

# Taxation-UK

## June 2021 exam (21/22 Syllabus)

### 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. Further instructions on how to use the platform will be provided before you attempt the exam.*

## Introduction screen

TX-UK June 2021 (21/22 syllabus)



### Introduction

These sample questions show the likely style and range of **constructed response questions** that could be asked in the live exam.

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

The practice exam is reflective of the constructed response section of the live exam but has some differences:

- The live exam will be timed however there is no time limit in this 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, 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.

## Exam summary screen

TX-UK June 2021 (21/22 syllabus)

### Exam Summary

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

- You will be presented with **three constructed response** questions, each containing a scenario which relates to one or more requirement(s). The requirements may be split over multiple question screens.
- Each constructed response question is worth **10 or 15 marks** in total.
- **40 marks** in total.
- All questions are compulsory.

### Important:

1. Calculations and workings need only be made to the nearest £.
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 start your exam.

## Sample exam questions

### Scenario 1

TX-UK June 2021 (21/22 syllabus)

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**This scenario relates to one requirement.**

**You should assume that today's date is 15 March 2020.**

Paul is the managing director of, and 100% shareholder in, Palu Ltd.

For the year ended 5 April 2021, Palu Ltd's tax adjusted trading profit, before taking account of director's remuneration, is forecast to be £175,000. Paul intends to extract all of Palu Ltd's profits (after allowing for corporation tax). This will be achieved by paying himself gross director's remuneration of £8,000 and dividends of £135,270.

Paul wants to know if it would be beneficial to cease trading via Palu Ltd on 5 April 2020, and instead run his business from 6 April 2020 onwards as a sole trader. His tax adjusted trading profit for the year ended 5 April 2021 would remain unchanged at £175,000.

Paul will not have any other income for the tax year 2020-21.

## Scenario 1: requirements

**(a) Determine whether or not there will be an overall saving of tax and national insurance contributions (NICs) for the year ended 5 April 2021 if Palu Ltd's business is instead run by Paul as a sole trader from 6 April 2020.**

Notes:

1. You are expected to calculate the income tax payable by Paul, any NICs payable by Paul and Palu Ltd, and the corporation tax liability of Palu Ltd for the year ended 5 April 2021 assuming that he continues to run the business via the company.
2. You should then compare this total amount with the income tax and NICs payable by Paul assuming that he runs the business as a sole trader.
3. You should assume that the rate of corporation tax remains unchanged.

**(10 marks)**

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## Scenario 2

TX-UK June 2021 (21/22 syllabus)

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**This scenario relates to two requirements.**

Alfred and Amaia are a married couple.

### **Alfred**

Alfred commenced trading as a sole trader on 1 September 2020. He prepared his first set of accounts for the seven month period ended 31 March 2021, and his draft tax adjusted trading profit before capital allowances was £63,000.

The draft tax adjusted trading profit is **before** adjusting for any deductions arising from the following:

- (1) £5,000 incurred during January and February 2020 on a marketing campaign for his business.
- (2) A premium of £30,000 paid on 1 September 2020 to acquire a ten-year lease on a workshop used for trade purposes.
- (3) Cost of a golf day on 31 March 2021 for a group of Alfred's largest clients totalling £1,000.
- (4) Expenditure of £116,000 on 1 September 2020 for plant and equipment.
- (5) The purchase of a motor car on 15 December 2020 for £24,000. The motor car has a CO<sub>2</sub> emissions rate of 84 grams per kilometre, and is used by Alfred's employee.

### **Amaia**

Amaia is employed by Argole Ltd and her remuneration package comprises:

- (1) A gross annual salary of £80,000.
- (2) From 1 January 2021, Argole Ltd provided Amaia with a petrol powered company motor car. The motor car had a list price of £25,000, although Argole Ltd received a discount and only paid £23,500. The motor car has a CO<sub>2</sub> emissions rate of 52 grams per kilometre. Argole Ltd did not provide any fuel for Amaia's private use.
- (3) Since 6 April 2018 Argole Ltd has provided Amaia with living accommodation which qualifies as job-related accommodation. The annual value of the property is £23,000 and Argole Ltd pays rent of £2,500 per month.

Argole Ltd deducted income tax under PAYE of £19,240 from Amaia's salary during the tax year 2020-21.

Since 6 April 2018 Amaia has let out her own house unfurnished at a rent of £1,200 per month. Amaia received 13 months' rent during the tax year 2020-21. Amaia has a mortgage which she took out to acquire the house, and in the tax year 2020-21 she made mortgage payments of £6,000, including interest of £2,600.

On 1 December 2019, Amaia paid an insurance premium of £800 for the house in respect of the year ended 31 December 2020. Then on 1 December 2020, she paid an insurance premium of £1,250 for the year ended 31 December 2021.

## Requirements for Scenario 2

**(a) Calculate Alfred's revised tax adjusted trading profit or loss for the seven month period ended 31 March 2021.**

Notes:

1. Your computation should commence with the draft tax adjusted trading profit of £63,000 and list all of the items referred to in notes (1) to (5), indicating with the use of zero (0) any items which do not require adjustment.
2. You should assume Alfred claims the maximum amount of capital allowances.

(6 marks)

Edit Format

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**(b) Calculate the income tax payable by Amaia for the tax year 2020-21.**

Note: Your computation should list all of the items referred to in the scenario, indicating with the use of zero (0) any items which are not taxable.

(9 marks)

(15 marks)

Edit Format

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## Scenario 3

TX-UK June 2021 (21/22 syllabus)

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This scenario relates to four requirements.

Mooncake Ltd reported an operating loss of £93,820 in its statement of profit or loss for the year ended 31 March 2021 as follows:

	Note	£
Revenue		184,550
Operating expenses		
- Depreciation		(7,230)
- Leasing costs	1	(6,380)
- Other expenses	2	(264,760)
Operating loss		(93,820)

### Note 1 – Leasing costs

Leasing costs are as follows:

	£
Lease of office equipment	2,980
Lease of motor car with CO <sub>2</sub> emissions of 125 grams per kilometre	3,400
	<u>6,380</u>

### Note 2 – Other expenses

Other expenses are as follows:

	£
Entertaining staff (cost of £160 per head)	4,320
Entertaining overseas customers	8,720
Qualifying charitable donations	1,600
Balance of expenditure (all allowable)	<u>250,120</u>
	<u>264,760</u>

### Additional information

#### Plant and machinery

On 1 April 2020, the tax written down value of the main pool was £43,200.

The following vehicles were sold during the year ended 31 March 2021:

	Date of sale	Proceeds £	Original cost £
Delivery van	12 April 2020	11,800	14,700
Motor car [1]	13 August 2020	8,400	8,100
Motor car [2]	9 March 2021	5,300	12,200

The original cost of motor car [1] had previously been added to the main pool. The original cost of motor car [2] qualified for a 100% first year allowance.



## Scenario 3 (continued)

### Property business loss

Mooncake Ltd has a property business loss of £4,400 for the year ended 31 March 2021.

### Profit on disposal of shares

Mooncake Ltd made a profit on disposal of shares of £3,700 in respect of a 1% shareholding which was sold on 8 November 2020. This profit on disposal is calculated as disposal proceeds of £34,200 less cost of £30,500.

The indexation allowance is £6,700.

### Results for the year ended 31 March 2020

Mooncake Ltd's results for the year ended 31 March 2020 were:

	£
Trading profit	138,200
Property business income	23,700
Capital loss	(4,900)
Qualifying charitable donations	(1,400)

## Requirements for Scenario 3

**(a) State the factors which will influence a company's choice of loss relief claims.**

(2 marks)



**(b) Calculate Mooncake Ltd's tax adjusted trading loss for the year ended 31 March 2021.**

Notes:

1. Your computation should commence with the operating loss figure of £93,820, and should indicate by the use of zero (0) any items which do not require adjustment.
2. You should assume that the company claims the maximum available capital allowances.

(7 marks)

**(c) Assuming that Mooncake Ltd wishes to claim relief for its losses as early as possible:**

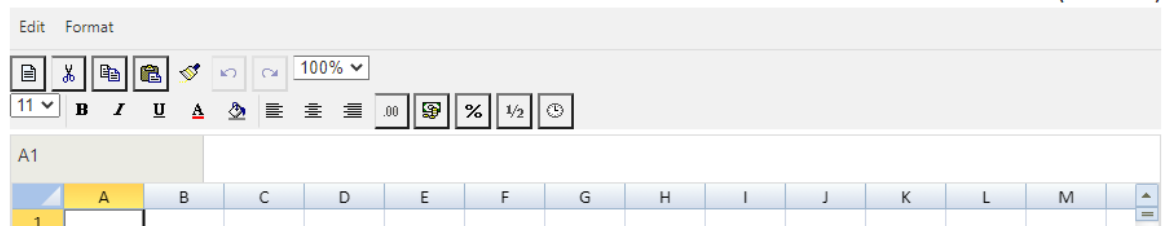
**(i) Calculate the company's corporation tax liabilities for each of the years ended 31 March 2020 and 31 March 2021.**

(4 marks)

**(ii) Calculate the amount of unused losses or payments which Mooncake Ltd can carry forward to be utilised in the year ending 31 March 2022.**

(2 marks)

**(15 marks)**



## Example view of full CBE constructed response workspace

TX-UK June 2021 (21/22 syllabus) 3 of 5

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**This scenario relates to two requirements.**

Alfred and Amaia are a married couple.

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**(b) Calculate the income tax payable by Amaia for the tax year 2020-21.**

Note: Your computation should list all of the items referred to in the scenario, indicating with the use of zero (0) any items which are not taxable.

(9 marks)

**(15 marks)**

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Sheet1

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