
Answers

Section A

Marks

- 1 B 31 March 2016, 31 March 2017, 30 September 2017
- 2 C €2,496 $(€4,800 \times 40\%) + (€2,880 \times (€30k - €24k)/€30k)$
- 3 B €600 $(€3,000 \times 20\%)$
- 4 D Joe will pay a surcharge of 5% of the income tax liability arising from his 2016 investment income only.
- 5 B €14,000 $(€10,000 + (1,000 \times €4))$
- 6 A €1,960 $((€45,000 + €4,000) \times 4\%)$
- 7 C 1, 2 and 4
- 8 A 1, 2, 3 and 4
- 9 C Relief from corporation tax is available for the tax arising on the disposal of qualifying assets used in a start-up company's trade.
- 10 A The rate of VAT applicable to the principal supply is chargeable on the total consideration.
- 11 D €23,400 $((€20,000 \times (51 - 15)/50) + €9,000)$
- 12 B €13,134 $[€40,000 \times €22,000/(€22,000 + €45,000)]$
- 13 D 20% and 14 October 2017
- 14 A €36,600 $[(€36,000 \times 9/12) + (€38,400 \times 3/12)]$
- 15 C Gain of €40,000 Investment property only

2 marks each

30

Section B

Marks

1 (a) Sean and Teresa

(i) Sean: Qualifying cost for industrial buildings allowance (IBA)

	€	
Site development costs	20,000	
Construction of factory	180,000	
Construction of adjoining offices	20,000	
	<u>220,000</u>	1.0

Construction of adjoining offices	€20,000	9%	0.5
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As the expenditure on adjoining offices is less than 10% of the total development and construction expenditure, the cost of the offices is allowable.

The qualifying cost for IBA is €220,000.

0.5

2.0

(ii) Sean: Balancing allowance/charge on disposal

IBA claimed at 4% per annum from 2012 to 2016 inclusive ($€220,000 \times 4\% \times 5$)	€44,000	1.0
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	€	
Tax written down value of the building at 1 January 2017 ($€220,000 - €44,000$)	176,000	0.5
Sales proceeds on sale, for the building ($€300,000 - €60,000$)	240,000	0.5

Balancing charge	<u>64,000</u>	
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Balancing charge restricted to the allowances claimed	€44,000	1.0
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3.0

(iii) Teresa: IBA claimable in 2017

Qualifying IBA cost of building purchased by Teresa during 2017	<u>€220,000</u>	1.0
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Remaining tax life (25 years less 5 years)	20	0.5
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Annual IBA claimable for 2017 ($€220,000/20$)	€11,000	0.5
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2.0

(b) Relevant contracts tax (RCT)

(i) Relevant industries:

Construction industry
Meat processing industry
Forestry

Any two of the above, 0.5 mark each, maximum 1.0

(ii) The Revenue will automatically credit the RCT deducted to the subcontractor's tax record. This RCT credit will be available for offset as it arises or against the subcontractor's preliminary tax payments made through ROS.	1.0
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Any excess credit can be refunded annually after the filing of the subcontractor's income/corporation tax return.

1.0

2.0

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2 Caill Ltd – Corporation tax for the accounting periods to 31 December 2017

	Year ended 30 June 2015 €	Year ended 30 June 2016 €	Period ended 31 December 2016 €	Year ended 31 December 2017 €	
Case I profit	20,000	30,000	8,000	0	0·5
S396A		(15,000)	(8,000)		1, 0·5
Case III income	2,000	0	3,000	0	0·5
Case III loss forward			(2,500)		0·5
Case V income	5,000	4,000	0	6,000	
Case V loss	–	(2,000)	–	(1,000)	1, 0·5
Total profits	<u>27,000</u>	<u>17,000</u>	<u>500</u>	<u>5,000</u>	
Tax payable at					
12·5%	2,500	1,875	–	–	0·5
25%	<u>1,750</u>	<u>500</u>	<u>125</u>	<u>1,250</u>	1·0
Gross tax	4,250	2,375	125	1,250	
Less S396B	0	(1,187)	(125)	(1,250)	1, 0·5, 0·5
Net tax due	<u>4,250</u>	<u>1,188</u>	<u>0</u>	<u>0</u>	

Loss memorandum

	€	€	
Case I loss year ended 31 December 2017		75,000	
S396A period ended 31 December 2016	(8,000)		
S396A year ended 30 June 2016, 6 months only	<u>(15,000)</u>		
		<u>(23,000)</u>	
Loss unused after S396A relief claimed		<u>52,000</u>	0·5
Value of loss unused at 25% (€52,000 at 12·5%)		6,500	0·5
S396B for year ended 31 December 2017	(1,250)		
S396B for period ended 31 December 2016	(125)		
S396B for year ended 30 June 2016 (6 months only (6/12 of tax liability €2,375))	<u>(1,187)</u>		
		<u>(2,562)</u>	
Value basis of loss unused at 31 December 2017		<u>3,938</u>	0·5
Loss unused for carry forward as S396(1) (€3,938/12·5%)		31,504	0·5
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3 Joan

(a) Capital gains tax (CGT) liability 2017

		€	
Sales proceeds – building		290,000	
Cost	€255,000		
Index 2000/01	1·144	<u>(291,720)</u>	0·5
Indexed loss – no gain/no loss		<u>(1,720)</u>	1·0
		€	
Sales proceeds – fixtures and fittings		10,000	
Cost		<u>(40,000)</u>	
Loss		<u>(30,000)</u>	0·5
No CGT relief for the loss as it will be covered by capital allowances.			1·0

	€	Marks
Sales proceeds – goodwill	100,000	
Cost	0	
Gain	<u>100,000</u>	1·0
Inventory is not a chargeable business asset.		1·0
Antique necklace		
Market value (MV) at date of gift	2,900	
Cost	<u>(2,200)</u>	
Gain	<u>700</u>	0·5
Alternative using marginal relief (MR)		
Sales proceeds	2,900	
Less exemption limit for chattels	<u>(2,540)</u>	
Gain	<u>360</u>	1·0
Taxed at 50%	<u>180</u>	0·5
As this will result in lower tax than taxing the gain of €700 at 33%, Joan will avail of MR.		0·5
Summary:		
Buildings	0	
Fixtures and fittings	0	
Goodwill	<u>100,000</u>	
	<u>100,000</u>	
Less annual exemption	<u>(1,270)</u>	0·5
	<u>98,730</u>	
Tax at 33%	32,581	0·5
Add tax where MR availed	<u>180</u>	0·5
Total CGT liability	<u>32,761</u>	
		<u>9·0</u>
(b) The CGT is payable on 15 December 2017.		<u>1·0</u>
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4 Ken

(a) Value added tax (VAT) payable for July/August 2017

	Amount excluding VAT €	VAT rate	VAT amount €	
VAT on sales				
Irish household customer sales – receipts basis	110,000	13.5%	14,850	1.0
Irish builder sales – receipts basis	20,000	0%	0	1.0
EU supplier invoices	5,000	23%	1,150	1.0
			<u>16,000</u>	
VAT on purchases				
Purchases from Irish suppliers	22,000	23%	5,060	0.5
Purchases from EU suppliers	5,000	23%	1,150	0.5
Purchases from Canadian suppliers	3,000	23%	690	0.5
Repairs to delivery van	2,500	13.5%	338	0.5
Diesel for delivery van	900	23%	207	0.5
Installation of alarm for Ken's home – not deductible	1,200	13.5%	0	1.0
Hotel accommodation – disallowed	2,300	9%	0	1.0
Cleaning services – September invoice/period	1,000	13.5%	0	1.0
			<u>7,445</u>	
Net VAT payable			8,555	0.5
				<u>9.0</u>

Tutorial notes:

- (1) The alarm for Ken's home is not for the purpose of the trade, VAT not deductible.
- (2) VAT on hotel accommodation is specifically not allowed by the VAT legislation. An exception does exist where the expense arises from a qualifying conference.
- (3) To be allowed, the invoice must be dated in the relevant VAT period. The VAT amount can be claimed in the next VAT period.

- (b) The due date of payment for any VAT due in respect of the July/August VAT return is 23 September 2017.

1.0

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5 Pat and Julie

Income tax computation for 2017

	Pat €	Julie €	Joint €	
Schedule E				
Salary	50,000	6,600		0·5
Benefits in kind (BIK)	5,040			W1
Company car				
Work gym	0			0·5
Schedule D Case IV		4,100		0·5
Irish deposit interest (€2,501/0·61)				
Schedule D Case V		1,550		W2
Schedule F		4,250		0·5
Irish dividend (€3,400/0·80)				
Gross income	55,040	16,500	71,540	
Less reliefs				
Pension contributions – Pat	11,008	–	11,008	W3
Taxable income	44,032	16,500	60,532	
Tax payable at:				
20%				
€33,800 max Pat	6,760			0·5
€12,400 max Julie (€16,500 – €4,100)		2,480		0·5
€42,800			8,560	0·5
€12,400			2,480	0·5
39%		1,599	1,599	0·5
€4,100				
40%				
Single assessment				
Balance €10,232	4,093	0		0·5
(€44,032 – €33,800)				
Joint assessment				
Balance €1,232				
(€60,532 – €42,800 – €12,400 – €4,100)			493	0·5
Gross tax	10,853	4,079	13,132	
Less non-refundable tax credits				
Single person	(1,650)	(1,650)	(3,300)	1·0
PAYE – Pat	(1,650)			0·5
– Julie €6,600 x 20%		(1,320)	(2,970)	0·5
DIRT	0	(1,599)	(1,599)	0·5
	7,553	(490)	5,263	
Refundable tax credits				
DWT		850		0·5
PAYE paid	10,000	400		0·5
Net tax due/refund	(2,447)	(1,250)		
Year of marriage relief – additional refund to Pat	(1,718)			W4

W1 Company car

	€	
Open market value (OMV)	27,000	
BIK rate 24%	6,480	0·5
Less deduction of payment to employer (€120 x 12)	(1,440)	0·5
Net taxable benefit	5,040	
Total annual kilometres driven	34,000	
Work related kilometres 90%	30,600	0·5

W2 Irish rental income

	€	
Rent received	5,200	
Less expenses:		
Loan interest €3,000 x 80%	(2,400)	0·5
LPT	0	0·5
Flood repairs	(1,125)	0·5
New alarm system – W and T allowances €1,000 x 12·5%	(125)	0·5
	<u>1,550</u>	

W3 Pension contribution

	€	
Pat's earned income	55,040	
% relieved at age 35	20%	
Maximum relieved (not withstanding €12,000 pension paid)	11,008	1·0

W4

	€	
Total income tax liability under single assessment for Pat and Julie (€7,553 + €0)	7,553	
Total income tax liability under joint assessment	<u>(5,263)</u>	
Tax saving	2,290	0·5
Saving due for 9 months	1,718	1·0

As Julie has no tax liability for 2017 the full amount of this refund will be made to Pat.

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Tutorial note: As Julie's Schedule E income is less than €8,250, her PAYE credit is capped at 20% of that Schedule E income.

6 TTT Ltd

Case I adjusted income for corporation tax for the year to 31 December 2017

	€	€	
Net profit before tax		639,000	
<i>Addbacks</i>			
Wages and salaries			
Payroll costs	0		0.5
Christmas gifts to staff, each person received a voucher of €600	0		0.5
Pension costs accrual	6,000		0.5
Rent rates and insurance			
Rent and rates	0		0.5
Public liability insurance	0		0.5
Insurance on residential investment properties	5,000		0.5
Information technology			
Software licences, renewed annually	0		0.5
New computer equipment for lecture rooms	15,000		0.5
Repairs and maintenance			
General repairs to business premises	0		0.5
Profit on disposal of projectors	(900)		0.5
General provision for maintenance works in summer 2018	7,300		0.5
Professional fees			
Accounts preparation and audit	0		0.5
Legal fees re dispute arising with suppliers	0		0.5
Tax advice in respect of the purchase of a new subsidiary	4,000		0.5
Loan interest			
Interest on late payment of PAYE/PRSI	2,200		0.5
Finance lease interest	4,500		0.5
Motor and travel			
Travel expenses incurred by staff	0		0.5
Expenses incurred in running the director's car	0		0.5
Depreciation	6,000	49,100	0.5
<i>Deductions</i>			
Capital allowances (€5,750 + €2,100)	7,850		W1
Total finance lease payment (€4,500 + €10,000)	14,500		0.5
Other income	26,000	(48,350)	0.5
Case I adjusted income		639,750	

W1 Capital allowances

	Equipment €	Motor car €	
Cost at 1 January 2017	32,000	12,000 (R)	0.5
Additions (€5,000 x 2)	10,000		1.0
Disposals	(8,000)		0.5
	<u>34,000</u>	<u>12,000</u>	
Wear and tear 12.5% (€5,750)	4,250	1,500	1.0

Balancing allowance/balancing charge

	€	
Sales proceeds – projectors	900	
Tax written down value	(3,000)	
Balancing allowance	<u>2,100</u>	0.5
Cost of projectors in 2012	8,000	
W and T (€8,000 x 12.5% x 5)	(5,000)	
Tax written down value	<u>3,000</u>	1.0

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