

Workings

(W1) New business – assessments

		<i>Assessment</i>	<i>Loss</i>
2020/21 (Actual)	1/7/2020 – 5/4/2021	Nil	
	$\frac{1}{2} \times (12,000)$		(9,000)
2021/22 (CYB)	y/e 30/6/2021	Nil	(12,000)
	Less: used in 2020/21		9,000
			<u>(3,000)</u>
2022/23	(y/e 30/6/2022)	2,500	
	Loss available for relief		
2021/22		(9,000)	
2022/23		(3,000)	

Answer to Example 6

Trading loss arising in final 12m of trading available for terminal loss relief is calculated as

2022/23	
6/4/2022 – 31/5/2022	
$\frac{3}{10} \times (20,000)$	(4,000)
Overlap Relief	(5,000)
2021/22	
1/6/2021 – 5/4/2022	
$\frac{3}{12} \times 6,000$	1,000
+ $\frac{8}{10} \times (20,000)$	(16,000)
Trading Loss available under terminal loss relief	<u>(15,000)</u>
	<u>(24,000)</u>

The loss of £24,000 would then be set off against the trading profits of firstly 2021/22 of £6,000 leaving the remaining £18,000 to be used against the £28,000 trading profit assessment of 2020/21

Chapter 8**Answer to Example 1**

	<i>Total</i> £	<i>Doug</i> £	<i>Rob</i> £
A/C Year Ended 30/9/2022	<u>18,000</u>		
1/10/2021 to 30/6/2022			
(Profits £18,000 $\times \frac{1}{2}$ = 13,500)			
Salaries ($\frac{1}{2}$)	3,750	2,250	1,500
Balance (3:2)	<u>9,750</u>	<u>5,850</u>	<u>3,900</u>
	<u>13,500</u>	<u>8,100</u>	<u>5,400</u>
1/7/2022 to 30/9/2022			
(Profits £18,000 $\times \frac{3}{12}$ = 4,500)			
Salaries ($\frac{3}{12}$)	2,500	1,500	1,000
Balance (2:1)	<u>2,000</u>	<u>1,333</u>	<u>667</u>
	<u>4,500</u>	<u>2,833</u>	<u>1,667</u>
Total allocation	<u>18,000</u>	<u>10,933</u>	<u>7,067</u>

Each partner will then be assessed on their share of the profit in 2022/23, as the partners are continuing the trade the normal CYB assessment will apply.

Answer to Example 2

Allocate the trading income for accounting periods between the partners.

Profits will be allocated between the partners as follows:

	<i>Total</i>	<i>Ann</i>	<i>Beryl</i>	<i>Clair</i>
		£	£	£
y/e 30/6/2021	12,000	6,000	6,000	–
y/e 30/6/2022	14,000	7,000	7,000	–
y/e 30/6/2023	24,000	8,000	8,000	8,000

Compute each partner's trading income as though they were a sole trader.

Ann and Beryl will both be assessed as follows, based upon a commencement on 1 July 2020:

		£
2020/21 (Actual)	1 July 2020 to 5 April 2021 ($6,000 \times \frac{9}{12}$)	4,500
2021/22 (CYB)	Year ended 30 June 2021	6,000
2022/23 (CYB)	Year ended 30 June 2022	7,000
2023/24 (CYB)	Year ended 30 June 2023	8,000

They will both carry forward overlap profits of £4,500 that arise between 2020/21 and 2021/22.

Clair will be treated as commencing trading on 1 July 2022, and will be assessed on her share of the partnership profits as follow:

2022/23 (Actual)	1 July 2022 to 5 April 2023 $£8,000 \times \frac{9}{12}$	6,000
2023/24 (CYB)	Year ended 30 June 2023	8,000

She will carry forward overlap profits of £6,000

Answer to Example 3

Paul will be entitled to terminal loss relief since he has actually ceased trading.

George will be entitled to claim opening years relief since he has actually commenced trading.

John and James will not be entitled to either of the above reliefs.

All the partners will be entitled to relief against total income of the current or previous tax year and against gains.

All the partners except Paul will be entitled to carry forward relief.

Chapter 9**Answer to Example 1**

The mileage allowance of £3,600 (12,000 at 30p) received is tax free and Kerry will be entitled to a deduction of £1,400 computed as follows:

	£
Authorised rate	
10,000 miles at 45p	4,500
2,000 miles at 25p	500
	5,000
Mileage allowance from employer (12,000 × 30p)	(3,600)
Allowable deduction	1,400