



Advanced Taxation Module 9

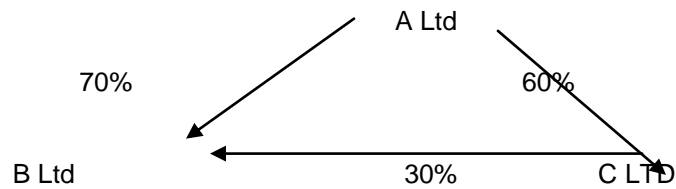
Wednesday
24th November 2010
2pm – 5pm

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



The results of the companies for the year ended 31/12/2010 were as follows:

	A LTD	B LTD	C LTD
Sch D Case 1	(€100,000)	€25,000	€51,000
Sch D Case V	€15,000	€10,000	€ 2,000
Case V Capital	-	€ 2,000	€ 3,000

Allowances

Requirement:

- a) Calculate the corporation tax liabilities of A, B, C. Ltd in order to pay the minimum tax.

10 marks

- b) Explain with reasons which companies are members of a loss group.

5 marks

- c) Explain with reasons which companies are members of a capital gains group.

5 marks

Total Marks

20 marks

Question 2

Explain the following terms:

- a) Favourite niece / nephew

5 marks

- b) Surviving spouse of deceased spouse

5 marks

- c) Minor child of deceased child

5 marks

- d) CGT /CAT credit

5 marks

Total

20 marks

Question 3

Tom Jones made the following gifts in 2010.

- a) 1 February 2010 his house in Donnybrook to his sister Samantha worth €420,000.
Samantha had been living alone in the house as her main residence since 2005.
Tom had paid €130,000 for the house in June 2005.
- b) A farm in Sligo with a market value of €300,000 and a mortgage of €20,000 to his brother John. John was also taking over the mortgage. John already had his principle private residence in Lucan worth €250,000 with a mortgage of €200,000 and €50,000 AIB shares. The farm had cost Tom €50,000 in June 2003.
- c) Tom set up a trust for his permanently incapacitated sister Sheila and he transferred €50,000 cash into it on 1 September 2010.
- d) Tom won €170,000 in the Lotto in November 2010 and he gave €28,000 to his neighbour Fred.

Requirement:

- a) Calculate Tom's capital gains tax liability for each event in 2010. **10 marks**
 - b) Calculate capital acquisition tax liability for each event in 2010. **10 marks**
- Total 20 marks**

Question 4

Susan Smith has had a sweet shop since 1 January 1998. Her niece Sarah has worked in the shop with Susan since 1 May 2005. Susan is 54 years old and has decided she no longer wants to be involved in the sweet shop. She would like to pass it to Sarah. The value of the sweet shop is €500,000 including investments worth €100,000. Susan will be 55 years old next year. She built the shop up from nothing and it has a nil base cost.

Requirement:

a) Advise Susan on the implications and taxes of giving Sarah the shop now (1/12/2009)

10 marks

b) Advise Susan on the implications and taxes liability until she is 55 to give Sarah the shop (1/12/2010).

10 marks

Total

20 marks

Question 5

ABC Ltd is owned 20% by Mary, 25% by her husband Bob, 10% by Mary's cousin Susan and 45% by Michael (no relation) Mary, Bob and Michael are directors and employees.

For the year ended 31 December 2010 the following transactions took place.

- 1 June 2010 ABC Ltd paid €10,000 for Susan to go on holiday to Spain.
- 15 August 2010 ABC Ltd paid Michael 15% interest on a loan of €50,000 he had made to ABC Ltd on 1 March 2010.
- 15 November 2010 ABC Ltd lent Mary €100,000 interest free.
- Issued share capital of company €100,000.

Requirement

Outline the implications of each of the above for both the company and the individuals.

20 marks

Total

20 marks

Question 6

Roger Smith is ceasing his sole trader business on 1 November 2010. He had the following results for the last few years.

Tax adjusted Profits

Year ended 31 March 2007	€55,000
Year ended 31 March 2008	€75,000
Year ended 31 March 2009	€25,000
Year ended 31 March 2010	€30,000
Period ended 31 October 2010	€ 3,000

Roger's wife Mary is taking redundancy from her employer Toys are Great Ltd. She has had an annual salary of €28,000 and PAYE €5,000 per year since she commenced on 1 January 2001 and she is leaving on 1 November 2010. Toys are Great Ltd are giving Mary statutory redundancy of €5,000 and a lump sum of €56,000. Mary is entitled to €10,500 actuarial benefit under her pension.

Roger has rental income from his house in Spain of €12,000 in 2010.

Requirement:

- a) Calculate Mary's basic and increased exemption and SCSB for her redundancy.
10 marks
- b) Calculate Roger and Mary's income tax liability for 2010 assuming they are jointly assessed (you can ignore PRSI and levies)
10 marks
- Total 20 marks**

Note: You can ignore marginal relief.

End of paper