

UNIVERSITY OF GREATER MANCHESTER
GREATER MANCHESTER BUSINESS SCHOOL
BA(HONS) ACCOUNTANCY
SEMESTER ONE EXAMINATIONS 2025/2026
ADVANCED TAXATION
MODULE NO: ACC6002

Date: Tuesday 13th January 2026

Time: 10.00am – 1.00pm

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

Liz, a UK resident, made the following disposals of assets in the tax year 2024/25:

1. On 26 April 2024 Liz sold 5,000 £1 ordinary shares in Chase plc, a quoted trading company, for £47,570 before paying stockbroker's fees of 1%.

Liz originally purchased 5,000 £1 ordinary shares in Deal Ltd on 8 July 2017 for £18,600. On 23 November 2021 Deal Ltd was taken over by Chase plc. Liz received four £1 ordinary shares in Chase plc for each £1 ordinary share in Deal Ltd. Immediately after the takeover, each £1 ordinary share in Chase plc was quoted at £3.50.
2. On 10 September 2024 Liz sold an office building for £280,000. Liz purchased the office building in May 2016 for £80,000 and repaired the roof at a cost of £20,000 in July 2020. Liz had made a claim to rollover the gain on the office building against the replacement cost of a new freehold office building that was purchased on 18 December 2023 for £210,000.

Both office buildings have always been used entirely for business purposes in a wholesale business run by Liz as a sole trader.
3. Liz sold some shares in Swim Ltd, an unquoted trading company to her daughter for £35,000 on 15 January 2025, at which date they had a market value of £100,000. Liz acquired the shares for £27,000 in June 2013.

Required:

- a) Calculate the chargeable gain on the disposal of the Chase plc shares. (6 Marks)
- b) Calculate the chargeable gain on the disposal of the office building after claiming any available relief. (7 Marks)
- c) Compute the amount of gift relief that Liz and her daughter can claim in relation to the Swim Ltd shares. (7 Marks)
- d) Evaluate the conditions of business asset disposal relief on the disposal of business assets. (5 Marks)

Total 25 Marks

End of question 1

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Question 2

Manuel died on 13 December 2024.

On 31 October 2020, he made a cash gift to a trust. The gross chargeable amount (after exemptions) was £400,000. The trustees paid lifetime tax of £15,000 in relation to this gift. This was Manuel's only lifetime gift.

At the date of his death Manuel owned the following assets:

- His house worth £650,000 on which a repayment mortgage of £110,000 was still outstanding.
- His car worth £30,000.

Allowable deductions for debts totalled £1,500.

Under the terms of his will, Manuel left £300,000 to his civil partner, Errol and the residue of his estate to his nephew Juan.

Required:

- a) Calculate the IHT payable in relation to the gift into the trust on 31 October 2020 as a result of Manuel's death on 13 December 2024. (10 Marks)
- b) Calculate the IHT payable on Manuel's estate. (10 Marks)
- c) When will the IHT arising on death in relation to the gift into the trust be payable and who will be responsible for making the payment?
- | Due Date | Payable by |
|-----------------|------------|
| A. 30 June 2025 | Executors |
| B. 13 June 2025 | Trustees |
| C. 13 June 2025 | Executors |
| D. 30 June 2025 | Trustees |
- (2 Marks)

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e) Which TWO of the following would have been allowable deductions from Manuel's estate?

- A. A debt to a friend as a result of a verbal bet in the pub on the football results.
- B. A promise to pay for his nephew's wedding.
- C. A loan outstanding in relation to Manuel's car.
- D. Manuel's income tax liability for the tax year 2024/25.

(2 marks)

f) If Manuel instead died three years later on 13 December 2026, which of the following would be a benefit from an IHT perspective?

- A. Taper relief will be available to reduce the IHT payable on the estate.
- B. It is probable that the assets will increase in value in the two year period.
- C. Juan will have a higher base cost for future disposal of the assets.
- D. The nil rate band will be available to offset against the estate.

(1 Mark)

Total 25 Marks

End of question 2

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Question 3

Laura is a UK resident individual and has taxable income in the tax year 2024/25 of £27,000. She made a number of chargeable disposals in the tax year 2024/25 which included the following:

- 1) On 31 August 2024 Laura sold a house which she had owned for fourteen years. On acquiring the house she lived in it as her main residence for two years. She then went travelling overseas for four years. On her return she lived in the house for one year before going to work elsewhere in the UK for six years. She never lived in the house again as after she finished the role elsewhere in the UK and returned to her home town, she moved in with her boyfriend for the final year before the house was sold.
- 2) On 15 September 2024 Laura sold 120,000 shares in Sidney Plc, a quoted company. Sidney Plc has 10 million £1 ordinary shares in issue. Lucy has worked for the company since January 2018.

She had the following transactions in the shares of the company:

		Number of shares
1 November 2021	Purchase	150,000
12 September 2024	Purchase	60,000
30 September 2024	Purchase	40,000

- 3) On 1 November 2024 Laura sold 10 acres of land for £350,000.

Laura had bought 25 acres of land for £450,000 and subsequently sold 15 acres for £300,000 on 1 June 2022. On 1 June 2022 the remaining 10 acres were worth £250,000.

Laura's total chargeable gains for the tax year 2024/25 are £120,600 of which £40,300 relate to residential property (after private residence relief). None of the disposals qualify for business asset disposal relief.

Required:

- a) **Compute the number of years that qualify for private residence relief (PRR).**

(5 Marks)

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Question 3 continues

- b) Evaluate the share matching rules and explain which share purchases will be matched to the 120,000 shares in Sidney plc sold on 15 September 2024. (5 marks)
- c) Calculate allowable base cost used in the capital gains tax computation on the sale of the 10 hectares of land on 1 November 2024. (5 Marks)
- d) Calculate Laura's capital gains tax liability for the tax year 2024/25. (10 Marks)

Total 25 Marks

End of question 3

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Question 4

Alfred Parks commenced self-employment on 1 September 2024 and immediately voluntarily registered for VAT. His sales revenue has been as follows:

	£
September to December 2024	8,400 per month
January to April 2025	11,000 per month
May to August 2025	12,500 per month

In addition, on 1 April 2025 Alfred sold a machine for £15,000 plus VAT.

The above figures are stated exclusive of value added tax (VAT). Alfred's sales are all standard-rated.

In the quarter to 30 November 2025 Alfred's transactions included the following:

1. On 1 October 2025 Alfred received an invoice for goods purchased from a new supplier, Dows Ltd, for £5,000 plus VAT of £1,000. Dows Ltd offered a prompt payment discount of 5% if the invoice was paid within 14 days.
2. On 1 November 2025 Alfred acquired a new machine at a cost of £1,500 from a supplier situated in another country. The supply of the machine would be standard-rated if supplied by a supplier in the UK. The standard rate of VAT in the supplier's country is 22%.
3. Input VAT incurred by Alfred on sundry expenses included the following:

	£
Legal fees on acquiring new workshop	500
Purchase of new car - used 30% privately by an employee	1,600
Staff party costing £200 per head	400
	2,500

Alfred is considering applying to use the flat rate scheme from 1 December 2025. He anticipates that in the quarter to 28 February 2026 he will have sales of £36,000 and purchases of goods for resale and expenses of £14,000. These figures are exclusive of standard-rated VAT. He has been informed that the relevant flat rate scheme percentage is 12%.

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Required:

- a) Evaluate if Alfred had not voluntarily registered for VAT, by which date would he have been compulsorily required to charge VAT on his taxable supplies?
(5 Marks)
- b) Compute the VAT payable for the quarter to 30 November 2025. You are required to show all workings with supporting notes.
(12 Marks)
- c) Assuming that Alfred paid the invoice from Dows Ltd within 14 days, how much input VAT can he reclaim in respect of this invoice on his VAT return for the quarter to 30 November 2025?
(2 Marks)
- d) Evaluate with supporting calculations whether Alfred should adopt the flat rate scheme from 1 December 2025.
(6 Marks)

Total 25 Marks

END OF QUESTIONS

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Summary Of Tax Rates and Allowances

INCOME TAX

		Normal rates	Dividend rates
Basic rate	£1 – £37,700	20%	8.75%
Higher rate	£37,701 – £125,140	40%	33.75%
Additional rate	£125,141 and over	45%	39.35%
Savings income nil rate band	– Basic rate taxpayers		£1,000
	– Higher rate taxpayers		£500
Dividend nil rate band			£500

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

Personal allowance

Personal allowance	£12,570
Transferable amount	£1,260
Income limit	£100,000

Where adjusted net income is £125,140 or more, the personal allowance is reduced to zero

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 £60,000 and £80,000, the charge is 1% of the amount of child benefit received for every £200 of income over £60,000.

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Car benefit percentage

The relevant base level of CO₂ emissions is 55 grams per kilometre.

The percentage rates applying to petrol cars (and diesel cars meeting the RDE2 standard) with CO₂ emissions up to this level are:

51 grams to 54 grams per kilometre	15%
55 grams per kilometre	16%

The percentage for electric cars with zero CO₂ emissions is 2%.

For hybrid-electric cars with CO₂ emissions between 1 and 50 grams per kilometre, the electric range of the car is relevant:

Electric range

130 miles or more	2%
70 to 129 miles	5%
40 to 69 miles	8%
30 to 39 miles	12%
Less than 30 miles	14%

Car fuel benefit

The base figure for calculating the car fuel benefit is £27,800.

Company van benefits

The company van benefit scale charge is £3,960, and the van fuel benefit is £757.

Vans producing zero emissions have a 0% benefit.

Individual Savings Accounts

(ISAs) The overall investment limit is £20,000.

Rent-a-room relief

The rent-a-room relief limit is £7,500.

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Pension scheme limits

Annual allowance –	
2021/22 and 2022/23	£40,000
– 2023/24 and 2024/25	£60,000
– Minimum allowance	£10,000
Income limit	£260,000

The maximum contribution that can qualify for tax relief without any earnings is £3,600.

Approved 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	6%

Cars

New cars with zero CO ₂ emissions	100%
Second-hand cars with zero CO ₂ emissions	18%
CO ₂ emissions between 1 and 50 grams per kilometre	18%
CO ₂ emissions over 50 grams per kilometre	6%

Annual investment allowance

Rate of allowance	100%
Expenditure limit	£1,000,000

Enhanced capital allowances for companies

Main pool first year allowance (full expensing)	100%
Special rate pool first year allowance	50%

Structures and buildings allowance

Straight-line allowance	3%
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Cap on income tax reliefs

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

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CORPORATION TAX

Financial year	2022	2023	2024
Small profits rate	N/A	19%	19%
Main rate	19%	25%	25%
Lower limit	N/A	£50,000	£50,000
Upper limit	N/A	£250,000	£250,000
Standard fraction	N/A	3/200	3/200

Marginal relief

$$\begin{array}{r}
 \text{Taxable total} \\
 \text{profits} \\
 \hline
 (\text{Upper limit} - \text{Augmented profits}) \times \text{Standard fraction} \times \frac{\text{Augmented profits}}{\text{Augmented profits}}
 \end{array}$$

Quarterly instalments

Profit threshold £1,500,000

VALUE ADDED TAX

Standard rate	20%
Registration limit	£90,000
Deregistration limit	£88,000

Penalties for late VAT payments

Days late	Penalty
Up to 15 days	None
16 to 30 days	2%
More than 30 days	4% plus a daily penalty at an annual rate of 4%

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**INHERITANCE TAX:
 tax rates**

Nil rate band		£325,000
Residence nil rate band		£175,000
Rate of tax on excess	Lifetime rate	20%
	– Death rate	40%

**Inheritance tax:
 taper relief**

Years before death	Percentage reduction
More than 3 but less than 4 years	20%
More than 4 but less than 5 years	40%
More than 5 but less than 6 years	60%
More than 6 but less than 7 years	80%

CAPITAL GAINS TAX: tax rates

	Normal rates	Residential property
Lower rate	10%	18%
Higher rate	20%	24%
Annual exempt amount		£3,000

Capital gains tax: Business asset disposal relief and investors' relief

Lifetime limit	– business asset disposal relief	£1,000,000
investors' relief	£10,000,000	
Rate of tax	10%	

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NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	£1 – £12,570 per year	Nil
	£12,571 – £50,270 per year	8%
	£50,271 and above per year	2%
Class 1 Employer	£1 – £9,100 per year	Nil
	£9,101 and above per year	13.8%
	Employment allowance	£5,000
Class 1A		13.8%
Class 4	£1 – £12,570 per year	Nil
	£12,571 – £50,270 per year	6%
	£50,271 and above per year	2%

RATES OF INTEREST (assumed)

Official rate of interest	2.25%
Rate of interest on underpaid tax	7.75%
Rate of interest on overpaid tax	4.25%

STANDARD PENALTIES FOR ERRORS

Taxpayer behaviour penalty	Maximum – unprompted	Minimum penalty disclosure	Minimum penalty – prompted disclosure
Deliberate and concealed	100% 30%		50%
Deliberate but not concealed	70%	20%	35%
Careless	30% 0%		15%

END OF SUMMARY OF TAX RATES AND ALLOWANCES

END OF EXAM