

# Advanced Taxation Module 9

Wednesday  
31<sup>st</sup> August 2011  
2pm – 5pm

**Instructions to Candidates:**

1. Answer 5 out of 6 questions
2. All questions carry equal marks
3. Include all workings with your answer

**Time Allowed: 3 Hours**

### Question 1

Fred Jones set up ABC Ltd on 5 June 1999. He owns 70% of the share capital and his wife May owns 30%. The value of the business is made up as follows

Premises	€300,000	(cost €100,000 1/11/99)
Goodwill	€400,000	(no cost)
Investments	€250,000	(cost €195,000 1/9/07)
Debtors	€12,000	
Current Liabilities	€20,000	
	€942,000	
	=====	

Fred had been a full time working director since the company began. He is 56 years and Mary has been a working director for the last 3 years and a non-executive director for the last 8 years. Mary is 54 years old.

They have received an offer of €942,000 for the business.

#### Requirement:

- a) Calculate the capital gains tax payable if they sell the business now.

(You can assume base cost of shares nil)

**10 Marks**

- b) Demonstrate with planning how the capital gains tax liability could be reduced.

**10 Marks**

**Total**

**20 Marks**

## Question 2

- a) Mark Jones has just inherited a farm in Co. Sligo from his friend Simon. The farm is made up as follows:

Agricultural Land	€700,000
Farm House	€130,000
Timber	€120,000

Mark already owns a house in Lucan with a market value of €420,000 and a mortgage of €350,000 and a house in Cavan with a market value of €100,000 and a mortgage of €70,000.

### Requirement:

Calculate Mark's liability to capital acquisitions tax assuming the only other benefits he received were

€15,000 cash from his neighbour on 10 December 1990.

€45,000 Bank of Ireland shares inherited from his best friend Johnny on 19 May 2004.

**7 Marks**

- b) Anne gave shares with a market value of €82,000 (cost 1/4/99 €43,800) to her sister Sally on 10 November 2009. Sally claimed CGT / CAT credit. Sally sold the shares on 15 December 2010 for €120,000.

### Requirement:

Calculate the capital gains tax liabilities for year ended 31 December 2010.

**7 Marks**

- c) Martin Forde died on 15 November 2010 and left the following assets under his Will:

- House in Sligo worth €300,000 (cost €32,000 1 June 1986) to his daughter-on-law Sally (Sally is widowed having lost her husband Bob (Martin's son in a farm accident on 10 June 1999).
- Shares in Bank of Ireland worth €250,000 to his granddaughter May, aged 12 years (May is Martin's and Sally's daughter).
- €150,000 to be lodged in a trust fund to pay for medical expenses for his incapacitated child Fred.
- None of the above individuals have previously received any gifts or maintenances.

### Requirement:

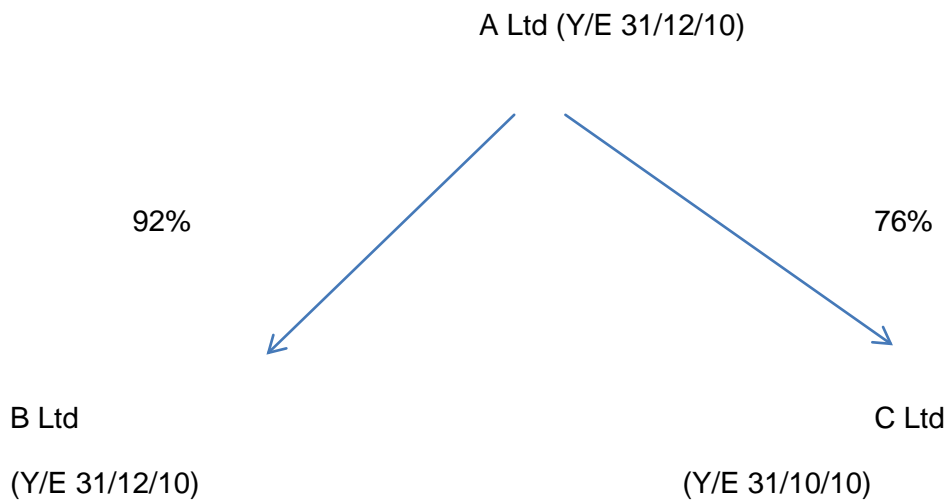
Calculate the tax liabilities.

**6 Marks**

**Total**

**20 Marks**

**Question 3**



Trading results are as follows:

	A LTD	B LTD	C LTD
Case I	€150,000	€190,000	(€500,000)
Case V	€25,000	€10,000	€22,000

A) Calculate each companies liability to corporation tax **10 Marks**

B) A Ltd transferred a premises to B Ltd on 1 June 2007 at no cost. The market value of the premises was €500,000 (cost A Ltd €180,000 1 May 1992). A Ltd has been offered €600,000 to sell B Ltd on 1 December 2010 (B Ltd shares cost A Ltd €25,000 on 1 January 1993).

**Requirement:**

Calculate the capital gains tax and stamp duty implications of the above.

**10 Marks**

**Total**

**20 Marks**

#### Question 4

Tom Jones has a company that he owns 100% on that he set up in March 1990. He would like to sell the company and has been offered €900,000. This will leave him with a taxable gain of €220,000. Tom is 56 years old.

He has heard that he may be in a position to qualify for retirement relief if he was to reduce the value of the company before he sells it.

He would like your advice as to four possible methods of reducing the value of the company before the sale and the resultant savings from capital gains tax.

**20 Marks**

**Total 20 Marks**

#### Question 5

A) A Ltd has a year ended 31 December. Their trading results for the last 2 years are as follows:

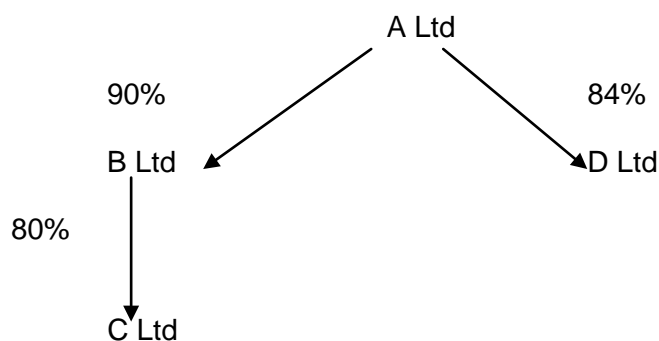
	Y/E 31/12/10	Y/E 31/12/09
Sch D Case I	(€250,000)	€75,000
Sch D Case III	€20,000	€10,000
Sch Case V	€12,000	€2,000

#### Requirement:

Calculate A Ltd liability to corporation tax for each of the years using all available reliefs.

**10 Marks**

b)



#### Requirement:

- a) Who is in CGT group **3 Marks**
- b) Who is in last group **3 Marks**
- c) Name associated companies **4 Marks**

**Total 20 Marks**

## Question 6

You have recently started in Swan and Duck as a tax consultant and you have been given the job of writing a letter to a new client explaining some important terms they will need to be familiar with for their business.

Please write a letter outlining the following:

- |   |                 |
|---|-----------------|
| a) VAT charges on which input credit is not allowed | <b>5 Marks</b>  |
| b) Who must register for VAT?                       | <b>5 Marks</b>  |
| c) Cash receipts basis of accounting                | <b>5 Marks</b>  |
| d) Requirements for a valid VAT invoice             | <b>5 Marks</b>  |
| <b>Total</b>  | <b>20 Marks</b> |

**End of paper**