



Think Ahead

Taxation (UK)

Sample Questions – March/June 2020

Get to know your exam

These graphical representations are intended to give an indication of past exam requirements and associated question content.

Please note that you will not be able to complete answers within these documents and in isolation they will not sufficiently prepare you for your exam.

We encourage you to visit the ACCA Practice Platform in order to attempt up to date practice exams within the computer-based exam environment.

Introduction screen



Introduction

These sample questions show the likely style and range of **constructed response questions** that could be asked in the live exam.

You should use these questions to become familiar with the question types and the features and functionality contained within the live exam.

The practice exam is reflective of the constructed response section of the live exam but has some differences:

- The live exam will be timed, however there is no time limit in this exam.
- Once you have started this exam you are able to leave at any time by closing the browser window. When you return, anything you have entered into the response options will be saved and you can continue sitting the exam.
- In the live exam your answers to the constructed response questions will be expert-marked. At the end of this exam you should use the solution material provided to assess your performance in the constructed response questions.
- You will be able to access solution material at the end of this exam when using the Self-Marking resources which include a Marking Guide and/or Sample Answer for each question. If you wish to access these without completing the questions, click on [End Exam](#) on the Item Review Screen and navigate to the Marking tab on the Dashboard to Self-Mark.

Instruction screens

Taxation - United Kingdom (TX - UK) Sample Questions - March/June 2020


Instructions (1 of 4)

The instructions displayed below are representative of those displayed in the live exam. Where there are differences between this exam and the live exam these are explained.


General Instructions

- In this exam, the instruction screens are not timed however in the live exam they will be available for a maximum of 10 minutes prior to the exam starting.
- In the live exam, the stated exam time will automatically start once the 10 minute period has passed (or earlier if you choose to start the exam within the 10 minute period).
- A copy of the instruction screens can be accessed at any time during the exam by selecting the Help button provided.

Answering and Navigating

- Please read each question carefully.
- The question number you are viewing is displayed in the top display bar. You can hide or restore this display by selecting .
- You can navigate between screens by selecting **Next** → or ← **Previous**, or by clicking on a question number from the Navigator or Item Review screens.
- A warning message will display to remind you that you cannot navigate away from a question if you have not viewed all of the question content. Ensure that you use all scrollbars and/or open any on-screen exhibits before navigating from each question.
- Some questions have the scenario and answer area divided by either a horizontal or vertical splitter bar. You can move this splitter bar to see more or less of the scenario or answer area.
- Please ensure you provide an answer for all elements of each question.
- You can revisit questions and change your answers at any time during the exam.

Flag for Review

- If you wish to revisit/review a question later in the exam, click  **Flag for Review**.
- Click the button again if you no longer wish to revisit/review the question later in the exam.

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Instruction screens (continued)

Taxation - United Kingdom (TX - UK) Sample Questions - March/June 2020

Instructions (2 of 4)

Help

- Click the **Help** button provided to access:
- A copy of these exam instructions.
- Help and guidance on constructed response questions.
- Formulae sheets/tax tables if your exam requires these. Note that the name of the Help button will indicate if formulae sheets/tax tables are available i.e. [Help](#), [Help/Formulae Sheet](#) or [Help/Tax Tables](#)

Calculator

- You have the option to use the on-screen standard or scientific calculators by selecting [Calculator](#)
- Note that in the live exam you are also permitted to use your own calculator providing it does not have the facility to store or display text.

Highlight and Strikethrough

- You can highlight key phrases or figures in the question scenario by selecting [Highlight](#)
- You can strikethrough text in the question scenario by selecting [Strikethrough](#)
- Highlighted and strikethrough text will be displayed on all questions relating to the scenario.

Workings/Scratch Pad

- You may use an on-screen Scratch Pad to make notes/workings by selecting [Scratch Pad](#)
- The Scratch Pad retains all notes/workings entered for all questions and these are available for the duration of the exam. They will not be submitted for marking after your live exam.
- You will also be provided with paper for notes/workings for your live exam, should you prefer to use it. This will not be submitted for marking. It will be collected at the end of the exam and must not be removed from the exam room.
- **Important:**
 - The notes/workings entered onto the Scratch Pad or your workings paper during the live exam will not be marked.
 - If you want the marker to see any notes/workings for questions in the constructed response section of the live exam you must show them within the answer areas.

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Instruction screens (continued)


Taxation - United Kingdom (TX - UK) Sample Questions - March/June 2020

Instructions (3 of 4)


Copy and Paste

- You can copy and paste from the Scratch Pad or question scenario into your answers in the constructed response section of the exam by using the Ctrl-C (Copy) and Ctrl-V (Paste) shortcuts. **Note:** When pasting into a spreadsheet in the live exam you must double-click the cell or paste directly into the formula bar. In this exam you can also paste into the spreadsheet by selecting the cell.


Symbol

- You can add a selection of currency symbols to your answers in the constructed response section of the exam by selecting  **Symbol** on the top toolbar.


Navigator Screen

- The Navigator screen can be accessed at any time during the exam by selecting  **Navigator**.
- This screen allows you to jump to any question number in the exam.
- It also allows you to see the status of questions and whether they have been viewed, are complete or incomplete, or have been flagged for review.

Close All

- You can close each window (eg. Calculator or Scratch Pad) individually or you can close multiple windows by selecting  **Close All** on the top toolbar.

Reviewing the Exam

- You can review your exam once you have attempted any, or all, of the questions.
- To do this:
 - Navigate to the **last question** in the exam.
 - Click **Next** .
- This takes you to the Item Review screen.

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Instruction screens (continued)

Taxation - United Kingdom (TX - UK) Sample Questions - March/June 2020

Instructions (4 of 4)

Item Review Screen

- This screen gives you an opportunity to see the flag and completion status of all questions before you exit the exam.
- You can select individual questions you wish to revisit, or quickly access groups of questions from the Item Review screen.
- During the item review period Navigator is not available however you can navigate to questions by selecting **Next** → , ← **Previous** or → **Review Screen**
- When reviewing questions you can change your answer and click → **Review Screen** to view any updated status on the Item Review screen.

Ending the Exam

- Once you have completed your item review and wish to finally end the exam click → **End Exam**
- Once you end the exam, you cannot revisit any questions.

Select **Next** to move to the Exam Summary screen.

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Exam summary screen

Taxation - United Kingdom (TX - UK) Sample Questions - March/June 2020

Exam Summary

Time allowed: This sample exam is not timed.

- You will be presented with **three constructed response** questions, each containing a scenario which relates to one or more requirement(s). The requirements may be split over multiple question screens.
- Each constructed response question is worth **10 or 15 marks** in total.
- **40 marks** in total.
- All questions are compulsory.

Important:

1. Calculations and workings need only be made to the nearest £.
2. All apportionments should be made to the nearest month.
3. In your live exam you must:
 - Enter your answer for each question in the response area provided for that question. Any answers entered into a response area provided for a different question will not be marked.
 - Show all notes/workings that you want the marker to see within the response area provided for the question. Remember, any notes/workings made on the Scratch Pad or on your workings paper will not be marked.





Select **Next** to start your exam.

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Sample exam questions

Scenario 1

Taxation - United Kingdom (TX - UK) Sample Questions - March/June 2020

Symbol  Highlight  Strikethrough  Calculator  Scratch Pad

This scenario relates to one requirement.

You should assume that today's date is 1 March 2020.

Kioni is the managing director of, and 100% shareholder in, Nikio Ltd. Nikio Ltd has no other employees.

For the year ending 5 April 2020, Nikio Ltd's tax adjusted trading profit, **after** taking account of director's remuneration and employer's class 1 national insurance contributions (NIC), is forecast to be £100,000.



Nikio Ltd will pay Kioni gross director's remuneration of £47,500 and dividends of £68,000 for the tax year 2019-20. Kioni does not have any other income.

Based on these figures, the tax and NIC for Kioni and Nikio Ltd for the year ending 5 April 2020 will be:

Kioni	£
Income tax	31,050
Employee class 1 NIC	4,664
Nikio Ltd	
Employer class 1 NIC	5,364
Corporation tax	19,000

Kioni is concerned that she has not been saving for her retirement, so she is therefore planning to make a gross pension contribution of £20,000 before 5 April 2020 (during the tax year 2019-20). However, Kioni is unsure whether the pension contribution should be made by Nikio Ltd or made personally by her:

- (1) If the pension contribution is made by Nikio Ltd, the company will make a pension contribution of £20,000 into a company pension scheme on Kioni's behalf.
- (2) If the pension contribution is made by Kioni personally, Nikio Ltd will pay her additional director's remuneration of £20,000 for the tax year 2019-20, and Kioni will then make a personal pension contribution of £20,000 (gross).

 Help/Tax Tables  Review Screen

Scenario 1: requirements

For each of the two alternative ways of Kioni making a pension contribution of £20,000 (company pension scheme or additional director's remuneration and then Kioni personally making a personal pension contribution), calculate revised figures for each of the four tax and NIC figures already calculated for the year ending 5 April 2020.

Notes:

1. Under the additional director's remuneration and personal pension contribution alternative, you are expected to produce full income tax and employee class 1 NIC computations.
2. If applicable, you should state if any of the four tax and NIC figures already calculated remain unchanged.
3. You should assume that the rate of corporation tax remains unchanged.

(10 marks)

Edit Format

The screenshot shows a spreadsheet interface with a toolbar at the top containing icons for undo, redo, copy, paste, and other functions. Below the toolbar is a grid of cells. The columns are labeled A through O, and the rows are labeled 1 through 5. The cell A1 is currently selected and highlighted in yellow. The grid is otherwise empty.

Scenario 2

Taxation - United Kingdom (TX - UK) Sample Questions - March/June 2020

Symbol Highlight Strikethrough Calculator Scratch Pad

This scenario relates to three requirements.

You should assume that today's date is 15 February 2019.

Jason is currently employed by Initial plc as a sales manager, but he is considering resigning on 14 March 2019 and taking up an offer of employment with Subsequent plc which would commence on 15 March 2019. If employed by Subsequent plc, Jason will receive a higher base salary and more benefits compared to if he remains employed by Initial plc. However, Jason wants to know how much more income tax he will have to pay for the tax year 2019-20 should he take up the new offer of employment. The following information is available for the tax year 2019-20:

Initial plc

(1) If Jason remains employed by Initial plc, rather than taking up the offer of employment with Subsequent plc, he will be paid a gross annual salary of £180,000 during the tax year 2019-20.

(2) Jason will contribute a total of £8,000 into Initial plc's HM Revenue and Customs (HMRC) registered occupational pension scheme.

(3) In addition to his salary, Jason expects to be paid the following bonuses by Initial plc:

Amount	Date of payment	Date of entitlement	In respect of the year ended
£			
22,000	30 April 2019	15 March 2019	31 January 2019
24,000	30 April 2020	15 March 2020	31 January 2020

(4) Throughout the tax year 2019-20, Jason will be provided with free meals in Initial plc's staff canteen. The total cost of these meals to the company will be £1,440. Free meals in the staff canteen are available to all of Initial plc's employees.

Subsequent plc

(1) If Jason takes up the offer of employment with Subsequent plc, then he will be paid a gross annual salary of £205,000 during the tax year 2019-20.

(2) Subsequent plc will contribute a total of £9,000 into the company's HM Revenue and Customs (HMRC) registered occupational pension scheme on Jason's behalf.

(3) Throughout the tax year 2019-20, Jason will be provided with a petrol powered motor car which has a list price of £62,500 and an official CO₂ emission rate of 25 grams per kilometre. Jason will not be provided with any fuel for private journeys.

(4) For the period 6 April to 31 July 2019, Subsequent plc will provide Jason with living accommodation in a property purchased by the company in 2010 for £140,000. The property will be valued at £285,000 on 6 April 2019. Improvements costing £17,000 were made to the property during August 2017. The annual value of the property is £4,800.

(5) On 1 August 2019, Subsequent plc will provide Jason with an interest free loan of £140,000 to help him purchase a main residence. No loan repayments will be made before 5 April 2020.

Where possible, Subsequent plc will payroll the taxable benefits provided to Jason so that the related income tax liability will be collected under PAYE along with the tax on his salary.

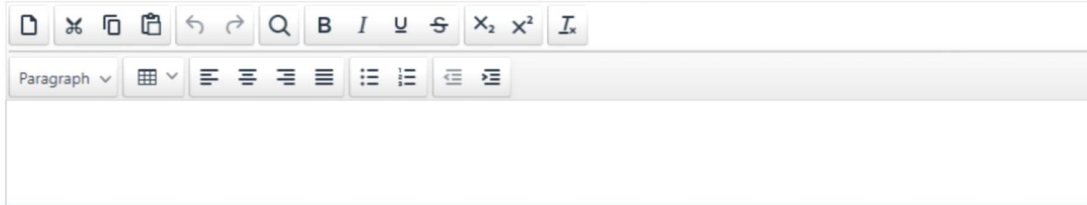
Jason will not have any other income for the tax year 2019-20.

Help/Tax Tables

Requirements for Scenario 2

(a) State one advantage and one disadvantage for an employee if their employer payrolls the taxable benefits provided to the employee.

(2 marks)



A rich text editor toolbar with various icons for text formatting and editing. The icons include: a document icon, a link icon, a list icon, a search icon, bold (B), italic (I), underline (U), strikethrough (ABC), subscript (x₂), superscript (x²), and text color (I_x). Below the icons are dropdown menus for paragraph style and list style, followed by alignment and bullet point icons.

(b) Calculate how much more income tax Jason will have to pay for the tax year 2019-20 if he takes up the offer of employment with Subsequent plc rather than remaining employed by Initial plc.

Notes:

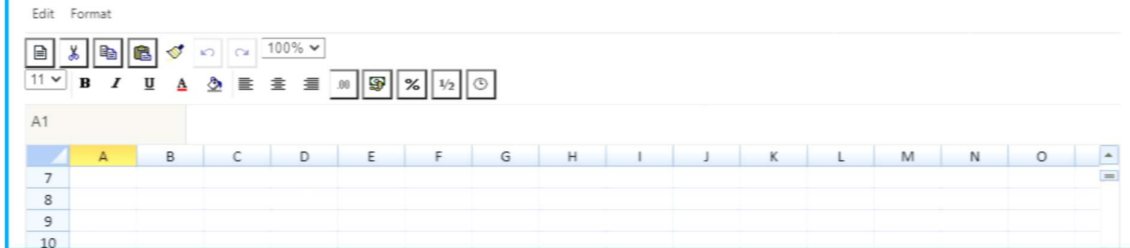
1. Your answer should be based on separate calculations of Jason's employment income for the tax year 2019-20 under each employment alternative.
2. You should indicate by the use of zero (0) any items which are not taxable or deductible.
3. You are not required to calculate Jason's national insurance contributions (NICs).

(11 marks)

(c) If Jason decides to resign as an employee of Initial plc on 14 March 2019, briefly explain the main content and purpose of PAYE form P45.

(2 marks)





(15 marks)



An Excel spreadsheet interface showing a grid of cells. The top row is labeled 'A1' through 'O'. The first column is labeled '7', '8', '9', and '10'. The cell at the intersection of row 7 and column A is highlighted in yellow. The toolbar includes icons for undo, redo, and zoom (100%).

Scenario 3

Taxation - United Kingdom (TX - UK) Sample Questions - March/June 2020

Symbol  Highlight  Strikethrough  Calculator  Scratch Pad

This scenario relates to five requirements.

You are a trainee chartered certified accountant assisting your manager with the tax affairs of three unrelated limited companies, Lena Ltd, Mekong Ltd and Nile Ltd.

Lena Ltd

Lena Ltd commenced trading on 1 October 2019, registering for value added tax (VAT) from the same date. The company purchased the following vehicles during the six-month period 1 October 2019 to 31 March 2020:

- (1) On 1 October 2019, Lena Ltd purchased a new motor car for £54,000 (including VAT of £9,000). The motor car has a CO₂ emission rate of 25 grams per kilometre. It is used by the managing director, and 60% of the mileage is for private journeys.
- (2) On 1 November 2019, Lena Ltd purchased four new lorries for a total cost of £768,000 (including VAT of £128,000).

The full annual investment allowance is available to Lena Ltd.

Mekong Ltd

Mekong Ltd was incorporated overseas (outside of the UK) on 1 April 2010. The following information relates to Mekong Ltd's UK residence status:

- (1) From 1 April 2010 to 31 March 2014, all four of Mekong Ltd's directors (who each own 25% of the company's ordinary share capital) were based overseas. During this period, the directors of Mekong Ltd held their board meetings overseas.
- (2) From 1 April 2014 to 31 March 2020, all four of Mekong Ltd's directors were based in the UK. During this period, the directors of Mekong Ltd held their board meetings in the UK.

Scenario 3 (continued)

For the year ended 31 March 2020, Mekong Ltd has taxable total profits (before taking account of any group relief claims) of £980,000. Mekong Ltd owns shares in three UK resident companies, all of which have made trading losses. The following information is available:

Company	Percentage shareholding	Accounting period	Trading loss
			£
Thames Ltd	100%	Year ended 31 March 2020	72,600
Zambezi Ltd	85%	Two-month period ended 31 May 2019	17,000
		Year ended 31 May 2020	106,800
Yangtze Ltd	40%	Year ended 31 March 2020	44,400

All of the trading losses are current year losses, being generated in the accounting periods listed above.

Nile Ltd

For the years ended 31 March 2018, 2019 and 2020, Nile Ltd had the following taxable total profits and received the following dividends from non-group companies:

	Taxable total profits	Dividends
	£	£
Year ended 31 March 2018	802,000	11,000
Year ended 31 March 2019	744,000	14,000
Year ended 31 March 2020	878,000	13,000

Prior to 31 December 2017, Nile Ltd did not have any 51% group companies. On 1 January 2018, Nile Ltd acquired a 60% shareholding in Pond Ltd.

For the year ended 31 March 2020, Nile Ltd made quarterly instalment payments in respect of its corporation tax liability, with the first three instalment payments for the year totalling £101,200.

Requirements for Scenario 3

(a) Calculate the maximum capital allowances available to Lena Ltd for the six-month period ended 31 March 2020.

Note: Your answer should show the amount of written down value(s) carried forward, if any, as at 31 March 2020.

(5 marks)

Edit Format

The screenshot shows a Microsoft Word document editor. The ribbon includes options for Edit and Format. The document area contains a grid with columns labeled A through O and rows numbered 1 through 4. The grid is currently empty.

(b)(i) Explain why Mekong Ltd would have been treated as not resident in the UK for the period 1 April 2010 to 31 March 2014, but resident in the UK for the period 1 April 2014 to 31 March 2020.

(1 mark)

(ii) Calculate the maximum amount of group relief which Mekong Ltd can claim against its taxable total profits for the year ended 31 March 2020.

(4 marks)

Edit Format

The screenshot shows a Microsoft Word document editor. The ribbon includes options for Edit and Format. The document area contains a grid with columns labeled A through O and rows numbered 1 through 4. The grid is currently empty.

(c)(i) Explain why Nile Ltd was required to pay corporation tax by quarterly instalments for the year ended 31 March 2020, but not for the year ended 31 March 2019.

(3 marks)

(ii) Calculate the final quarterly instalment payment which should be made by Nile Ltd for the year ended 31 March 2020, and state when this is due.

(2 marks)

(15 marks)

The screenshot shows a Microsoft Word document editor. The ribbon includes options for Paragraph and Font. The document area contains a grid with columns labeled A through O and rows numbered 1 through 4. The grid is currently empty.

Example view of full CBE constructed response workspace

Taxation - United Kingdom (TX - UK) Sample Questions - March/June 2020 1 of 6

Symbol Highlight Strikethrough Calculator Scratch Pad Close All Flag for Review

This scenario relates to one requirement.

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For each of the two alternative ways of Kioni making a pension contribution of £20,000 (company pension scheme or additional director's remuneration and then Kioni personally making a personal pension contribution), calculate revised figures for each of the four tax and NIC figures already calculated for the year ending 5 April 2020.

Notes:

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- If applicable, you should state if any of the four tax and NIC figures already calculated remain unchanged.
- You should assume that the rate of corporation tax remains unchanged.

(10 marks)

Edit Format

11 | B | I | U | A | % | 1/2 | ☺

A1

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Sheet1

Navigator Next →

Help/Tax Tables → Review Screen