

**UNIVERSITY OF GREATER MANCHESTER**  
**GREATER MANCHESTER BUSINESS SCHOOL**  
**BA (HONS) ACCOUNTANCY**  
**SEMESTER ONE EXAMINATIONS 2025/2026**  
**PERSONAL AND BUSINESS TAX**  
**MODULE NO: ACC5003**

Date: Monday 12<sup>th</sup> January 2026

Time: 2.00pm – 5.00pm

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**INSTRUCTIONS TO CANDIDATES:**

There are **FOUR** questions on this paper.

Answer **ALL** questions.

This is a 3-hour closed book examination. Tax tables are provided.

You must hand in this exam paper with your answer booklet.

Use of calculators is allowed.

All questions carry equal marks.

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### Question 1

On 30 March 2025, Harry Higgins resigned as an employee of Plumbers4u Ltd. On 1 April 2025, Harry commenced self-employment running his own plumbing business, preparing accounts to 31 March 2026.

The following information is available for the tax year 2025/26:

#### Self-employment

1. Harry earned income of £100,000 during the year. As at 31 March 2026, £2,900 was still outstanding.

Harry paid for the following expenses:

	£
Gifts to customers:	
– Digital clocks costing £45 each and displaying Harry's name	5,175
– Champagne bottles costing £40 each, displaying Harry's name	2,480
Travel expenses (includes a fine of £100 incurred by Harry)	5,770
Memberships and subscriptions	
– Plumbers Associate magazine	305
Rent (Note 3)	34,000
New machinery (Note 4)	1,500

2. On 1 August 2025 Harry paid £14,000 for a car with CO<sub>2</sub> emissions of 40 grams per kilometre. He also made payments totalling £3,000 for running costs during the year. The car was used 40 % of the time for private purposes and he drove 11,000 business miles. Neither of these costs are included in travel expenses above.

Harry has elected to claim flat-rate expenses in respect of his car costs.

3. The flat above the shop is used by Harry for personal use. The flat represents 20% of the space in the property. All rent was paid for during the tax year.

4. On 15 March 2026, Harry purchased new machinery for £1,500 on credit terms. He paid the supplier's invoice on 15 April 2026.

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**Question 1 continues**

**Other income**

During the tax year 2025/26, Harry received bank interest of £2,500 and dividends of £5,000.

**Other information**

Harry contributed £1,600 into a personal pension scheme during the 2025/26 tax year. He did not make any payments on account of income tax in respect of the 2025/26 tax year.

**Required:**

- a) Calculate Harry's tax-adjusted trading profit for the year ended 31 March 2026 assuming he is using the cash basis.  
Your computation should list all items referred to in Notes (2)–(4), indicating by the use of zero (0) any items that do not require deduction.  
(10 Marks)
- b) Calculate Harry's income tax liability for the tax year 2025/26.  
(10 Marks)
- c) Calculate the Class 4 National Insurance contributions payable by Harry in respect of his self-employment for the tax year 2025/26.  
(2 Marks)
- d) Calculate Harry's balancing payment for the tax year 2025/26 and his payments on account for the tax year 2026/27 stating the relevant due dates.  
(3 Marks)

**Total 25 Marks**

**End of question 1**  
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### Question 2

John is a UK resident taxpayer with two different sources of income. He works part time as an IT consultant for a small number of clients, on a project management basis. A separate contract is drawn up for each project, specifying the deadline, expected output and the fee to be paid. John uses his own laptop when necessary, and works from home most of the time.

John also works two days a week (Thursdays and Fridays) for a nearby NHS Trust hospital where his wife (see below) works. He is given an office at the hospital, where he is required to be present between 8am and 6pm to work with the in-house IT team. In addition, the Trust provides 10 fully-paid days off in the year, and allows John to invoice the Trust for the day even when he is sick.

John's wife, Janet, is a pharmacist who works in an NHS Trust hospital. Janet was born in 1981 and joined the hospital on 6 July 2025. Her gross pay for 2025-26 was £59,080 and income tax of £17,950 was deducted via PAYE. Janet is provided with a motor car for both business and private motoring. Details of the cars provided during 2025-26 were as follows:

	Make	List price (£)	Emissions (g/km)	Fuel
6 July 2025 to 5 October 2025	Ford	15,600	82	Petrol
6 October 2025 to 5 April 2026	VW	28,800	89	Petrol

Her employer paid for all of the running costs of both these cars but Janet contributed £150 per month for private use of the VW car. She also reimbursed her employer for all of the private fuel used by the Ford motor car (but not the VW motor car).

On 6 August 2025, the NHS Trust lent Janet £27,000 at an interest rate of 2% per annum. Janet repaid £18,000 of the loan on 6 March 2026. Janet is provided with a mobile telephone and is allowed to use this telephone for both business and private calls. The NHS Trust did not have to pay for the telephone itself but paid call charges of £391 during the year (of which £128 related to private calls).

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**Question 2 continues**

Janet's other income for 2025-26 consisted of gross pay from her previous employer of £17,920 (PAYE £3,260), dividends received of £2,800 and ISA interest of £240. She is not a Scottish taxpayer.

**Required:**

- a) **Discuss and apply the criteria which may be used to determine whether John should be regarded as employed or self-employed.** (10 Marks)
  
- b) **Calculate Janet's employment income for the year 2025-26.** (10 Marks)
  
- c) **Calculate both the Employer's and Employee's National Insurance Contributions (NICs) payable in relation to Janet for 2025-26.** (5 marks)

**Total 25 Marks**

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### Question 3

#### Part (a)

Tahid owns a large retail business and prepares accounts to 31 December each year. The written down value of his plant and machinery after deducting capital allowances for the year to 31 December 2024 was as follows:

	£
Main pool	113,210
Special rate pool	9,900
VW motor car(30% private use by Tahid)	14,500

He had the following transactions during the year to 31 December 2025:

		£
6 January 2025	Sold VW motor car	17,200
6 January 2025	Bought BMW motor car (emissions 46g/km)	32,000
1 April 2025	Sold plant (original cost £1,000 in December 2024)	1,150
23 May 2025	Bought lifts and air conditioning systems	100,800
12 June 2025	Bought plant	112,550
5 October 2025	Sold main pool car (original cost £17,500 in 2022)	11,000
5 October 2025	Bought car (emissions 61g/km)	12,300
18 November 2025	Sold plant (original cost £4,200 in 2020)	1,310

The lifts and air conditioning systems bought in May 2025 qualify as "integral features" for capital allowances purposes. Private use by Tahid of the VW and BMW motor cars has been agreed with HMRC to be 30%.

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**Question 3 continues**

There were no capital transactions between 1 January 2026 and 31 March 2026, when Tahid ceased trading and sold his business. The plant and machinery was disposed of (on 31 March 2026) as follows:

- (i) All of the plant and machinery other than motor cars was sold for £230,000. This consisted of £150,000 for main pool items and £80,000 for special rate items. All items were sold for less than original cost.
- (ii) Tahid took over the BMW car. Its market value on 31 March 2026 was £25,000.
- (iii) The only other car remaining was the one acquired in October 2025 and Tahid gave this to his brother, who will be using it for private purposes. The market value of the car on 31 March 2026 was £10,000.

**Required:**

**Prepare the capital allowances computations for the year to 31 December 2025 and for the period from 1 January 2026 to 31 March 2026. Assume that Tahid decided to restrict his AIA claim for the year to 31 December 2025 to £60,000, to be split equally between the main pool and the special rate pool.**

**(20 Marks)**

**Part (b)**

Belinda begins trading on 1 July 2024 and chooses 30 June as her annual accounting date. However, she eventually decides to change her accounting date to 30 September. The first accounts made up to this new date cover the 15 months to 30 September 2027. Adjusted trading profits for her first five periods of account are as follows:

	£
Year to 30 June 2025	43,680
Year to 30 June 2026	52,560
1 July to 30 September 2027	70,950
Year to 30 September 2028	67,320
Year to 30 September 2029	74,640

**Required:**

**Compute Belinda's trading income for 2024-25 to 2028-29 inclusive.**

**(5 Marks)**

**Total 25 Marks**

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**Question 4****Part (a)**

Albelo Ltd's income statement for the year to 31 March 2026 is as follows:

	£	£
Gross Trading Profit		389,870
Dividends from other UK companies		4,000
Bank interest receivable (Note 1)		2,600
Income from property		4,000
Profit on sale of investments (Note 2)		22,490
		422,960
Less:		
Operating expenses (all allowable)	256,150	
Directors' fees	50,000	
Interest on bank overdraft	23,780	
Depreciation of tangible fixed assets	108,300	(438,230)
Net loss for the year		(15,270)

**Notes:**

1. Bank interest receivable includes interest of £450 which had accrued at 31 March 2026 but which was not received until April 2026. There was no accrued interest at 31 March 2025.
2. The agreed chargeable gain on the sale of the investments was £8,450.
3. Capital allowances of £32,700 are claimed for the year.

**Required:**

Compute the company's taxable total profits for the year.

(13 Marks)

**Part (b)**

Company Z has taxable total profits for the year to 31 October 2025 are £123,600. Dividends received are £31,200.

**Required:**

Compute the company's corporation tax liability for the year.

(12 Marks)

Total 25 Marks

**END OF QUESTIONS**

Summary of Tax Rates and Allowances Tables are over the page  
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## Tax Rates and Allowance tables

### Summary of Tax Data

#### Income Tax

	2025-26	2024-25
<b>TAX RATES AND BANDS†</b>		
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Basic rate limit‡	£37,700	£37,700
Higher rate limit	£125,140	£125,140

† Different tax rates and bands apply to the non-savings income of Scottish taxpayers (see below)

‡ Basic rate limit frozen at £37,700 until the end of tax year 2027-28

Starting rate for savings	0%	0%
Starting rate limit for savings	£5,000	£5,000
Personal savings allowance (basic rate taxpayer)	£1,000	£1,000
Personal savings allowance (higher rate taxpayer)	£500	£500
Dividend ordinary rate	8.75%	8.75%
Dividend upper rate	33.75%	33.75%
Dividend additional rate	39.35%	39.35%
Dividend allowance	£500	£500

#### SCOTTISH TAX RATES AND BANDS†

Starter rate	19%	19%
Basic rate	20%	20%
Intermediate rate	21%	21%
Higher rate	42%	42%
Advanced rate	45%	45%
Top rate	48%	48%
Starter rate limit	£2,827	£2,306
Basic rate limit	£14,921	£13,991
Intermediate rate limit	£31,092	£31,092
Higher rate limit	£62,430	£62,430
Advanced rate limit	£125,140	£125,140

† These tax rates and bands apply only to the non-savings income of Scottish taxpayers

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### Tax Rates and Allowance tables continued

#### PERSONAL ALLOWANCES

	2025-26	2024-25
Personal allowance <sup>†</sup>	£12,570	£12,570
Marriage allowance	£1,260	£1,260
Blind person's allowance	£3,130	£3,070
Married couple's allowance:		
Born before 6 April 1935	£11,270	£11,080
Minimum amount	£4,360	£4,280
Income limit for basic personal allowance	£100,000	£100,000
Income limit for married couple's allowance	£37,700	£37,000

<sup>†</sup> Personal allowance frozen at £12,570 until the end of tax year 2027-28

#### CAR AND FUEL BENEFIT

Zero emissions	3%	2%
1-50 g/km (depending upon electric range)	3%-15%	2%-14%
51g/km to 54g/km	16%	15%
55g/km to 59g/km	17%	16%
60g/km to 64g/km	18%	17%
65g/km to 69g/km	19%	18%
70g/km to 74g/km	20%	19%
75g/km	21%	20%
Each additional 5g/km	+1%	+1%
Maximum charge	37%	37%
Amount used in car fuel benefit calculation	£28,200	£27,800

These percentages are increased by 4% for most diesel cars, subject to the maximum of 37%.

#### CAPITAL ALLOWANCES

Writing Down Allowance (WDA)		
Main pool of plant and machinery	18%	18%
Special rate pool of plant and machinery	6%	6%
Annual Investment Allowance (AIA)	100%	100%
AIA annual limit from 1 January 2019 <sup>†</sup>	£1,000,000	£1,000,000
First Year Allowances (FYAs)	100%	100%
Structures and Buildings Allowances (SBAs)	3%	3%

<sup>†</sup> The AIA annual limit is now set permanently at £1,000,000

#### PENSION SCHEMES

Annual allowance	£60,000	£60,000
Minimum annual allowance	£10,000	£10,000
Income limit for annual allowance	£260,000	£260,000
Lump sum allowance	£268,275	£268,275
Lump sum and death benefit allowance	£1,073,100	£1,073,100

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### Tax Rates and Allowance tables continued

#### National Insurance Contributions

	2025-26	2024-25
<b>CLASS 1<sup>†</sup></b>		
Lower earnings limit (weekly)	£125	£123
Primary threshold (weekly)	£242	£242
Upper earnings limit (weekly)	£967	£967
Secondary threshold (weekly)	£96	£175
Employee contributions:		
Rate on earnings between primary threshold and UEL	8%	8%
Rate on earnings beyond UEL	2%	2%
Employer contributions:		
Rate on earnings beyond secondary threshold	15%	13.8%
Employment allowance	£10,500	£5,000
<b>CLASS 1A</b>		
Rate	15%	13.8%
<b>CLASS 2</b>		
Weekly contribution (voluntary)	£3.50	£3.45
Small profits threshold	£6,845	£6,725
<b>CLASS 3</b>		
Weekly contribution	£17.75	£17.45
<b>CLASS 4<sup>‡</sup></b>		
Lower profits limit	£12,570	£12,570
Upper profits limit	£50,270	£50,270
Rate on profits between lower and upper limit	6%	6%
Rate on profits beyond upper limit	2%	2%

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## Tax Rates and Allowance tables continued

† Class 1 primary threshold and upper earnings limit frozen until the end of tax year 2027-28.

‡ Class 4 lower and upper profits limits frozen until the end of tax year 2027-28.

### Capital Gains Tax

	2025-26	2024-25
Standard rate <sup>†</sup>	18%	10% or 18%
Higher rate <sup>†</sup>	24%	20% or 24%
Business asset disposal relief rate	14%	10%
Business asset disposal relief lifetime limit	£1,000,000	£1,000,000
Annual exempt amount	£3,000	£6,000

<sup>†</sup> In 2024-25, the standard rate for disposals occurring before 30 October 2024 was 10% and the higher rate was 20%. These rates then increased to 18% and 24%.  
 But the rates which applied to disposals of residential property were 18% and 24% throughout the year.

### Corporation Tax

Financial Year	FY2025	FY2024	FY2023	FY2022
Main rate	25%	25%	25%	19%
Small profits rate	19%	19%	19%	-
Lower limit	£50,000	£50,000	£50,000	-
Upper limit	£250,000	£250,000	£250,000	-
Marginal relief fraction	3/200	3/200	3/200	-
R&D-intensive SMEs percentage	186%	186%	186%	230%
R&D-intensive SMEs payable credit	14.5%	14.5%	14.5%	14.5%
R&D "above the line" tax credit	20%	20%	20%	13%
Patent box (effective rate)	10%	10%	10%	10%

The rates of corporation tax in FY2026 will be the same as in FY2025.

### Inheritance Tax

Date of transfer	Nil rate band <sup>†‡</sup>	Rate on life-time transfers	Rate on death	Lower rate
6 April 2006 to 5 April 2007	0 – £285,000	20%	40%	-
6 April 2007 to 5 April 2008	0 – £300,000	20%	40%	-
6 April 2008 to 5 April 2009	0 – £312,000	20%	40%	-
6 April 2009 to 5 April 2012	0 – £325,000	20%	40%	-
6 April 2012 to 5 April 2026	0 – £325,000	20%	40%	36%

<sup>†</sup> Residence nil rate band for 2025-26 is £175,000

<sup>‡</sup> Nil rate band and residence nil rate band both frozen until the end of tax year 2029-30

### Value Added Tax

**END OF TAX RATES AND ALLOWANCES TABLES**

**END OF EXAM**