Specimen Exam

Exam Name: Taxation Advisory Professional (STA IRL)
Time Allowed: 3 hours 15 minutes
Pass Mark: 50%

This examination contains 2 sections:

Section A:
1 question, worth 50 marks

Section B:
2 questions, each worth 25 marks

Total 100 marks

Note: This specimen examination has been prepared based on legislation passed by 30 September 2025 (to be updated).

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Section A

Question 1

You should assume that today's date is 3 December 2026.

You are a tax manager within a medium-sized firm of accountants.

You and your tax partner have recently had an initial meeting with Kate, who is a potential new client of your firm.

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

1. Kate: notes from the meeting including details of her income and personal retirement savings account (PRSA) contributions, gain on share disposal and other assets and liabilities
2. Financial assistance: email from your manager detailing the proposal from Peter to give financial assistance to Kate
3. Work to be carried out: email from your tax partner on the work to be carried out

1 Kate

Notes from meeting with Kate dated 1 December 2026

Background

Kate aged 49, is single and resident and domiciled in Ireland. Kate is experiencing financial difficulties and needs to act promptly to enable her to make bank repayments. She is not currently our client, but she wishes to engage our firm to advise on a number of issues. Kate has been a client of another accountancy practice for many years but has advised us that they resigned as her advisors in March 2026 without giving a reason why.

Current income and personal retirement savings account (PRSA) contribution

Kate is currently employed part-time and her total income from all sources for 2026 will be €17,000.

Kate contributed €4,000 to an approved PRSA in January 2026 for which she has not yet received tax relief.

It is Kate's opinion that she will receive a tax rebate in relation to this contribution when she submits her tax return for 2026.

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Cloud Burst Ltd (CBL)

Kate is the sole shareholder in CBL and invested €40,000 in return for ordinary shares in the company when it was incorporated in 2016. CBL is insolvent and ceased trading in April 2026, following a period of heavy losses. The company is now being liquidated, and this process is expected to be completed in September 2027. The latest statement of assets and liabilities prepared by the liquidator shows that the company has net liabilities and therefore no capital distribution will be made to Kate on completion of the liquidation.

Indebtedness

Kate currently personally owes a total of €580,000 in respect of bank loans and is in arrears with her repayments. She is not in a position to make any significant loan repayments from income. Her bank is now taking a more aggressive approach since CBL ceased trading and has recently advised her that she must reduce her borrowings before 28 February 2027 or face foreclosure.

Disposal of shares in Gabriel plc

In August 2026, Kate sold her entire holding of 1,500 shares in Gabriel plc for €190,000. Stockbrokers' fees for the sale were €1,515. Gabriel plc is an Irish resident company. Her costs of acquisition were as follows:

June 2010: Bought 1,000 shares for €45 each
May 2015: There was a 1 for 2 rights issue and Kate exercised her rights in full and bought 500 shares for €50 each

The sales proceeds from selling the shares were used, in full, to pay off some of her personal bank borrowings but still left her owing the €580,000 total referred to above. The bank has advised Kate that they are not in a position to lend her any funds to assist with the payment of possible tax liabilities associated with this disposal. Kate has no other liabilities apart from her bank borrowings and possible tax liabilities.

Apartment in Cork

Kate invested in an apartment in Cork in 2012 which cost €450,000 and she borrowed the full amount, secured on the property. The outstanding balance of €420,000 is included in the €580,000 total borrowings referred to above. Kate has agreed terms to sell the property to an independent third party for €380,000. The sale contract is due to be signed on 8 January 2027.The net proceeds will be used to repay her borrowings.

Kate also mentioned that if she can reduce her liabilities sufficiently, she thinks the lender may be willing to grant a debt write-off of €40,000 in relation to the €420,000 debt secured on her Cork apartment.

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Capital gains tax (CGT) losses brought forward

Kate has no losses brought forward for CGT purposes as at 1 January 2026.

2 Financial assistance

Email from your manager regarding the proposal from Peter to give financial assistance to Kate dated 1 December 2026

Kate has recently met with her aunt Mary's husband, Peter. Peter is a recently retired self-employed engineer, who also lives in Dublin, and he is willing to help Kate with her financial difficulties. Peter is aged 68 and is in good health. He is the sole owner of a small office building which he bought on 1 March 1999 for €100,000 and immediately rented it to Solsbury Ltd, which is the engineering practice where he was the sole shareholder. The office building was used continuously by Solsbury Ltd for its business until 30 June 2025 when Peter retired and the company ceased trading. It has been unoccupied and has not been let-out since then. The office building was extended in June 2010 at a cost of €50,000 and it is currently worth €250,000.

The value of this office building is not expected to change in the short to medium term.

Peter is prepared to transfer ownership of his office building to Kate to assist her in repaying her debts, provided Kate bears the cost of all Peter and Mary's (where applicable) taxes associated with the transaction.

Kate has asked us to help her decide on the following three options:

1. Peter would gift the office building to Kate for her to sell and use the proceeds to repay a portion of her borrowings.
2. Same as Option 1 except that Peter would first gift the building to his wife, Mary, and within a week Mary would then gift the building to Kate for her to sell and use the proceeds to repay a portion of her borrowings.
3. Peter would leave the office building to Kate in his will.

Kate has not received any prior gifts or inheritances.

There are no capital allowances consequences associated with the transfer or sale of the office building.

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3 Work to be carried out

To: Tax Manager
From: Tax Partner
Subject: Kate: New client
Date: 3 December 2026

Hi,

Please prepare a memorandum which includes relevant appendices with your detailed calculations for the client file of Kate, in preparation for a meeting with her which addresses the following:

(a) In relation to Kate, advise on:

- **The procedures which the firm should follow before we agree to become Kate's tax advisers;**
- **Whether Kate will receive a tax rebate in 2026 in relation to her PRSA contribution; and**
- **Kate's capital gains tax (CGT) liability on the disposal of her shares in Gabriel plc in August 2026 including recommendations on how this liability may be minimised.**

(15 marks)

(b) In relation to the proposal from Peter:

- **Evaluate the tax implications of the three options proposed regarding Peter's office building and recommend which of these options is preferable for Kate; and**
- **Recommend a more suitable option in relation to the office building.**

(19 marks)

Notes:
1. In evaluating the options, you should also take account of any relevant non-tax issues.
2. You are not required to give payment and filing dates for the various taxes.

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(c) In relation to Kate's borrowings, evaluate:

- **The effect of your recommendations in (a) to minimise Kate's CGT on her disposal of Gabriel plc shares and (b) the preferred option regarding Peter's office building on the level of Kate's borrowings; and**

- **The tax implications of the lender granting a debt write-off in relation to the borrowings secured on the Cork apartment. Your evaluation should consider the effect of Kate receiving a debt write-off either in the tax year of sale of the Cork apartment or in the tax year after the Cork apartment is sold.**

(6 marks)

Note:
You may ignore the CGT annual exemption in relation to the entire question.

I look forward to seeing your memorandum.

Tax Partner

Requirement:

You should assume that today's date is 3 December 2026.

Respond to the instructions in the email from your tax partner.

Note: The split of the mark allocation is shown in Exhibit 3 – Work to be carried out.

(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)

(50 marks)

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Section B

Question 2

You should assume that today's date is 3 December 2026.

Robert is the financial director of Marlay Ltd. Robert has requested tax advice in relation to company tax issues.

The following **exhibit** provides information relevant to the question:

1. Marlay Ltd: notes from meeting with Robert about the company, specified intangible assets and overseas trading

1 Marlay Ltd

Background

Marlay Ltd is an Irish resident medical appliances company, based in Dublin.

The company is currently investing in its product range and is starting to export outside of Ireland. Marlay Ltd is a profitable company but its expansion programme is causing cash-flow deficits and funding requirements.

Specified intangible assets

Marlay Ltd acquired patents in relation to certain medical appliances in March 2025 at a cost of €4,000,000. The acquisition was partly financed by a bank loan and interest of €60,000 was paid on this loan in the year ended 31 December 2025.

In the statement of profit or loss, the company's accountant has amortised the cost of the patents over a ten-year period on a straight-line basis, with a full year's amortisation in the year of acquisition.

Marlay Ltd's Case I income for the year ended 31 December 2025 is €620,000, comprising €500,000 from the trade of developing and managing patents and €120,000 from other trading activities.

The Case I income from the trade of managing patents is calculated after adding back the amortisation from the trade of managing these patents but before deduction of any capital allowances or related interest relief.

Robert requires advice on what option in relation to calculating capital allowances offers the quickest tax relief.

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Overseas trading

Value added tax (VAT) on sales to Belgium

Marlay Ltd has recently received an order for medical appliances from an unregistered private individual in Belgium. The sale amount excluding VAT is €12,000. This is the company's first order from Belgium.

Robert requires advice on the VAT treatment of the above sale and has stated that, if possible, he wishes to minimise the bureaucracy associated with VAT compliance in relation to this and future sales to EU countries.

It may be assumed that VAT rates applicable to the sale of medical appliances are:
Ireland 23% and Belgium 21%

Corporation tax (CT) implications of market expansion to France

Marlay Ltd recently decided to market its products in France. The response to date has been encouraging and in 2027, the company plans to employ a salesperson based in France to follow up with enquiries. It may also be necessary to rent some warehouse space in France for product storage, but no office will be opened.

The financial projections are only available for the next two years. These indicate that the trading activities in France will be profitable throughout the next two years with an average annual taxable profit of €20,000 expected from the French sales alone.

Robert wants to know about the following:

- the circumstances in which a charge to French corporate tax (CT) could arise on any trading profits generated in France;
- the French and Irish tax and non-tax implications of coming within the charge to French CT; and
- how Marlay Ltd might legitimately avoid a charge to French CT.

You may assume that the CT rate in France is 25%. Robert does NOT require your advice in relation to the application of French value added tax (VAT) or payroll taxes.

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Requirements:

You should assume that today's date is 3 December 2026.

(a) (i) Advise Robert whether specified intangible assets (SIA) relief is available in respect of the patents and what option in relation to calculating capital allowances would offer the quickest tax relief.

(4 marks)

(a) (ii) Using the selected option above, advise on the amount of taxable Schedule D Case I income of Marlay Ltd for the year ended 31 December 2025 and justify the treatment of capital allowances and interest.

(5 marks)

(b) In relation to overseas trading by Marley Ltd, advise Robert on:

- **The VAT implications of the sale to the private individual in Belgium; and**
- **The issues he has raised in relation to corporation tax as a result of the market expansion to France.**

Note: There are 4 marks available for the first part of this requirement and 7 marks available for the second part of this requirement.

(11 marks)

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

(5 marks)

(25 marks)

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Question 3

You should assume that today's date is 3 December 2026.

Jim, the finance director of Canyon Ltd has recently met you and requested some tax advice.

The following **exhibit** provides information relevant to the question:

1. Canyon Ltd: notes from the meeting about a termination payment, assignments abroad, an asset transfer and an award of free shares

1 Canyon Ltd

Canyon Ltd is an Irish resident close company which manufactures sustainable packaging.

Termination payment

Canyon Ltd made its production supervisor, Joni, redundant on 30 November 2026. Jim requires advice on the amount of tax which should be deducted from the severance payments made to Joni.

Joni is single and commenced employment with Canyon Ltd on 1 October 2002. Joni's severance package comprised:

- an *ex-gratia* payment of €51,000;
- pay in lieu of notice of €4,000;
- a company car with a market value of €25,000; and
- statutory redundancy of €41,000.

In addition, Joni will be entitled to a future tax-free pension lump sum which has a net present value of €10,500. Jim has confirmed that the pay in lieu of notice was not provided for in Joni's contract of employment.

Details of Joni's historic salary and benefits in kind (BIK) are as follows:

	Salary	**BIK**
	€	**€**
Year ended 31 December 2023	42,000	6,000
Year ended 31 December 2024	45,000	6,000
Year ended 31 December 2025	48,000	6,500
11 months ended 30 November 2026	44,500	5,500

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Assignment abroad

Neil, a marketing manager with the company, is required to travel extensively to meet overseas customers. Neil is single and resident and domiciled in Ireland. His basic salary is €120,000 per annum and he has a benefit in kind of €10,000. Neil's business travel schedule in 2026 is summarised as follows:

Australia	30 days
China	15 days
India	25 days
New Zealand	10 days

Each of his business trips abroad is between 10 and 30 days in duration and he only visits one country on each trip.

Linda

Asset transfer

In August 2026, Canyon Ltd bought audio-visual (AV) equipment, intended for use by its marketing department, at a total cost of €12,300 (including value added tax (VAT) at 23%). The company reclaimed the VAT in full.

On 20 November 2026, the AV equipment was transferred (permanently) to, Linda, for her private use. Linda owns 5% of the ordinary share capital of Canyon Ltd but does not work in the business.

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Requirements:

You should assume that today's date is 3 December 2026.

(a) Advise on the payroll taxes (income tax, universal social charge and PRSI) which should be deducted by Canyon Ltd from Joni's severance package in November 2026.

(7 marks)

(b) Justify why foreign earnings deduction relief will be available to Neil, indicating any associated restrictions, and advise on the amount of tax refund he will be due for the year 2027 as a result of claiming the relief.

(7 marks)

(c) Assess the various tax consequences of the transfer of the audio-visual equipment for both Canyon Ltd and Linda.

(6 marks**)**

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

(5 marks)

(25 marks)

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