

INTERIM ASSESSMENT SCRIPT SUBMISSION FORM

Script marking is only available to Classroom, Live Online and Distance Learning students enrolled on appropriate Kaplan courses.

Name:

Address:

.....

.....

Kaplan Student Number:

Your email address:



ACCA – Paper F6 Taxation June 2015 to June 2016 sittings FA2014 Interim Assessment

Instructions

- Please complete your personal details above.
- All scripts should ideally be submitted to your Kaplan centre for marking via email to help speed up the marking process.
Please scan this form and your answer script in a single PDF and email it to your Kaplan centre.
- Alternatively you may post your script to us. If so, please use the correct Royal Mail tariff (large letter).
- Classroom students may submit scripts to their local centre in person.
You will be provided with the dated receipt below which you should retain as proof of submission.

Note: If you are a sponsored student, your result will form part of the report to your employer.

Office use

Centre		Date sent to marker	
Date received		Date received from marker	
Marker's initials		Date returned to student	
		Student's overall mark	

Receipt – only issued if script submitted by classroom student in person to Kaplan centre:

✂ _____

Name:

Received by:

Script:

Date:



PUBLISHING

Marking Report

Notice to Markers

- 1 When commenting about the script performance, please ensure on individual questions and on overall assessment your comments cover areas of examination technique including:

<ul style="list-style-type: none">• Time management	<ul style="list-style-type: none">• Handwriting	<ul style="list-style-type: none">• Presentation and layout	<ul style="list-style-type: none">• Use of English
<ul style="list-style-type: none">• Points clearly and concisely made	<ul style="list-style-type: none">• Relevance of answers to question	<ul style="list-style-type: none">• Coverage and depth of answer	<ul style="list-style-type: none">• Accuracy of calculations
<ul style="list-style-type: none">• Calculations cross-referenced to workings	<ul style="list-style-type: none">• All parts of the requirement attempted	<ul style="list-style-type: none">• Length of answers equates to marks available	<ul style="list-style-type: none">• Read the question carefully

- 2 Please provide suitable constructive comments for both section A, and for each question in section B.

Section/Question Number	General Comments	Exam Technique Comments

ACCA INTERIM ASSESSMENT

Taxation (United Kingdom) FA2014

**June 2015 to June 2016
examination sittings**

Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

This paper is divided into two sections:

Section A – ALL 15 questions are compulsory and **MUST** be attempted

Section B – ALL SIX questions are compulsory and **MUST** be attempted

Rates of tax and tables are printed on pages 3 – 6

Do NOT open this paper until instructed by the supervisor.

During reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.

This question paper must not be removed from the examination hall.

Kaplan Publishing/Kaplan Financial

Paper F6 (UK)

KAPLAN
PUBLISHING

© Kaplan Financial Limited, 2014

The text in this material and any others made available by any Kaplan Group company does not amount to advice on a particular matter and should not be taken as such. No reliance should be placed on the content as the basis for any investment or other decision or in connection with any advice given to third parties. Please consult your appropriate professional adviser as necessary. Kaplan Publishing Limited and all other Kaplan group companies expressly disclaim all liability to any person in respect of any losses or other claims, whether direct, indirect, incidental, and consequential or otherwise arising in relation to the use of such materials.

All rights reserved. No part of this examination may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system, without prior permission from Kaplan Publishing.

TAX RATES AND ALLOWANCES

Throughout this assessment:

- 1 Calculations and workings need only to be made to the nearest £.
- 2 All apportionments should be made to the nearest month.
- 3 All workings should be shown in Section B.

INCOME TAX

		Normal rates	Dividend rates
		%	%
Basic rate	£1 – £31,865	20	10
Higher rate	£31,866 – £150,000	40	32.5
Additional rate	£150,001 and above	45	37.5

A starting rate of 10% applies to savings income where it falls within the first £2,880 of taxable income.

Personal allowances

Personal allowance

Born on or after 6 April 1948	£10,000
Born between 6 April 1938 and 5 April 1948	£10,500
Born before 6 April 1938	£10,660

Income limit

Personal allowance	£100,000
Personal allowance (born before 6 April 1948)	£27,000

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

Child benefit income tax charge

Where income is between £50,000 and £60,000, the charge is 1% of the amount of child benefit received for every £100 of income over £50,000.

Car benefit percentage

The relevant base level of CO₂ emissions is 95 grams per kilometre.

The percentage rates applying to petrol cars with CO₂ emissions up to:

75 grams per kilometre or less	5%
76 to 94 grams per kilometre	11%
95 grams per kilometre	12%

Car fuel benefit

The base level figure for calculating the car fuel benefit is £21,700.

New Individual Savings Accounts (NISAs)

The overall investment limit is £15,000.

Pension scheme limits

Annual allowance	– 2014–15	£40,000
	– 2011–12 to 2013–14	£50,000

The maximum contribution that can qualify for tax relief without evidence of earnings is £3,600.

Authorised mileage allowance: cars

Up to 10,000 miles	45p
Over 10,000 miles	25p

Capital allowances: rates of allowance

Plant and machinery

Main pool	18%
Special rate pool	8%

Motor cars

New cars with CO ₂ emissions up to 95 grams per kilometre	100%
CO ₂ emissions between 96 and 130 grams per kilometre	18%
CO ₂ emissions above 130 grams per kilometre	8%

Annual investment allowance

Rate of allowance	100%
Expenditure limit	£500,000

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	2012	2013	2014
Small profits rate	20%	20%	20%
Main rate	24%	23%	21%
Lower limit	£300,000	£300,000	£300,000
Upper limit	£1,500,000	£1,500,000	£1,500,000
Standard fraction	1/100	3/400	1/400

Marginal relief

$$\text{Standard fraction} \times (U - A) \times N/A$$

VALUE ADDED TAX

Standard rate	20%
Registration limit	£81,000
Deregistration limit	£79,000

INHERITANCE TAX: tax rates

£1 – £325,000	Nil
Excess – Death rate	40%
– Lifetime rate	20%

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

Rates of tax	– Lower rate	18%
	– Higher rate	28%
Annual exempt amount		£11,000
Entrepreneurs' relief	– Lifetime limit	£10,000,000
	– Rate of tax	10%

**NATIONAL INSURANCE CONTRIBUTIONS
(not contracted out rates)**

			%
Class 1	Employee	£1 – £7,956 per year	Nil
		£7,957 – £41,865 per year	12.0
		£41,866 and above per year	2.0
Class 1	Employer	£1 – £7,956 per year	Nil
		£7,957 and above per year	13.8
Class 1A			13.8
Class 2		£2.75 per week	
		Small earnings exception limit	£5,885
Class 4		£1 – £7,956 per year	Nil
		£7,957 – £41,865 per year	9.0
		£41,866 and above per year	2.0

RATES OF INTEREST (assumed)

Official rate of interest:	3.25%
Rate of interest on underpaid tax:	3%
Rate of interest on overpaid tax:	0.5%

SECTION A – ALL 15 questions are compulsory and MUST be attempted

Please indicate your chosen correct answer for each section A question on a separate sheet of paper and hand this in with your written section B answers for marking.

Note that in the real ACCA F6 exam you will be provided with a Candidate Answer Booklet, the first page of which is specifically designed for providing answers to section A of the exam.

Each question is worth 2 marks.

- 1** Salma was born on the 7 March 1945. During the tax year 2014/15 her only income was property income of £28,000 and she paid £300 to a charity via the Gift Aid Scheme.

What is the amount of personal allowance available to Salma for 2014/15?

- A £10,000
- B £10,150
- C £10,188
- D £10,500

- 2** Oliver received the following during the tax year 2014/15:

- (i) Interest of £500 on unquoted company loan stock
- (ii) £600 from a winning National Lottery scratch card
- (iii) Dividends of £20,000 received from investments held in a NISA account
- (iv) Interest of £400 on a NS&I Investment Account

Which of the above receipts are exempt from income tax?

- A All of the above
- B (ii) and (iii) only
- C (ii), (iii) and (iv) only
- D (i) and (iv) only

- 3** **If an employee is provided with non-job related living accommodation by his employer, which of the following is never relevant when calculating the assessable employment benefit in 2014/15?**

- A The official rate of interest in 2014/15
- B The annual value
- C How long the employer has owned the accommodation before the employee moved in
- D Capital improvements to the property carried out during 2014/15

- 4 Morris, Sally and Bernard have been partners for many years sharing profits and losses 30:50:20 respectively. On 28 February 2015 Morris retired.

Tax adjusted profits for the years ended 30 June 2014 and 30 June 2015 were £108,000 and £120,000 respectively.

Morris has unused overlap profits of £10,000.

What is the trading profit assessable on Morris for 2014/15?

- A £46,400
 - B £14,000
 - C £24,000
 - D £56,400
- 5 Lynne runs a sole trader business. Her accounting profit is £250,000 for the year ended December 2014, and when adjusted for tax profit is £265,000.

What is Lynne's Class 4 NIC liability for 2014/15?

- A £7,214
 - B £7,515
 - C £8,231
 - D £23,134
- 6 Fred, Albert and Hannah are employed by Moffat Ltd.

Fred has reached state retirement age and is paid £2,000 per month.

Albert is aged 36 and is paid £3,000 per month. In addition in 2014/15 he was paid 55p per mile for 20,000 business miles that he did in his own car.

Hannah is aged 58 and is paid £2,500 per month. She pays 5% of her salary each month into the company's occupational pension scheme.

- (i) Moffat Ltd is not required to pay Class 1 secondary NICs in respect of Fred because he has reached state retirement age.
- (ii) Albert's earnings, on which he will be charged Class 1 primary NIC in 2014/15, include £2,000 for reimbursed business mileage.
- (iii) Hannah's monthly earnings on which she will be charged Class 1 primary NIC are £2,375.

Which of the above statements is/are true?

- A All of the above
- B (i) and (iii) only
- C (ii) only
- D None of them

- 7 Fairway Ltd owns 55% of Flag Ltd and 40% of Bunker Ltd. In addition Fairway Ltd owned 75% of Green Ltd until 1 May 2014.

For the year ended 31 March 2015 Fairway Ltd has taxable total profits of £450,000 and received dividends of £70,000 from Flag Ltd.

What is the corporation tax payable by Fairway Ltd for the year ended 31 March 2015?

- A £94,375
- B £94,500
- C £93,750
- D £94,026

- 8 Cup Ltd owns 100% of Saucer Ltd. Both companies are UK resident and prepare accounts to 31 March each year.

In the year ended 31 March 2015 Cup Ltd had a trading loss of £150,000. It also had property income of £100,000.

In the year ended 31 March 2015 Saucer Ltd had a trading profit of £180,000 but had a brought forward trading loss of £150,000.

What is the maximum loss that can be surrendered from Cup Ltd to Saucer Ltd for the year ended 31 March 2015?

- A £30,000
- B £150,000
- C £50,000
- D £180,000

- 9 Walton Ltd started trading on 1 June 2013. Its results for the first two accounting periods are as follows:

	<i>Year ended</i> <i>31 May 2014</i>	<i>Year ended</i> <i>31 May 2015</i>
	£	£
Tax adjusted trading (loss)/profit	(110,000)	30,000
Interest income	22,000	21,000
Chargeable gain	35,000	–
Qualifying charitable donations paid	(14,000)	(19,000)

What is the amount of loss which is carried forward at 31 May 2015 assuming the company makes a current year loss relief claim in the year ended 31 May 2014?

- A £37,000
- B £2,000
- C £53,000
- D £23,000

- 10** Orange Ltd owns 80% of Lemon Ltd and 90% of Tangelo Ltd. Lemon Ltd owns 75% of Grapefruit Ltd and Tangelo Ltd owns 70% of Lime Ltd.

Which companies form a capital gains group for corporation tax purposes?

- A Orange Ltd, Lemon Ltd and Tangelo Ltd
- B Orange Ltd, Lemon Ltd, Tangelo Ltd, Grapefruit Ltd and Lime Ltd
- C Orange Ltd, Lemon Ltd, Tangelo Ltd and Lime Ltd
- D Orange Ltd, Lemon Ltd, Tangelo Ltd and Grapefruit Ltd

- 11 Which of the following statements is false?**

- A A company which does not pay tax at the main rate must pay its corporation tax liability within 9 months and one day of the end of its period of account.
- B A company must retain records which support its tax return for at least six years after the end of the relevant accounting period.
- C HM Revenue & Customs can correct an obvious error in a company's tax return within nine months of the date the tax return is filed by the company.
- D A company must file a tax return by the later of 12 months after the end of the period of account and three months after the issue of a notice to file a return.

- 12** Costemp Ltd submitted a corporation tax return on 31 January 2015 for the 12 month accounting period ended 31 March 2014. It subsequently discovered that it had made an error in the return.

What is the latest date by which the company is able to amend its tax return?

- A 31 January 2016
- B 31 March 2015
- C 31 October 2015
- D 31 March 2016

- 13** Amber has recently come back from an extended travelling holiday. Carelessly she had forgotten to file her 2013/14 tax return before she went. She therefore filed her 2013/14 tax return showing tax payable of £7,200 on 2 February 2016.

What is the maximum late filing penalty that she can be charged for filing the tax return late?

- A £460
- B £360
- C £1,720
- D £6,400

14 Which of the following statements is false?

- A HM Revenue & Customs do not need to suspect that there has been a loss of tax in order to make a compliance check into an individual's tax return.
- B HM Revenue & Customs must give notice that they wish to carry out a compliance check into a tax return within 9 months of the date the return is filed.
- C When conducting a compliance check into an individual's tax return HM Revenue & Customs can only request information about matters contained in that particular tax return.
- D At the end of a compliance check an individual can appeal against amendments made to the tax return by HM Revenue & Customs.

15 Which of the following is/are tax evasion?

- (i) Transferring monies in a joint bank account to your spouse in order to utilise their basic rate band and pay less tax.
 - (ii) Not informing HM Revenue & Customs of interest you received on a new overseas bank account because the amount received was small and you believe that the administration costs of HM Revenue & Customs would be more than the tax due.
 - (iii) Declaring on your tax return 50% of the income earned on a let property which is owned 80% by you and 20% by your spouse.
- A All of the above
 - B (ii) and (iii) only
 - C (ii) only
 - D None of them

SECTION B – ALL SIX questions are compulsory and MUST be attempted.

1 Melanie Road was born on 10 May 1938.

For the tax year 2014/15 she had the following income:

- (1) Pension income of £35,000 from a former employer. PAYE of £4,899 was deducted.
- (2) Interest received of £2,000 from a NS&I bank account.
- (3) Property income of £25,000 from the letting of a furnished flat.
- (4) Dividends received from UK companies of £1,200.

Melanie had made payments on account of her 2014/15 income tax liability totalling £4,000.

Melanie expects her 2015/16 income tax liability to be £10,100.

Required:

- (a) Calculate the amount of Melanie's balancing payment in respect of her income tax liability for the tax year 2014/15 and state the due date of payment. (7 marks)
- (b) State the amounts due and the due dates for the payments on account that she will be required to make in respect of her 2015/16 income tax liability assuming she does not make any relevant elections. (2 marks)
- (c) State the date until which Melanie must retain the records used to prepare her tax return for 2014/15. (1 mark)

(Total: 10 marks)

- 2** Reginald owns four houses which he lets unfurnished with the exception of number 4 which is let furnished. All rents are receivable quarterly in advance on the quarter days, 31 March, 30 June, 30 September and 31 December.

Reginald would like to claim any beneficial allowances available.

House number 1

A lease at an annual rental of £4,000 ended on 29 June 2014. The house was then unoccupied until 30 December 2014. Between these dates it was re-decorated internally at a cost of £2,000. It was re-let from 1 January 2015 on an annual tenancy of £5,000 per annum.

House number 2

This property was purchased by Reginald on 1 June 2014. Immediate repair work costing £3,000 was carried out on the leaking roof, the damage to which had been reflected in the purchase price of the property.

The property was let on 1 October 2014 on a seven-year lease at an annual rental of £4,000. The incoming tenant was charged a premium of £2,000.

House number 3

A lease at an annual rental of £3,000 expired on 28 September 2014. Internal and external painting and decorating was carried out at a cost of £2,500. The property was re-let on 1 April 2015 at an annual rental of £4,000. The property remained empty between 29 September 2014 and 31 March 2015.

House number 4

Although this house is let furnished, it is not a qualifying holiday letting business. The annual rent is £6,000. Allowable expenditure is £7,000 including water rates of £200, council tax of £600 and loan interest of £2,000 on a loan taken out to purchase the property. The loan interest was paid gross.

Required:

Calculate the property business income assessable on Reginald for 2014/15 in respect of the four houses. (Total: 10 marks)

- 3** (a) Murray plc is a UK resident manufacturing company with three associated companies.

The company made quarterly instalment payments in respect of its corporation tax liability for the year ended 31 December 2013.

For the year ended 31 December 2014 Murray plc had taxable total profits of £863,628.

Required:

- (i) Explain why Murray plc was required to make quarterly instalment payments in respect of its corporation tax liability for the year ended 31 December 2014. (3 marks)
- (ii) Calculate Murray plc's corporation tax liability for the year ended 31 December 2014 and state the date(s) it must be paid to avoid interest charges accruing (3 marks)
- (b) Brenda was a director of Murray plc throughout the 2014/15 tax year. She was paid a monthly salary of £10,000 and also received a bonus of £50,000 in December 2014.

The company provides her with a company car which results in an annual taxable benefit of £8,000. In addition in December 2014 the company gave her vouchers exchangeable for goods at the local department store worth £5,000.

Required:

Calculate the National Insurance contributions payable by Brenda and Murray plc in respect of Brenda's remuneration package in 2014/15. You are required to clearly identify the type of NIC payable.

Ignore the employer's NIC employment allowance. (4 marks)

(Total: 10 marks)

- 4 Joseph Kent, born on 23 January 1955, commenced in business on 1 October 2014 as a joiner making conservatories.

His adjusted profits before capital allowances are estimated as follows:

	£
Period to 31 December 2015	53,294
Year ended 31 December 2016	83,704

He made the following capital additions and disposals:

Additions:		£
1 October 2014	Motor car 1 (at valuation)	12,200
1 October 2014	Motor car 2	3,500
1 October 2014	Plant and machinery	31,250
1 December 2016	Motor car 3	13,000

Disposals:		£
1 December 2016	Motor car 1	7,000

Motor car 1 has CO₂ emissions of 120 grams per kilometre, motor car 2 is a second hand car with emissions of 79 grams per kilometre and motor car 3 has emissions of 140 grams per kilometre.

Private use of motor cars 1 and 3 by Joseph has been estimated at 20%. Motor car 2 is a second hand car purchased for staff to make deliveries and is not used privately.

Required:

Calculate the amount of trading profits assessed on Joseph for the tax years 2014/15 to 2016/17 inclusive and the amount of any overlap profits.

Assume the tax rates and allowances for 2014/15 apply throughout.

(Total: 10 marks)

- 5 Tony Nash was born on 1 June 1951. He runs a music shop as a sole trader and is also employed part-time as a journalist for a music magazine.

Self-employment

His statement of profit or loss in respect of the music shop for the year ended 5 April 2015 is as follows:

	£	£
Gross profit		171,120
Less: Expenses		
Depreciation	2,244	
Professional fees (Note 1)	3,978	
Repairs and renewals (Note 2)	570	
Wages and salaries	65,620	
Other expenses (Note 3)	79,228	
	—————	(151,640)
Net profit		————— 19,480 —————

Note 1 – Professional fees

The figure for professional fees consists of £1,239 for accountancy and £2,739 for fees in connection with an unsuccessful application for planning permission to enlarge Tony's freehold music shop.

Note 2 – Repairs and renewals

The figure for repairs and renewals consists of £230 for a replacement hard drive for the shop's computer, and £340 for a new printer for this computer.

Note 3 – Other expenses

The figure for other expenses includes £51 for a donation to a political party, and £153 for a trade subscription to the Guild of Musical Instrument Retailers.

Note 4 – Private telephone

Tony uses his private telephone to make business telephone calls. The total cost of the private telephone for the year ended 5 April 2015 was £576, and 25% of this related to business telephone calls. The cost of the private telephone is not included in the statement of profit or loss expenses of £151,640.

Note 5 – Goods for own use

During the year ended 5 April 2015 Tony took goods out of the music shop for his personal use without paying for them, and no entry has been made in the accounts to record this. The goods cost £510, and had a selling price of £808.

Note 6 – Plant and machinery

The tax written down values for capital allowances purposes of the general pool at 6 April 2014 was £13,417.

Employment

Tony earns a salary of £15,000 per annum from his part-time employment with Music World Ltd. In addition he is provided with a company car and private medical insurance as follows.

- (1) Tony was provided with a petrol-engine car from 6 April 2014. The list price of the car is £25,000 but the amount paid by the company, after a discount, was £23,000. Tony contributed £4,000 towards the cost of the car so that a better car could be provided. The car has CO₂ emissions of 142 g/km. Tony paid £25 per month towards the private use of the car but not towards the private fuel, all of which is provided by the company.
- (2) The company pays £250 per annum for Tony to be part of their private medical insurance scheme. It would cost Tony £350 per annum if he took out the same insurance cover himself.

Other income

During the tax year 2014/15, Tony received dividends of £4,500, interest from government stocks (gilts) of £5,900, as well as interest of £450 from a NISA (new individual savings account). These were the actual cash amounts received.

Required:

Calculate Tony's taxable income for the tax year 2014/15.

Your computation of Tony's taxable trading income should commence with the net profit figure of £19,480 and should list all the items referred to in Notes (1) to (5) indicating by the use of zero (0) any items that do not require adjustment.

(Total: 15 marks)

- 6 Cowalsh Ltd, a UK resident company with no associated companies, manufactures accessories for telecommunication systems.

The company's results for the year ended 31 March 2015 were as follows:

	£
Trading profits (as adjusted for taxation but before capital allowances) (Note 1)	940,895
Dividends received from a UK company (Note 2)	60,000
Bank interest receivable	1,500
Chargeable gains	25,000
Loan note interest received (gross amount)	80,000
Donation to a national charity	5,000

The loan note interest received is the same as the amount credited in the accounts on an accruals basis.

On 1 April 2014 the tax written down values of plant and machinery were:

	£
General pool	190,000
Special rate pool	24,000

The balance in the special rate pool is in respect of a high emission car which is used 80% for business purposes by the sales director.

On 1 November 2014 a new car (with CO₂ emissions of 120 g/km) costing £18,000 was purchased for the sales director. The car previously used by him was sold a week later for £8,000.

A new precision engineering machine was purchased on 1 August 2014 for £257,500 and a lorry costing £250,000 was acquired on 1 September 2014. An old machine was scrapped for proceeds of £25,000 (original cost £150,000) on 1 October 2014.

Notes

- (1) In arriving at the adjusted trading profit, an adjustment had been made for small capital additions of furniture acquired in April and May 2014 totalling £8,750. The company had initially written off this cost as repairs in the statement of profit or loss but after seeking tax advice has added back the amount back for tax purposes.
- (2) The company had received £60,000 of dividends on 31 May 2014 from a UK company in which it owns 15% of the ordinary share capital.
- (3) On 1 April 2014 the company had capital losses brought forward of £30,000.

Required:

Calculate the corporation tax liability for the year ended 31 March 2015 and state how any unrelieved amounts are to be dealt with.

(Total: 15 marks)