



# *Business Planning: Taxation*

## *errata sheet*

### *2022 (FA2021)*

#### WORKBOOK

#### Errata and clarifications

##### Chapter 13 Answer to Self-Test Question 1 Jennifer

In working (3) the calculation of NIC as a sole trader should be amended as follows:

NIC for sole trader	
Class 2: 52 weeks @ £3.05	159
Class 4: (£50,270,000 – £9,568) × 9%	3,663 3,639
(£105,000 – £50,270,000) × 2%	1,095 1,100
	4,917 4,898

Therefore, the comparison of the sole trader and company should be amended as follows:

	Sole trader	Company
	£	£
Cash (£64,800 + £25,000)	105,000	89,800
Less: income tax liability	(30,432)	(17,078)
NIC (W3)	(4,917) (4,898)	(1,852)
Net cash	69,651 69,670	70,870

##### Chapter 14 Answer to Interactive Question 2

The final paragraph of Note 4 should be amended as follows:

It could then surrender to T Ltd the lower of:

9/12 of T S Ltd's taxable total profits of £302,000 = £226,500

9/12 of Q Ltd's loss of £40,000 = £30,000 – £30,000 already offset = £Nil

##### Chapter 20 Section 3.2

In the Worked example: single company v group of companies, the following change should be made:

Limit £1,500,000/3 = £500,000

##### Chapter 23 section 2.3

The first bullet in the table under 'Pre-entry trading losses' should read:

Brought forward trading losses will continue to be carried forward and can be set against future **total** profits from the same trade or total profits, depending when the losses originated.



## QUESTION BANK

### Errata and clarifications

#### Question 2 Phillip Hassan, Answer

In the answer to part 4 the calculation of NIC on the deemed employment should be amended as follows:

NIC	
£20,270,000 × 12% (50,270,000 - 30,000)	2,432 2,400
£890 4,160 × 2%	18 23
	2,450 2,423

#### Question 6 Bill Mickelson Exhibit 2

The first sentence of paragraph 2 should be amended as follows:

In June **2016**2015, Wilma's grandmother gifted a holiday home to Wilma which was valued at £445,000.

#### Question 10 Splite Ltd, Exhibit 2

The first paragraph should be amended as follows:

Yogi Ltd sold a factory on 30 October 2021, receiving £2,400,000 from the purchaser. Yogi Ltd had purchased the newly constructed factory, paying £1,800,000 in January 201**4**5. Yogi Ltd had used the factory in its trade until January 2021. From 1 February 2021, the company had rented out the property to a third party, who remained as tenant after the sale.

#### Question 18 Delia, Chris and Ella, Exhibit 2 and Answer

The second table in Exhibit 2 of costs not included should be amended as follows:

	<b>2023</b> 2022	<b>2024</b> 2023	<b>2025</b> 2024
	£	£	£
Equipment	22,000	5,000	5,000

In part 1 of the answer, the first paragraph under the subheading Chris should be amended as follows:

Chris's business appears to be making trading losses in the opening years and therefore it would be most appropriate to set up as a sole trader. This would have the advantage of generating a tax refund for Chris of £**9,100** 9,230 (on the assumption the majority, if not all, of the income tax for 2021/22 will have already been paid under PAYE).

In part 3 of the answer, the fifth paragraph referring to the amount of the EIS relief available should be amended as follows:

The amount of deduction is equal to the lower of:

- 30% of the amount invested in the scheme = 30% × £250,000 = £75,000; and

- the amount that reduces her tax liability to nil – £79,460 ~~£79,500~~ (see below).



### Question 28 Jolene and Kenton, Answer

The first paragraph under the subheading 'Incorporation and ongoing liabilities' should be amended as follows:

Appendix 2 shows the total income tax liability for Jolene and Kenton for 2021/22 as £31,464 ~~£31,600~~ (ie, £15,732 ~~£15,800~~ each).

### Question 36 LM Ltd, Answer

The marking guide for 36.1 (b) should be clarified/amended as follows:

Loss relief group and carry back options		3
Terminal loss calculation		4
Remaining Use of loss of y/e 31.3.2022	1	24
Use of remaining terminal loss	1	2
Calculation	2	2

### Question 38 Gig plc, Question and Answer

In the question, the paragraph under the heading (1) Research and development (R&D) should be amended as follows:

In July 2021, Gig plc commenced a qualifying R&D project to develop a new product which is a major technological advance. Gig plc purchased research laboratory equipment for £1.7 ~~2.2~~ million. The following amounts were deducted as research costs in the statement of profit or loss:

The answer to 38.1 in relation to issue (1) should be amended as follows:

In addition, the machinery would qualify for enhanced capital allowances of 130% ~~assets used for R&D are eligible for 100% capital allowances if they qualify as plant and machinery~~ – this would lead to a further deduction of £2.2 million.

### Question 41 Elm plc

An additional point may be added into the model answer under the first paragraph of Issue 3 to state:

The capital loss arising in Elm plc could be offset against the crystallised deferred gain arising in relation to Walker SARM (issue 1).

An additional mark may be added to the marking guide for this point

### Question 42 2B plc, Question

In the third sentence of Note 1 to the Exhibit, please replace CS Ltd with CS Inc.

### Question 48 Joe Gregory, Question and Answer

In Exhibit 1 to the question, the last sentence of the first paragraph under AM Ltd should be amended as follows:

JG Ltd purchased some additional textbooks at a cost of £125 and travel expenses to the various sites of the AM Ltd offices of £1,251 a tablet laptop at a cost of £962 to help Joe with additional preparation for the lectures.



The deemed employment income calculation in part 1(a) of the answer should be amended as follows:

	£
Total earned (AM Ltd only)	80,000
Less 5% allowable deduction	(4,000)
	76,000
Less expenses	(1,376)
Less capital allowance (130% super deduction assumed £962 × 130%)	(1,251)

#### Question 60 Emma plc, Answer

In the answer to 60.1, the working in the capital goods scheme table under the VAT heading should be amended as follows:

Interval 1	Period to 31.3.20	100% trade use	No adjustment
Interval 2	Period to 31.3.21	100% trade use	No adjustment
Interval 3	Period to 31.3.22	3/12 100% × trade use 9/12 0% × trade use	300,000/10 × 25%75% – 100% = £22,500 Payable to HMRC by Emma plc group
Interval 4	Period to 31.3.23	0% trade use	300,000/10 × 0% – 100% = £30,000 Payable to HMRC by Polka Ltd

The first paragraph under the Dot Ltd heading should be amended as follows:

When Emma plc sells its shares in Dot Ltd, there will be no chargeable gain subject to corporation tax on the sale. Emma plc will be entitled to the substantial shareholding exemption, because the company has owned at least 10% of the ordinary share capital throughout a period of 12 months in the ~~six~~two years prior to disposal and ~~Emma plc is the holding company of a trading group and~~ Dot Ltd is a trading company.