

Answer to Example 5

		£
Premium	$\frac{51 - 20}{50} \times 60,000$	37,200
Rent received		<u>5,000</u>
Property Income		<u>42,200</u>

Alternatively the assessable premium may be computed as 60,000 less $(2\% \times (20-1)) = 37,200$

Answer to Example 6

$$\text{Relief available} = \frac{\pounds 37,200}{20} = \pounds 1,860 \text{ p.a.}$$

Chapter 4**Answer to Example 1**

Tax adjusted trading profit for the year ended 31 May 2021

	£	£
Net profit as per accounts		30,200
Add: Items debited in P&L – not allowed for tax purposes		
Depreciation	4,760	
Light and heat $(40\% \times \pounds 1,525)$	610	
Motor expenses $(9,000/12,000 \times \pounds 4,720)$	3,540	
Personal tax work	250	
Purchase of new shop	1,200	
Rent and rates $(40\% \times \pounds 3,900)$	1,560	
Decorating private flat	1,050	
Gift of food hampers	640	
Donation to national charity	100	
Excessive remuneration to Jeremy's wife $(\pounds 15,500 - \pounds 11,000)$	4,500	
Own consumption	<u>650</u>	
		<u>18,860</u>
Adjusted trading profit		49,060
Less: Capital allowances (given)		<u>(13,060)</u>
Tax adjusted trading profit		<u>36,000</u>

Chapter 5**Answer to Example 1**

Accounting Year Ended 5 April 2022

	£	Main Pool £	Allowances £
WDV b/f at 6 April 2021		1,250	
Additions Qualifying for AIA	10,000		
AIA	<u>(10,000)</u>	–	10,000
Disposals		<u>(500)</u>	
		750	
Small pool WDA		<u>(750)</u>	750
WDV c/f		–	<u>10,750</u>