Answer all questions

Question one:

As tax expert of the national electronic company (E), a company based the state of Ireland, where companies are produced in the state of Ireland and sold in Britain since 1/1/2016. The company started to hire an agent for the distribution of goods in sent general manager Britain and had a store in London as a distribution center.On1/3/2016, the company and two sales managers to the UK from the headquarters in Ireland. They had rented building and an exhibition in Britain, and sales of cameras in Britain had become profitable. On 1/7/2016, the national Electronic Company E decided to operate a 100% subsidiary company in the name of k system limited company based in UK.

The K system limited company, started business on 1/8/2016, where the first final accounts were prepared for a period of 18 months for the year ended 31/12/2017.

The company began to sell the cameras in wholesale trade and then the retail trade during the year 2017 and the company has purchased a new building to use in the following:

a) Collection of cameras imported from the state of Ireland.
b) Store the parts for the cameras before they assemble and the ready-made pre-sale cameras.

The building contains an exhibition; the main office and the present to become an institution for free market area (duty free zone). The company's E plan to sell the camera parts to Britain at the normal commercial price, as well as a 25% profit margin, which will maximize profits as it is subject to corporate tax at rate of 15% in Ireland. The administration (national Electronic Company) has sent a manager to the UK for a period of 2-3 years to manage the systems company for electronic (K).

Therefore, the director is currently considered to be a resident though his nationality is not British and the Director is considered to be in Britain and in Ireland. The director has also invested in Ireland and there is no agreement to prevent double taxation between Ireland and Britain, though the Ireland state is still a member of the European Union, while Britain came out of the European Union.

Required:

a) (1) Advise the national Electronic (E) co. Ltd. If is resident in Britain for the purpose of corporate tax during the period from 1/1/2016 to 31/12/2017 if any other consideration accepted how can the tax liability he calculated?
(2) Determine the accounting period for the system limited company (K) to date including 31/12/2017.

(7 marks)

b) Explain to what extent the new building can be purchased or considered to be purchased through the system limited company (K) and be eligible for industrial building allowances and to identify the available industrial building allowances.

(6 marks)

c) Briefly-advise the electronic system company (K) on what basis of value added tax (VAT) computer for the component that were imported by the national electronic company Ltd (E). and explain how this basis car he change in case if the UK was walk out (pull back) from EU

d) Advice the electronic system company (K) Ltd and the national Electronics (E) Company Ltd for the tax effect resulting from the invoices of the camera parts and this invoice are extracted at the normal commercial price plus a margin profit of 25%.

(3 marks)

e) Briefly state whether the director of the national Electronics (E) company Ltd is subject to income taxes in Britain in respect of these:
1. The total salary of the completion of his duties in Britain.
2. The total salary of the completion of his duties in Ireland.
3. The resulting investments income in Ireland.

(5 marks)
(Total 25 marks)

Question two:

(A) Abubaker owns three un furnished properties (1,2,3) for many years real estate (1 and 2) are rented to a person who carries out the required financiering repairs. While property no (3) is rented on the basis that the owner is committed to all repairs. The properties are rented out as a commercial lease and the rental income of the property (1 and 3) paid on a quarterly $\frac{1}{4}$ basis. The rent of the property (2) is paid On the basis of a month's advance on the first day of each month.

The rental income received and expense or the years ended 5/4/2016 and 5/4/2017 are as follows:

Details	**Property (1)**		**Property (2)**		**Property (3)**	
	5/4/2016	**5/4/2017**	**5/4/2016**	**5/4/2017**	**5/4/2016**	**5/4/2017**
Rental income	2,300	2,900	-	8,400	3,800	4,200
Maintenances	(2,810)	(730)	(1,020)	(1,210)	(940)	(870)
Repairs	-	-	(1,600)	-	(1,700)	-
Fees	-	-	(200)	-	-	-
Total expenses	(2,810)	(730)	(2,820)	(1,210)	(2,640)	(870)
Nets	(510)	2,170	(2,820)	7,190	1,160	3,330

Additional information:

Property No (1): did not pay the rent for the year ended 5/4/2016 and it was the amounts of £100 was paid on 6/2016 and is included in the a mount of £2,900 and the rent income for the quarter was increase from 600 to 700 from the initial quarter on 6/2016 and on the 7/2015 was done decorative at a cost of £2,000 it is included in the total amount of £2,810.

- The tenant of the property No (2) vacated the property on 30/4/2015 and it was £600 and was questioned by the court was disbursed £200 did not return. Repairs have been made and £1,100 has been paid as a result of the loss caused by the tenant. The property remained vacant until it was rented on 1/5/2016 under the same conditions. The previous conditions should be maintenance of the owner at £700 per month.
- As for the property No (3), the repairs that have been made contain a new the mal system and air conditioning system where the rent for the quarter was £950 increased to £1,050 in the quarter 6/2016.

Required:

1. Make necessary adjustments for each property?

   (4 marks)
2. Calculate taxable income for the year 2016/2017.

   (6 marks)

(B) Mr. John Paul wants to rent a house London so that it is furnished or un furnished in both cases, the roof of the house, which costs £24,000 must be maintained if the roof is not maintained, it cannot be accommodated. Note that this ceiling may have been destroyed on 5/2/2015. If the house is rented as a furnished dwelling. Maintenance must be done costing £3,500. The annual income is estimated at £ 28,000 – if the house is rented as a furnished hosing it need to be separated into two units and this separation will cost £4,100 and maintenance of house hold items of £9,000. These expenses were financed by a loan of £50,000 at a rate of 12% per annum. The total rental income for the year was estimated at £45,000 and there was 22.5% deduction from rental income as commission. Other costs, such as cleaners £3,500 per annum.

Ms. John now plans to sell the house at the age of 60 and is expected to make a big capital gain in the top slice.

Required:

As a tax expert- advise Mr. John for the tax effect for the option of renting a furnished or unfurnished house.

(15 marks)

(Total 25 marks)

Question three:

Mss. Zalhata requires advice on the after-tax cost of taking on apart-time employee and the tax implications of starting to sell items via the internet. Zalhata's hasband Emmanuel requires advice in relation to capital gains tax on the disposal of an overseas asset.

Zalhata:

- Is resident and domiciled in the UK. She is aged 48 year.
- Is married to Emmanuel.
- Runs a successful unincorporated business. D-Designs.
- Receives dividends of £27,000 each year.
- Wants to sell some second-hand books on line.

Zalhata -Designs business:

- Was set up Zalhata in 2010.
- Is now making a taxable profit of £90,000 per annum.
- Operates a number of dress shops and already employs six full time staff.
- Requires an additional part time employee.

Part-time employee-proposed remuneration package:

- Salary of £12,000 per annum.
- Qualifying childcare vouchers of £25 per week for 52 weeks a year.
- Mileage allowance of 50 pence per mile for the 62-mile round trip required each week to redistribute stock between the shops this will be for 48 weeks in the year.
- This employment will be the employee's only source of taxable income.

Sale of second-hand books:

- Zalhata inherited a collection of books from her mother in December 2015.
- Zalhata intends to sell these books via the internet.
- Some of the books are in a damaged state and Zalhata will get them rebound before selling them.

Ms. Emmanuel:

- Is domiciled in the country of Toland.
- Has been resident in the UK since his marriage to Zalhata in February 2009.
- Has UK taxable income of £125,000 in the tax year 2016/2017.
- Realises chargeable gains each year from disposals of UK assets equal to the capital gains tax annual exempt amount.
- Sold an investment property in Toland in February 2017 for £130,000, realising a chargeable gain of £70,000 none of the proceed from the sale of this property have been remitted to the UK.

Required:

A. Calculate the annual cost per Zalhata, after income tax and national insurance contributions of Zalhata -Designs employing the part-time employee. **(9 marks)**

B. Discuss whether the profit from Zalhata's proposed sale of books via the internet will be liable to either income tax or capital gain tax. **(5 marks)**

C. Advice Emmanuel on the options available to him for calculating his UK capital gains tax liability for the tax year 2016/2017 provide supporting calculations of the tax payable by him in each case. **(6 marks)**

(Total 20 marks)

Question four:

a) The investor Adam bought a sweets factory in London in September 2001 with a total value of £400,000. In December 2016, investor Adam wanted move to another location in Manchester as amore industrial development. So he sold the factory for £1,500,000 and rented another plant (factory) in Manchester and in March 2017 Adam bought a new plant (factory) and turned (converted) it on.

Required:

- Calculate and Find the new plant price on the assumption that:

i. It was purchased at £1,400,000. **(6 marks)**

ii. It was purchased at £600,000. **(6 marks)**

b) Mrs. Miri bought ordinary shares in Global Technology Company, a company registered on the London stock exchange (LSE), according to the following details:

1. In December 2011, 2,000 shares were purchased at price of £3,000.

2. In August 2015, 1,000 shares were bought at £2,000.

3. In April 2015, issuance of the right to issue each 1 share for (2) two shares of £2 per share.

4. In November 2016, Mrs. Miri sold the number of 4,000 shares at £16,000.

Required:

Calculate the capital gains tax payable by Mrs. Miri before the annual exemption.

(13 marks)

(Total 25 marks)

End Question paper