Solution 1
a)

Gain on goodwill	€400,000
Less; Annual exemption	(€1,270)
Taxable gain	€398,730 **3 marks**
Cgt at 25%	€99,683 **3 marks**

b)

Gain on premises	
	€
Sales proceeds	300,000
Cost	
100,000 x 1.193	(119,300)
Gain	180,700
Gain on goodwill	400,000
Total gains	580,700

Value of assets transferred – Value of liabilities taken over = Cash + Shares
€775,000 - €70,000 = €60,000 + Shares
€645,000 = Value of shares **3 marks**

Gain deferred
€580,700 x €645,000/€775,000 = €483,292 **3 marks**

Taxable gain €580,700 - €483,292 = €97,408 - €1,270 = €96,138 CGT payable now
€96,138 x 25% = €24,035 **3 marks**

c) Value of shares for future disposal
€645,000 - €24,035 = €620,965 **2 marks**

d) Cessation of business. Revenue can revise penultimate year to actual. **3 marks**

Solution 2

Snip Ltd

Adjusted Profits Computation for the year ended 30 April 2011

	€	€
a) Profit per accounts		521,190 **1 mark**
Addback:		
Depreciation	22,000**1 mark**	
Repairs and Renewals	4,500**1 mark**	
Legal fees	500**1 mark**	
Miscellaneous – Entertaining suppliers	500**1 mark**	
Customer gifts	600**1 mark**	
Purchase of machine	5,310**1 mark**	
Interest on late payment of tax	500**1 mark**	33,910
Deduct:		
UK Dividend	2,000**1 mark**	
Irish Dividend	4,000**1 mark**	
Profit on sale of fixed assets	10,000 **1 mark**	(16,000)
Case I adjusted trading profits		539,100
Less: Capital allowances		(5,000) **1 mark**
		534,100
Chargeable Gains		
(€10,000 x 25%) / 12.5%		20,000**1 mark**
Profits taxable at 12.5%		554,100
Case IIII UK dividend		2,000**1 mark**
		556,100
Less: Hair Ltd loss €45,000 x 8/12		(30,000) **3 marks**
Taxable		526,100
Taxable as follows:		
€524,100 @ 12.5%		65,513 **1 mark**
€2,000 @ 25%		500**1 mark**
Corporation tax due		**66,013 1 mark**

Solution 3

a) A, B, C **2 marks**

b) A, B, C and D **2 marks**

c)

	A Ltd	B Ltd	C Ltd	D Ltd
Case I	120,000	130,000	0	120,000
Less:				
Loss C				
120,000 x 10/12	(100,000)			
130,000 x 10/12		(108,333)		
Case I	20,000	21,667	0	120,000
Case V	25,000	10,000	22,000	0
Taxable	45,000	31,667	22,000	120,000
CT				
20,000 x 12.5%	2,500			
21,667 x 12.5%		2,708		
120,000 x 12.5%				15,000
25,000 x 25%	6,250			
10,000 x 25%		2,500		
22,000 x 25%			5,500	
CT	8,750	5,208	5,500	15,000
Less: Value				
			(5,500)	
6,250 x 10/12	(5,208)			
6,003 x .125		(750)		
CT due	**3,542**	**4,458**	**0**	**15,000**
	3 marks	**3 marks**	**2 marks**	**2 marks**

Loss in C	€300,000
Used against Case I	(208,333)
Value in C	(44,000)
Left	47,667
Value in A	(41,664)
Value in B	(6,003)
	0

d)

	€
Sales proceeds	650,000
Cost	
120,000 x 1.356 =	(162,720)
Taxable	487,280

Tax

487,280 x 25%/12/5% = 974,560 x .125 = €**121,820** **6 marks**

Solution 4

a) Basic exemption

€10,160 + (€765 x 15) = €21,635
Increased – worth less

SCSB
120,000 x 15 - €12,000 = €108,000
15

Tax free €108,000

3 marks per calculation

b) Limited company in order to get lower corporation tax rate 12.5% and possibly even exempt first 3 years. Also to benefit from seed capital relief and r and d tax credit and BES funding. Sole trader can use losses against other income but would lose out on BES, seed capital and R&D credit. **Any 2 points, 3 marks each**

c) Seed capital, BES and R& D credit and explain each.

4 marks per method.

Solution 5

Letter format 4 marks

Mr Helen Burke
Flowers Limited
Address

Date

Dear Helen

I refer to our recent meeting and the queries raised regarding the export of goods and services. I now set out the VAT treatment in respect of the transactions discussed:

<u>EU "Exports" of goods</u>
EU exports are known as "intra EU transactions". If the EU customer quotes their VAT number to the Irish supplier, they will then zero rate the supply. The net of VAT amount for such transactions is also included in box E1 "value of goods sent to other EU countries". **3 marks**

<u>Exports of goods to non EU countries</u>
These sales are zero rated for VAT purposes. Documentary evidence that the goods have been exported should be kept.

3 marks

Repairs for customers in the EU
These services are normally deemed to be supplied where the service is actually carried out. However, services on moveable goods inn cases where the goods involved leave the Member State in which the service is physically carried out and the customer is a VAT registered person are deemed to be supplied in the State in which the customer is registered. The recipient of the service is liable to account for VAT (this is known as the reverse charge basis). If the customer provides the company with its VAT number the company can zero rate the supply.
2marks

EU imports of goods
EU imports also, are known as "intra EU transactions". "Deferred accounting" applies to such transactions. The company quotes its VAT number to the EU supplier who should then zero rate the supply. The company self accounts for the VAT by calculating the VAT on the transaction, using the appropriate VAT rate and including the amount as a supply on the VAT return. This increases the VAT liability. If the company is entitled to a deduction for the VAT (which is usually the case) it claims a deduction for the VAT as calculated. The net effect is that the transaction is VAT liability neutral.

The net of VAT amount for such transactions is also included in box E2 "value of goods received from other EU countries". **Any 2 points, 2 marks each**

Non EU imports of goods
This is an import from a non EU State. On arrival in the State, VAT is paid to Irish customs (VAT at point of entry). This VAT is reclaimable in the normal fashion on the VAT return for the period in which the payment is made or deemed to have been made if using the deferred payment system.

Depending on the circumstances and turnover level you may also be required to complete additional VAT returns such as a VIES return (quarterly return of EU exports) or an intrastate return (monthly return showing a detailed make up of EU imports or EU exports). **Any 2 points, 2 marks each**

Please contact me if you have any further queries.

Yours sincerely,

A Student.

Solution 6

Rob

No capital acquisitions tax as Rob is minor child of deceased child of disponer and Group A class threshold and provision for education exempt. **5 marks**

Anne

	€
Shares	10,000
Cash	120,000
Residue	
(55,000 + 2,000 + 150,000 – 6,700)/2	100,150
	230,150

No capital acquisitions tax as Anne is widow of Richard (deceased child of disponer) so she steps into his shoes, Group A class threshold. **5 marks**

Charity
Exempt from Capital Acquisitions Tax **5 marks**

Patricia
No capital acquisitions tax on house as she lived in it for last 10 years and only house. **3 marks**

Residue €100,150 (under Group A threshold no capital acquisitions tax. **2 marks**