ACCA REVISION MOCK A

Taxation (United Kingdom)

September 2017

Time allowed

Paper based	3 hours 15 minutes
(Note: Computer based	3 hours 20 minutes)

This question paper is divided into three sections:

Section A – ALL 15 questions are compulsory and MUST be attempted
Section B – ALL 15 questions are compulsory and MUST be attempted
Section C – ALL THREE 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

Kaplan Publishing/Kaplan Financial

Paper F6 (UK)

APPROVED TEACHING RESOURCES ACCA

KAPLAN PUBLISHING

TAX RATES AND ALLOWANCES

SUPPLEMENTARY INSTRUCTIONS:

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

INCOME TAX

		Normal rates	Dividend rates
Basic rate	£1 – £32,000	20%	7.5%
Higher rate	£32,001 – £150,000	40%	32.5%
Additional rate	£150,001 and above	45%	38.1%
Savings income nil rate band	– Basic rate taxpayers		£1,000
	– Higher rate taxpayers		£500
Dividend nil rate band			£5,000

A starting rate of 0% applies to savings income where it falls within the first £5,000 of taxable income.

Personal allowance

Personal allowance

Personal allowance	£11,000
Transferable amount	£1,100
Income limit	£100,000

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 CO_2 emissions is 95 grams per kilometre.

The percentage rates applying to petrol cars with CO_2 emissions up to this level are:

50 grams per kilometre or less	7%
51 grams to 75 grams per kilometre	11%
76 grams to 94 grams per kilometre	15%
95 grams per kilometre	16%

Car fuel benefit

The base figure for calculating the car fuel benefit is £22,200.

Individual Savings Accounts (ISAs)

The overall investment limit is £15,240.

Pension scheme limits

Annual allowance	– 2014/15 to 2016/17	£40,000
	– 2013/14	£50,000
Minimum allowance		£10,000
Income limit		£150,000

The maximum contribution that can qualify for tax relief without any 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 75 grams per kilometre	100%
CO_2 emissions between 76 and 130 grams per kilometre	18%
CO_2 emissions over 130 grams per kilometre	8%
Annual investment allowance	
Rate of allowance	100%
Expenditure limit	£200,000

Cap on income tax reliefs

Unless otherwise restricted, reliefs are capped at the higher of £50,000 or 25% of income.

CORPORATION TAX

Rate of tax	20%
Profit threshold	£1,500,000

VALUE ADDED TAX (VAT)

Standard rate	20%
Registration limit	£83,000
Deregistration limit	£81,000

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

		Normal rates	Residential property
Rates of tax	– Lower rate	10%	18%
	– Higher rate	20%	28%
Annual exempt amount		£11,100	
Entrepreneurs' relief	– Lifetime limit	£10,000,000	
	– Rate of tax	10%	

NATIONAL INSURANCE CONTRIBUTIONS

Class 1	Employee	£1 – £8,060 per year	Nil
		£8,061 – £43,000 per year	12%
		£43,001 and above per year	2%
Class 1	Employer	£1 – £8,112 per year	Nil
		£8,113 and above per year	13.8%
		Employment allowance	£3,000
Class 1A			13.8%
Class 2		£2.80 per week	
		Small profits threshold	£5,965
Class 4		£1 – £8,060 per year	Nil
		£8,061 – £43,000 per year	9%
		£43,001 and above per year	2%

RATES OF INTEREST (assumed)

Official rate of interest:	3%
Rate of interest on underpaid tax:	3%
Rate of interest on overpaid tax:	0.50%

There are 100 marks available in this assessment.

If you have entered for a paper-based examination this will be the number of marks available in the real examination.

If you have entered for a computer-based examination there will be 110 marks available in the real examination. The additional 10 marks represent 'seeded questions' which will not count towards your examination mark but will be used by the ACCA for quality assurance purposes. The seeded questions will either be randomly distributed within Section A or within section B of the exam.

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

Note that in the real ACCA F6 examination you will be provided with a candidate answer booklet, the second page of which is specifically designed for providing answers to sections A and B of the examination.

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

Each question is worth 2 marks

1 Amaya commenced business on 1 May 2016, preparing her first accounts for the year to 30 April 2017.

Prior to starting in business she incurred the following expenditure:

		£
1 June 2015	Annual membership to local gym to meet potential clients.	600
1 August 2015	Motoring costs of Amaya's car. The car was used 20% of the time for business purposes and 80% for private purposes.	2,400
15 April 2016	A donation to the local school in return for an advert in their summer fete programme.	400

How much is deductible for tax purposes from trading profits in the year to 30 April 2017?

A £480

B £3,400

C £1,480

D £880

2 Which of the following employees will NOT have a taxable benefit in respect of the living accommodation provided to them free of charge by their employer?

(1) Gerald, a shop assistant lives in the flat above the shop to avoid him being late for work

(2) Harold, a director who works long hours, is provided with a house near to the company's premises to avoid having to waste time travelling

(3) Sarah, a veterinary assistant, is provided with accommodation at the veterinary practice, for her to fulfil her duties in caring for sick animals at night

(4) Ben, who is provided with accommodation for his own personal security.

A Gerald and Sarah

B Harold and Ben

C Sarah and Ben

D Gerald and Harold

3 Carla has been self-employed for many years.

In the tax year 2016/17 she made trading profits of £31,000 and had property income of £7,000.

What are the total NICs Carla is liable to pay for the tax year 2016/17?

A £2,211

B £2,065

C £2,695

D £2,841

4 On 15 June 2016 Tareq sold a commercial property that he had always held as an investment, realising a gain of £100,000. On 21 November 2016 he sold the business he had been running since 2011, realising gains totalling £420,000.

Tareq has taxable income of £29,000 (after the personal allowance) and sold no other assets in the tax year 2016/17. He has not previously sold any business assets.

What is Tareq's capital gains tax liability for the tax year 2016/17?

A £59,480

B £59,780

C £60,890

D £66,892

5 For the tax year 2016/17 Janice had taxable income (after the personal allowance) of £7,700. This comprised of £2,200 non savings income and £5,500 savings income.

What is Janice's income tax liability for the tax year 2016/17?

A £780

B £1,340

C £440

D £880

6 Mariam died on 5 October 2008, leaving a gross death estate of £718,680. The nil rate band in the tax year 2008/09 was £312,000.

Under the terms of her will, Mariam left £675,000 to her husband, Fadi, and the remaining £43,680 of her estate to her children.

The only gift made by Mariam during her lifetime was made on 1 January 2008 and had a gross chargeable transfer of £171,600.

Fadi died on 31 January 2017.

What amount of additional nil rate band could the executors of Fadi's estate claim, based on Mariam's unused nil rate band?

A £224,250

B £96,720

C £100,750

D £279,500

7 Sami sells standard rated goods to a trade customer, Sergio. The VAT exclusive price of the goods before any discounts is £2,000. A trade discount of 10% is deducted from this amount. After the deduction of the trade discount, a 5% prompt payment discount is offered for payment within 10 days. Sergio pays for the goods 9 days later.

How much VAT will Sergio pay to Sami?

A £400

B £360

C £380

D £342

8 Madalena sold 15,000 shares in G plc to her daughter on 11 September 2016 for £11,000. Madalena acquired the shares several years ago at a cost of £10,000. On the date of the gift the shares were quoted at 211p – 255p.

G plc is a quoted trading company and Madalena's shareholding represents a 1% interest in the company.

What is Madalena's chargeable gain, after any available reliefs, on the sale of the shares to her daughter in the tax year 2016/17?

A £1,000

B £21,650

C £24,950

D £28,250

9 Farmhouse Ltd has prepared its self-assessment corporation tax return for the nine-month period ended 31 October 2016.

By what date should the return be submitted, and assuming it is submitted on time, by what date could Farmhouse Ltd correct the return if it were subsequently found to contain an error or mistake?

	Submission date	**Amendment deadline**
A	31 October 2017	31 July 2018
B	31 October 2017	31 October 2018
C	1 August 2017	1 May 2018
D	1 August 2017	1 August 2018

10 Eden has been resident in the UK for the last five years, being in the UK for more than 183 days each year. However, she starts a new job on 1 March 2016, which involves her doing substantive work both in the UK and in France.

She expects to spend more time in France than in the UK during the tax year 2016/17, as her husband has now moved there with their children. The couple sold their UK home on 1 March 2016 in order to buy property in France. Eden will stay in hotels when in the UK.

Eden does not meet any of the automatic non-UK resident nor the automatic UK resident tests during the tax year 2016/17.

What is the maximum number of days Eden could spend in the UK during the tax year 2016/17 without being treated as resident in the UK for that year?

A 90 days

B 120 days

C 45 days

D 182 days

11 Hugo is keen to realise some cash to improve his house by disposing of one of his capital assets in the tax year 2016/17, but he wants to avoid any capital gains tax liability. He is unsure which of his assets to sell.

Which of the following assets would not result in a chargeable gain being realised?

A Preference shares sold for £5,900, which were bought for £500

B A speedboat sold for £20,000, which was bought for £15,000

C A holiday apartment sold for £120,000, which was bought for £110,000

D An antique statue sold for £12,000, which was bought for £4,000

12 **Which of these options identify when an accounting period will start for corporation tax purposes?**

(1) The day after the previous accounting period ends

(2) The date the company is incorporated

(3) The date the company first acquires a source of taxable income

(4) The date the company begins to trade

A (1) and (2) only

B (3) and (4) only

C All of them

D (1), (3) and (4) only

13 In the year ended 30 September 2016, Muppet Ltd made a trading profit per the accounts of £196,820.

The following items were included in the accounts:

	£
Christmas lunch for company directors only	1,200
Donation to a political party	800
Car lease payments	4,000

The leased car has CO_2 emissions of 169 g/km and has been leased by the company since 1 January 2015. During the year the car was used by one of the company's directors who drove 5,000 personal miles and 20,000 business miles in the car.

What is the tax adjusted trading profit for Muppet Ltd for the year ended 30 September 2016?

A £199,420

B £198,620

C £197,420

D £198,220

14 In the tax year 2016/17 Lina's income tax return showed net income of £172,000.

During the tax year she paid £8,000 and her employer contributed £7,200 into an occupational pension scheme.

How much is Lina's annual allowance for pension contribution purposes for the tax year 2016/17, assuming she has no unused annual allowance brought forward from previous tax years?

A £29,000

B £25,400

C £21,400

D £25,000

15 A taxpayer has filed an incorrect tax return.

Which types of behaviour are likely to result in the taxpayer paying no penalty for the error?

(1) The error was the result of a genuine mistake.

(2) The error was the result of a careless mistake, but the taxpayer discloses the error when HMRC makes a compliance check.

(3) The error was the result of a careless mistake, but the taxpayer makes an unprompted disclosure to HMRC.

(4) The error was deliberate, but the taxpayer makes an unprompted disclosure to HMRC when advised to do so by their agent.

A (1) and (2) only

B (1) and (3) only

C (3) and (4)

D (1), (2) and (3)

(30 marks)

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

Please indicate your chosen correct answers for the section B questions on a separate sheet of paper and hand this in with your section A and C answers for marking.

Note that in the real ACCA F6 examination you will be provided with a Candidate Answer Booklet, the second page of which is specifically designed for providing answers to sections A and B of the examination.

Each question is worth 2 marks

The following scenario relates to questions 16 – 20

Eagle Ltd sold the following assets during the year ended 31 March 2017:

(1) 5,000 £1 ordinary shares in Albatross plc were sold for £42,500 on 29 August 2016.

Eagle Ltd had purchased 6,000 shares in Albatross plc on 1 August 2016 for £18,600, and purchased a further 2,000 shares on 17 August 2016 for £9,400.

(2) On 17 December 2016 Eagle Ltd sold a movable crane that was used in its trade for £80,000.

The crane had cost Eagle Ltd £37,000 when it bought it in July 2003.

On 1 May 2001 Eagle Ltd had purchased a painting for the conference room for £15,000. On 1 December 2016, when it was worth £45,000, the painting was damaged. After the damage the painting was worth £20,000. Insurance proceeds of £24,000 were received on 1 February 2017. The proceeds were not used to repair the painting.

Assume the following retail price indices:

May 2001	174.2
July 2003	181.3
December 2016	264.7
February 2017	265.5

16 What is the chargeable gain arising on the damaged painting on receipt of the insurance proceeds?

A £11,531

B £7,529

C £1,140

D £11,563

17 What is the chargeable gain arising on the disposal of the shares in Albatross plc on 29 August 2016?

A £23,800

B £27,000

C £25,000

D £14,500

18 What is the chargeable gain arising on the disposal of the movable crane on 17 December 2016?

A £43,000

B £0

C £23,220

D £25,980

19 Eagle Ltd is considering selling a building in the near future.

Which of the following costs will be deductible in the chargeable gains computation?

(1) Repairs made immediately after the purchase when the building was in a usable state

(2) Legal fees in relation to the acquisition of the building

(3) An extension to the building added 2 years after the date of acquisition

(4) The cost of replacing the roof following a storm

A (1) and (3)

B (2) and (3)

C (2) and (4)

D (1) and (4)

20 Which of the following assets would NOT be a qualifying replacement asset for rollover relief if Eagle Ltd planned to defer the gain on its building by reinvesting in another asset?

A A freehold building used by Eagle Ltd as its head office

B A 57 year leasehold on a building used in Eagle Ltd's trade

C Fixed plant and machinery to be used in the trade

D An office building bought as an investment

The following scenario relates to questions 21 – 25

Paul Masters died on 31 December 2016.

The value of his estate was £580,000.

Under the terms of the will, Paul left a cottage worth £130,000 to his wife and the balance of the estate to his son, Stephen. Paul verbally promised to pay school fees for his nephew totalling £30,000.

Acting on advice that lifetime giving can reduce inheritance tax payable on death, Paul made the following transfers of value during his lifetime:

(1) On 3 June 2008, he made a gift into a trust. The gross chargeable amount of the gift was £275,000 and the lifetime tax payable was £55,000.

Paul had previously made a chargeable lifetime transfer of £350,000 in May 2002 that fully used the nil rate band available to the gift to the trust on 3 June 2008.

(2) On 1 November 2010, he made a gift of £415,000 (after all exemptions) into a trust. Paul paid any IHT arising on the gift.

(3) On 1 July 2014, he gave £6,000 to his niece on the occasion of her wedding.

The nil rate band in the tax year 2008/09 was £312,000 and in the tax year 2010/11 it was £325,000.

21 How much IHT was payable in the tax year 2010/11 when Paul made the gift into the trust on 1 November 2010?

A £73,000

B £91,250

C £103,750

D £83,000

22 How much IHT will be payable on Paul's estate?

A £180,000

B £168,000

C £232,000

D £177,600

23 How much IHT would have been payable in respect of the gift on 3 June 2008 if Paul had died on 31 December 2014?

A £55,000

B £22,000

C £0

D £21,520

24 Which of the following is the correct payment due date for the lifetime IHT payable by Paul in respect of the gift made into the trust on 1 November 2010?

A 30 April 2011

B 31 January 2011

C 31 May 2011

D 30 November 2011

25 When Paul made the gift to his niece, how much of the gift would have been exempt due to the marriage exemption?

A £2,500

B £0

C £5,000

D £1,000

The following scenario relates to questions 26 – 30

Reach Out Ltd is registered for VAT. The following information is available in respect of its VAT return for the quarter ended 30 June 2016.

(1) On 10 June 2016 Reach Out Ltd received an order for goods. It despatched the goods to the customer on 20 June 2016 and raised an invoice for the goods totalling £25,000 on 1 July 2016. The invoice was paid on 30 July 2016.

(2) On 1 June 2016 Reach Out Ltd received an invoice for £12,500 in respect of a new car for the sales director. The car has CO_2 emissions of 195 grams per kilometre. The private use of the car by the sales director was 20%. In the quarter to 30 June 2016 the company paid fuel bills of £600 in respect of the sales director's car. No charge was made to the sales director by the company for the cost of the private fuel. The relevant VAT fuel scale charge is £338.

(3) During the quarter ended 30 June 2016 the company incurred standard rated costs of £1,000, in respect of the company's annual dinner dance for staff, and £500 on entertaining potential UK customers.

All figures are inclusive of VAT.

In the quarter to 30 September 2015 the company had submitted and paid its VAT liability late. The returns and payment for the quarters to 31 December 2015 and 31 March 2016 were submitted on time.

26 Which of the following dates is the actual tax point date for the goods ordered on 10 June 2016?

A 10 June 2016

B 20 June 2016

C 1 July 2016

D 30 July 2016

27 What is the correct amount of output VAT and input VAT to be included in Reach Out Ltd's VAT return in respect of the fuel provided to the sales director for the quarter ended 30 June 2016 on the assumption that input VAT is recovered in full?

A Output VAT of £0 and input VAT of £80

B Output VAT of £68 and input VAT of £120

C Output VAT of £0 and input VAT of £100

D Output VAT of £56 and input VAT of £100

28 For the year ended 31 December 2016, what is the maximum writing down allowance Reach Out Ltd can claim in respect of the car purchased in June 2016?

A £1,000

B £833

C £800

D £667

29 How much input VAT is recoverable in respect of the company's annual dinner dance for staff and entertaining potential UK customers?

A £200

B £167

C £250

D £83

29 Assuming Reach Out Ltd was late submitting its VAT return and late in paying VAT for the quarter ended 30 June 2016, which of the following statements are true?

(1) The surcharge period will be extended to 30 June 2017

(2) There will be a 5% surcharge based on the overdue VAT liability

(3) Reach Out Ltd must submit four consecutive VAT returns and payments to end the surcharge period

A All of the above

B (1) and (3) only

C (2) and (3) only

D (1) and (2) only

(30 marks)

SECTION C – ALL THREE questions are compulsory and MUST be attempted

Please start your answer to each question in this section on a new sheet of paper and hand them in with your section A and B answer sheets for marking.

Note that in the real ACCA F6 exam you will be provided with a Candidate Answer Booklet.

31 (a) Rabbit Run Ltd's expected results for the year ended 31 March 2017 are as follows:

	£
Trading loss	(180,000)
Property business profits	40,000

Rabbit Run Ltd has owned 100% of the ordinary share capital of Hamster Cage Ltd since it began trading on 1 April 2016.

For the three-month period ended 30 June 2016 Hamster Cage Ltd made a trading profit of £28,000, and is expected to make a trading profit of £224,000 for the year ended 30 June 2017. Hamster Cage Ltd has no other taxable profits or allowable losses.

Required:

Advise Hamster Cage Ltd as to the maximum amount of group relief that can be claimed from Rabbit Run Ltd in respect of the trading loss of £180,000 for the year ended 31 March 2017.

Assume that Rabbit Run Ltd does not make any loss relief claim against its own profits. (3 marks)

(b) Rabbit Run Ltd has surplus funds of £300,000 which it is planning to spend before 31 March 2017.

The company will either purchase new equipment for £300,000, or alternatively it will purchase a new ventilation system for £300,000, which will be installed as part of its factory.

Rabbit Run Ltd has not made any other purchases of assets during the year ended 31 March 2017, and neither has its subsidiary company Hamster Cage Ltd.

Required:

Explain the maximum amount of capital allowances that Rabbit Run Ltd will be able to claim for the year ended 31 March 2017 in respect of each of the two alternative purchases of assets.

You are not expected to recalculate Rabbit Run Ltd's trading loss for the year ended 31 March 2017, or redo any of the calculations made in part (a) above. (4 marks)

(c) Rabbit Run Ltd is planning to pay its managing director a bonus of £40,000 on 31 March 2017.

The managing director has already been paid gross director's remuneration of £55,000 during the tax year 2016/17, and the bonus of £40,000 will be paid as additional director's remuneration. The director has no other income.

Required:

Advise the managing director how much additional income tax and national insurance contributions (both employee and employer's) will be payable as a result of the payment of the additional director's remuneration of £40,000.

You are not expected to recalculate Rabbit Run Ltd's trading loss for the year ended 31 March 2017, or redo any of the calculations made in part (a) above. (3 marks)

(Total: 10 marks)

32 (a) Chatru started trading on 1 November 2012. His first accounts were prepared to 30 April 2014 and thereafter to 30 April annually. He ceased trading on 31 March 2017.

His trading results, adjusted for income tax purposes were:

	£
1 November 2012 – 30 April 2014	40,500
Year ended 30 April 2015	12,000
Year ended 30 April 2016	24,000
Period to 31 March 2017	35,000

Required:

(i) Calculate the assessable trading income for all relevant years. (6 marks)

(ii) Show how your answer to (a)(i) would be different if Chatru continued to trade one extra month and ceased on 30 April 2017, and explain whether there would be any income tax benefit of doing this.

You should assume that his tax adjusted profit for April 2017 was £4,200. (3 marks)

(b) Chatru had the following additional income in the tax year 2016/17:

	£
Dividends received	13,000
Interest from an individual savings account (ISA)	1,500

Chatru and his wife, Sandra, jointly owned a piece of land in the ratio 75:25. They received rent of £20,000 per annum from renting the land to a local farmer.

Other information

Sandra is employed on a salary of £180,000. She also has taxable bank interest of £500 and interest from an ISA of £3,000.

Chatru and Sandra have not made any elections in respect of their income.

Required:

(i) Compute Chatru's taxable income for the tax year 2016/17.

For the purposes of this part, assume that Chatru ceased to trade on 31 March 2017. (2 marks)

(ii) Advise Chatru and Sandra of two ways in which they may have reduced their joint income tax liability in the tax year 2016/17. (4 marks)

(Total: 15 marks)

33 (a) Instrumental Ltd is a manufacturer of musical instruments in the UK. The company is incorporated overseas, although its directors are based in the UK and hold their board meetings in the UK.

Required:

Explain why Instrumental Ltd is treated as being resident in the UK, and state what difference it would make if the directors were based overseas and were to hold their board meetings overseas. (3 marks)

(b) You are a trainee accountant and your manager has asked you to correct a detailed working of property income that has been prepared by the managing director of Instrumental Ltd.

The computation is for the year ended 31 March 2017 and contains a significant number of errors.

Property income computation

	£	£
Rent – Property 1 (£2,500 × 2)		5,000
– Property 2 (£650 × 9)		5,850
(£700 × 6)		4,200
– Property 3 (£2,000/4 × 2)		1,000
– Property 4 (£500 × 9)		4,500
		20,550
Lease premium – Property 3		45,000
		65,550
Allowable deductions:		
Property 1 – Decoration	2,500	
– Replacement washer/dryer	600	
– Advertising for new tenants	Nil	
– Council tax/water rates (£1,200 + £400)	1,600	
Property 2 – Central heating repairs (paid after year end)	0	
Property 4 – Roof repairs	4,000	
Property 4 – New fittings	Nil	
– Agent's fees	250	
		(8,950)
Property business income		56,600

Notes:

Property one

Property one is a freehold house which is let out furnished. It was let out from 1 September 2016 at a quarterly rent of £2,500, payable in advance.

During the year the company incurred £1,500 on advertising for new tenants, which have been disallowed in the computation as the property was empty when these were incurred. The company also purchased a new washer/dryer for £600. It replaced an old washing machine which was sold for £50. The old washing machine had originally been purchased £250 but would now cost £350.

Property two

This is a freehold house which is let out unfurnished. It was let until 1 January 2017 at a monthly rent of £650, payable in advance. The tenants left owing the last month's rent, which the company never recovered.

New tenants occupied the house from 1 March 2017 at a rent of £700 per month. The tenants were unable to supply appropriate references and Instrumental Ltd therefore required the tenants to pay the first six months' rent up front.

On 10 April 2017 Music plc paid £500 in connection with repairs to the central heating system which had been carried out in March 2017.

Property three

This is a freehold retail shop. The property was let to a tenant on 1 July 2016 in return for the payment of a premium of £45,000 for a 10 year lease and annual rent of £2,000 payable quarterly in arrears.

Property four

Property four is a freehold apartment. It was acquired on 1 April 2016 in an uninhabitable condition. Instrumental Ltd had to incur £4,000 on repairs to the roof and £2,000 on new fittings prior to renting the property. It incurred £250 on letting agency fees and rented the apartment from 1 July 2016 at a monthly rent of £500 payable in advance.

Required:

Prepare a corrected version of Instrumental Ltd's property business profit for the year ended 31 March 2017.

You should ensure that you claim any deductions available for tax purposes.

(8 marks)

(c) Instrumental Ltd also had the following income and expenditure during the year ended 31 March 2017:

	£
Loan interest received	180,000
Loan interest accrued at 31 March 2017	16,000
Qualifying charitable donation paid	1,500
Dividends received from unconnected company	43,000

Instrumental Ltd has one 100% subsidiary company, Rhythm Ltd.

Required:

Prepare Instrumental Ltd's corporation tax computation for the year ended 31 March 2017 and state the payment due date(s), including an explanation.

(4 marks)

(Total: 15 marks)