeable gains of the company not attributable to the branch
- Profits of the branch only
- Profits of the branch, plus any Irish chargeable gains of the company not attributable to the branch

On 15 July 2019, Ross sold his rare book collection for €1,500. He had bought the collection on 5 February 2009 for €2,800.

**What is the allowable loss incurred by Ross on the sale of the collection in 2019?**

- €260
- €1,300
- €0
- €520

## Section B – summary screen

Taxation - Ireland (TX - IRL) Sample Questions - September 2020

Flag for Review

### Section B

This section of the exam contains **six constructed response questions**.

Each question may contain a scenario which relates to one or more requirement(s) which may be split over multiple question screens.

Each question is worth **10 or 15 marks** and is compulsory.

This exam section is worth **70 marks** in total.

#### Important:

1. Calculations and workings need only be made to the nearest whole unit of currency, unless instructed otherwise.
2. All apportionments should be made to the nearest month.
3. In your live exam you must:
  - Enter your answer for each question in the response area provided for that question. Any answers entered into a response area provided for a different question will not be marked.
  - Show all notes/workings that you want the marker to see within the response area provided for the question. Remember, any notes/workings made on the Scratch Pad or on your workings paper will not be marked.

Select **Next** to continue.

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## Section B – questions

### Scenario 1

Taxation - Ireland (TX - IRL) Sample Questions - September 2020

\$ Symbol  ▼ Highlight  Strikethrough  Calculator  Scratch Pad

**This scenario relates to four requirements.**

Twin brothers, James and Brian, set up PRL Ltd, an Irish resident and incorporated company, in June 2015. The company did not commence to trade until 1 January 2019. The company engineers and manufactures specialist drilling equipment for geothermal and water well boreholes. The company incurred the following expenditure prior to commencing to trade:

		€
September 2015 – Market research		2,300
March 2016 – Architect's/professional fees	Note	4,500
June 2017 – Trade fair		800
February 2018 – Client entertainment		12,500
December 2018 – Digital marketing		3,200
Total		<u>23,300</u>

**Note:**

The architect's and associated professional fees relate to the design of the company's factory premises, when the company applied for planning permission.

PRL Ltd produced its first set of financial statements for the year ended 31 December 2019. Its tax Schedule D Case I adjusted profit for the period is €280,000.

In addition to this, the company incurred patent royalty costs of €30,000 in 2019. €10,000 of this was unpaid at 31 December 2019.

The company also has net taxable rental income of €16,000.

The company made PRSI payments of €25,500 for its employees in 2019.

 Help/Tax Tables

## Section B – questions (continued)

### Requirements for Scenario 1

(a) Calculate the tax-deductible pre-trading expenditure of PRL Ltd, giving reasons where you believe a specific item does or does not qualify for relief.

(3 marks)

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(b) Outline PRL Ltd's obligations in relation to its payment of patent royalties in 2019.

(1 mark)

(c) Calculate the corporation tax liability of PRL Ltd for the year ended 31 December 2019.

(5 marks)

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(d) State the date by which PRL Ltd's corporation tax liability is payable and the date by which PRL Ltd must file their tax return for the year ended 31 December 2019.

(1 mark)

(10 marks)

## Section B – questions (continued)

### Scenario 2

Taxation - Ireland (TX - IRL) Sample Questions - September 2020

\$ Symbol  ▼ Highlight  Strikethrough  Calculator  Scratch Pad

**This scenario relates to one requirement.**

MTEC Ltd, a company resident and incorporated in Ireland, supplies computer hardware and software solutions to professional service companies. The company also supplies a maintenance service and computer training. The company is value added tax (VAT) registered and accounts for VAT on an invoice basis.

Details of the company's purchases and sales for the VAT period May/June 2019 are as follows (all amounts exclude any applicable VAT unless stated otherwise):

	Notes	€
<b>Sales</b>		
Sales of computers	2	375,000
Sales of computer software		456,000
Sales of computer repairs		137,000
Sales of computer training	3	98,000
<b>Purchases for Resale</b>		
Computers from Spanish suppliers		225,000
Software from Irish suppliers		170,000
<b>Purchases not for Resale/Expenses</b>		
Computers from Spanish suppliers	3	24,000
<b>Other expenses</b>		
Rent	4 & 5	60,000
Light and heat	5	6,200
Insurance	5	45,000
Wages	5	152,000
<b>Motor expenses</b>		
– Repairs		4,200
– Diesel	6	2,100

**Notes:**

- (1) All MTEC Ltd's customers are VAT registered.
- (2) Included in the sale of computers was the sale of a laptop for €3,000, to a business customer in Galway, Ireland. The customer had it delivered directly to his daughter who is studying in Cork, Ireland.
- (3) The computer training offered by MTEC Ltd is offered in a specifically designed computer training room at its trading premises in Ireland. The purchase of the computers from Spanish suppliers, which are not for resale, are used exclusively in the computer training room.
- (4) MTEC Ltd is charged VAT on its rent, which it pays by direct debit. MTEC Ltd has a lease agreement detailing the rent payable, but it does not receive any invoices from its landlord.
- (5) 25% of the company's overheads, rent, light and heat, insurance and wages, should be allocated to computer training.
- (6) Diesel costs include €400 for diesel for Mark Smith's car, the managing director of MTEC Ltd. 60% of Mark's business kilometres are private. All other motor expenses relate to computer sales staff.

 [Help/Tax Tables](#)

## Section B – questions (continued)

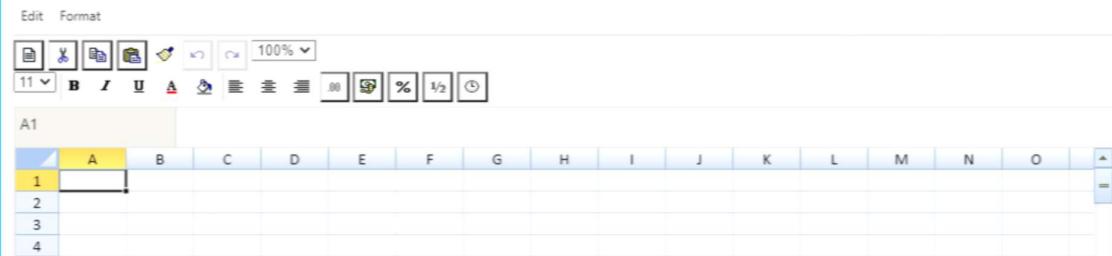
### Requirements for Scenario 2

Calculate the value added tax (VAT) payable by/refundable to MTEC Ltd for the VAT period May/June 2019.

Note: You should list all of the items referred to in the question indicating by the use of zero (0) any items on which VAT is not payable or refundable.

(10 marks)

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## Section B – questions (continued)

### Scenario 3

Taxation - Ireland (TX - IRL) Sample Questions - September 2020

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**This scenario relates to one requirement.**

Terry is a widowed Irish tax resident who is domiciled in the UK. His wife Maureen died in July 2014.

During 2019, he made the following disposals of capital assets:

- (1) On 18 March 2019, Terry sold an investment property in Dublin, Ireland for €295,000. Legal and professional fees on the sale amounted to €4,250. Terry was gifted the property from his wife Maureen on 15 June 2012, when the market value of the property was €245,000. Maureen had purchased the property for €45,000 on 12 May 1991. Legal and professional fees on the purchase were €1,900. Terry used the proceeds of the sale to purchase a new home in Wexford, Ireland.
- (2) On 12 May 2019, Terry gifted his family home in Manchester, UK, to his daughter Sarah. Terry acquired the property on 2 June 1997 for €120,000. Legal and professional fees amounted to €1,750 on the acquisition. Terry also paid stamp duty of €1,200. Terry had resided in the property as his principle private residence, until his move to Ireland on 6 September 2014. His daughter, Sarah, has resided in the property with her partner and three children since Terry's move to Ireland. The market value of the property at the date of the gift was €298,000. Solicitor's fees on the transfer of €3,000 were paid by Sarah.
- (3) On 27 July 2019, Terry sold 500 shares in ERT Plc (a company quoted on the Irish stock exchange), for €3,900. Terry purchased 200 shares on 15 January 2011 for €1,800 and 600 shares on 25 November 2015 for €4,400.
- (4) On 1 September 2019, Terry sold a painting to a local gallery in Liverpool, UK, for €12,200. He had bought the painting on 5 May 2002 for €15,800 and on 15 August 2002 he had the painting professionally framed, at a cost of €800. Terry used the proceeds to help pay his legal fees on the purchase of his new home in Wexford, Ireland.

Apart from these sales, Terry made no other capital disposals in 2019.

 Help/Tax Tables

## Section B – questions (continued)

### Requirements for Scenario 3

Calculate Terry's capital gains tax (CGT) liability for the year 2019, briefly explaining your treatment of each of the assets listed.

(10 marks)

Edit Format

## Section B – questions (continued)

### Scenario 4

Taxation - Ireland (TX - IRL) Sample Questions - September 2020

\$ Symbol  ▼ Highlight  Strikethrough  Calculator  Scratch Pad

**This scenario relates to three requirements.**

Timothy, a single Irish tax resident, aged 42, is an employee and director of GRS Ltd. Timothy inherited the business on the death of his father, Martin, last year. He is conscious that his mother Dorothy, aged 69, has no other source of income, other than her state pension.

Timothy has decided to set up a deed of covenant to pay his mother an annual gross amount of €5,000 per annum.

Timothy had the following sources of income in 2019:

	€
Gross salary from GRS Ltd	90,000
Irish dividend income, net of dividend withholding tax (DWT)	3,200

Timothy had the following additional outgoings during the tax year 2019:

	€
Investment in the employment and investment incentive scheme (EIIS)	25,000
Medical expenses (all qualifying)	700

 Help/Tax Tables

## Section B – questions (continued)

### Requirements for Scenario 4

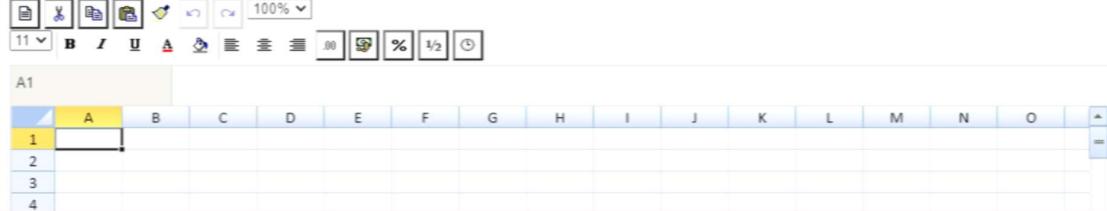
(a)(i) Detail the conditions that Timothy must satisfy to ensure that the deed of covenant, to his mother Dorothy, qualifies for tax relief.

(3 marks)

(ii) Calculate Timothy's taxable income for the tax year 2019, assuming that Timothy set up the qualifying deed of covenant.

(4 marks)

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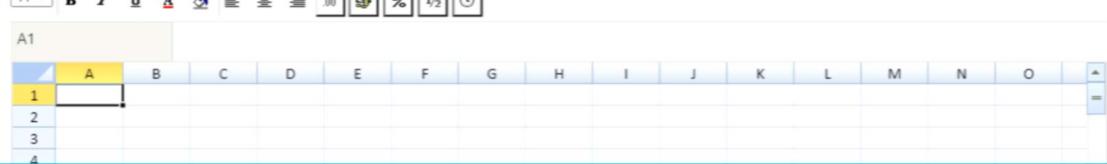
(b) Calculate the income tax payable by/refundable to Dorothy for the tax year 2019, assuming she had no other income other than her state pension of €12,652.

Note: Ignore PRSI and universal social charge (USC).

(3 marks)

(10 marks)

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## Section B – questions (continued)

### Scenario 5

Taxation - Ireland (TX - IRL) Sample Questions - September 2020

\$ Symbol  ▼ Highlight  Strikethrough  Calculator  Scratch Pad

This scenario relates to two requirements.

Peter, aged 60, is married to Irene, aged 58. Peter is a self-employed management consultant. He worked for a large multinational firm for over 20 years until he was made redundant on 31 March 2017. Peter commenced to trade on 1 June 2017.

Peter's tax adjusted trading profits, since commencement, are as follows:

	€
Period ended 30 June 2018	39,000
Year ended 30 June 2019	115,000
Year ended 30 June 2020 (estimated)	126,000

Irene works part-time for a charitable organisation, assisting elderly people to live independently. Her salary from 1 January 2019 to 31 December 2019 was €26,000, from which PAYE of €1,900 was deducted by her employer.

Irene's employer does not provide her with a car. Irene purchased her own car, second hand, in 2018 for €20,000. The retail price of Irene's car when first purchased in 2015 was €26,000. The car is a category D car for CO<sub>2</sub> emissions purposes. Irene's total kilometres driven in 2019 were 24,000, of which 90% was work related.

Peter had the following other sources of income in 2019:

	€
Irish deposit interest, net of deposit interest retention tax (DIRT)	637
UK dividend income	800

Irene incurred the following medical expenses during the tax year 2019:

	€	€
Doctor's bills		550
Prescriptions		180
<b>Dentist's bills</b>		
- routine clean and polish	70	
- repair of dentures	250	
- root canal surgery	1,580	1,900
<b>Total</b>		2,630

 Help/Tax Tables

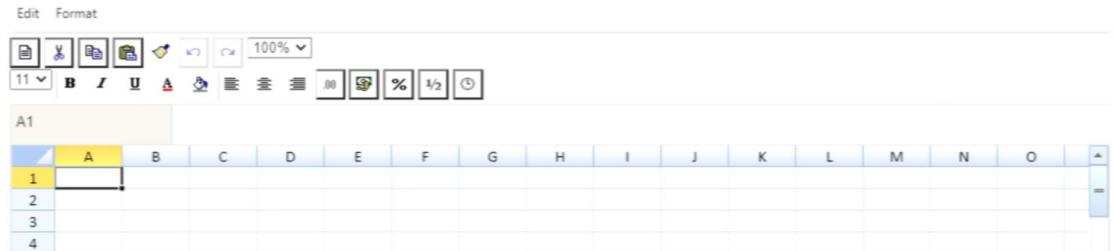
## Section B – questions (continued)

### Requirements for Scenario 5

(a) Calculate Peter's Schedule D Case II taxable trading profits for the tax years 2017, 2018 and 2019.

(3 marks)

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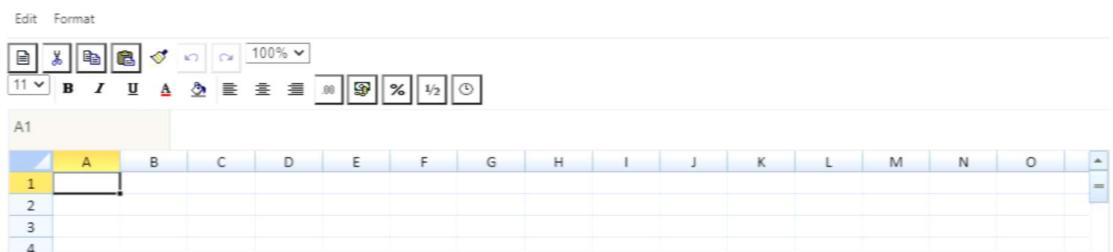
(b) Calculate the income tax payable by Peter and Irene for the tax year 2019, assuming they are jointly assessed for income tax purposes.

Note: Ignore PRSI and universal social charge (USC).

(12 marks)

(15 marks)

Edit Format



## Section B – questions (continued)

### Scenario 6

Taxation - Ireland (TX - IRL) Sample Questions - September 2020

\$ Symbol  ▼ Highlight  Strikethrough  Calculator  Scratch Pad

**This scenario relates to one requirement.**

Plastic Products Ltd, an Irish resident and incorporated company, manufactures plastic products for use in the retail sector. The company has traded since incorporation in 1992 and prepares its accounts to 30 September each year.

Plastic Products Ltd's summarised results for the year ended 30 September 2019 are as follows:

	Notes	€	€
Gross profit			2,875,000
<b>Other income</b>			
Disposal of non-current assets	1	250,000	
Irish bank deposit interest (received gross)		<u>17,500</u>	<u>267,500</u>
			3,142,500
<b>Less expenses</b>			
Depreciation		36,900	
Salaries and wages		925,000	
Legal and professional fees	2	7,500	
Finance charge	3	59,800	
Other expenses (all allowable)		<u>456,200</u>	
			(1,485,400)
Net profit			<u>1,657,100</u>

**Notes:****(1) Disposal of factory premises**

The company disposed of its factory premises on 31 March 2019, for €575,000. The company had acquired the factory on 5 January 2000, for €325,000 (the qualifying cost for industrial buildings allowance). The tax written down value of the factory at the date of sale was €91,000.

**Construction of new factory premises**

The company built a new factory, which it moved into on 1 October 2018. Costs related to the building were as follows:

	€
Site Cost (including legal and professional fees)	268,000
Architects fees	37,000
Construction costs – of factory area	352,000
Construction costs – of administration area	81,000
	<u>738,000</u>

**(2) Legal and professional fees**

	€
Legal fees – customer lawsuit	7,500

**(3) Finance charge**

	€
Finance lease charges (for plant and machinery)	28,600
Mortgage interest – new factory premises	<u>31,200</u>
	<u>59,800</u>

The total finance lease payments (interest and capital) amounted to €210,000 for the year ended 30 September 2019.

**Additional Information**

Plastic Solutions Ltd is a wholly owned subsidiary of Plastic Products Ltd. Plastic Solutions Ltd is also Irish tax resident and incorporated and has traded since incorporation.

Plastic Solutions Ltd has been experiencing trading difficulties in recent years. It has Schedule D Case I trading losses brought forward of €356,000 at 31 March 2018. Plastic Solutions Ltd incurred trading losses of €125,000 in the year ended 31 March 2019.

 [Help/Tax Tables](#)

## Section B – questions (continued)

### Requirements for Scenario 6

Calculate the taxable profits for Plastic Products Ltd for the year ended 30 September 2019, assuming that all available group relief is claimed.

Note: Your computation of Schedule D Case I income should commence with the net profit of €1,657,100 and should also list all the items referred to in the notes and additional information, indicating with the use of zero (0) any items which do not require adjustment.

(15 marks)

Edit Format

## Example view of full CBE constructed response workspace

Taxation - Ireland (TX - IRL) Sample Questions - September 2020

Symbol

This scenario relates to four requirements.

Twin brothers, James and Brian, set up PRL Ltd, an Irish resident and incorporated company, in June 2015. The company did not commence to trade until 1 January 2019. The company engineers and manufactures specialist drilling equipment for geothermal and water well boreholes. The company incurred the following expenditure prior to commencing to trade:

	€
September 2015 – Market research	2,300
March 2016 – Architect's/professional fees	<b>Note</b>
June 2017 – Trade fair	800
February 2018 – Client entertainment	12,500
December 2018 – Digital marketing	3,200
<b>Total</b>	<b>23,300</b>

**Note:**  
The architect's and associated professional fees relate to the design of the company's factory premises, when the company applied for planning permission.

PRL Ltd produced its first set of financial statements for the year ended 31 December 2019. Its tax Schedule D Case I adjusted profit for the period is €280,000.

In addition to this, the company incurred patent royalty costs of €30,000 in 2019. €10,000 of this was unpaid at 31 December 2019.

The company also has net taxable rental income of €16,000.

The company made PRSI payments of €25,500 for its employees in 2019.

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(a) Calculate the tax-deductible pre-trading expenditure of PRL Ltd, giving reasons where you believe a specific item does or does not qualify for relief. (3 marks)

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Sheet1

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