

ACCA

Strategic Professional – Options

**Advanced Taxation
(ATX-UK)
(Finance Act 2025)**

EXAM KIT

For June 2026 to June 2027 examination sittings

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Acknowledgements

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Versions of some questions in this Exam Kit may also be available on the ACCA Practice Platform on the ACCA website. They are a very useful reference, in particular to attempt using ACCA's exam software. However, you should be aware that ACCA will decide when those questions will be amended for syllabus changes or replaced, so they may differ slightly from the versions in this Exam Kit.

INDEX TO QUESTIONS AND ANSWERS

INTRODUCTION

The style of the ATX exam questions has changed over the years and significant changes have had to be made to questions in light of the legislative changes in recent Finance Acts.

Accordingly, many of the old ACCA questions within this kit have been adapted to reflect the new style of exam and the new rules. Therefore, some questions may not be worth 50 or 25 marks. If changed in any way from the original version, this is indicated in the end column of the index below with the mark (A).

Also included are the marking schemes for past ACCA real examination questions to assist you in understanding where marks are earned and the amount of time to spend on particular tasks. Note that if a question has been changed from the original version, it will have also been necessary to change the original ACCA marking scheme. Therefore, if a question is marked as adapted (A) you should assume that this also applies to the marking scheme.

Note that the majority of the questions within the kit are past ACCA exam questions, the more recent questions are labelled as such in the index.

KEY TO THE INDEX

ANSWER ENHANCEMENTS

We have added the following enhancements to the answers in this exam kit:



Key answer tips

All answers include key answer tips to help your understanding of each question.



Tutorial note

All answers include more tutorial notes to explain some of the technical points in more detail.



Tutor's top tips










For selected questions, we 'walk through the answer' giving guidance on how to approach the questions with helpful 'tips from a top tutor', together with technical tutor notes.

These answers are indicated with the 'footsteps' icon in the index.

SECTION A QUESTIONS

TAXATION OF INDIVIDUALS

Page number

| | | | <i>Question</i> | <i>Answer</i> | <i>Past exam (Adapted)</i> |
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| 1 | Gail and Brad |  | 1 | 163 | <i>Jun 13 and Mar/Jun 16 (A)</i> |
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| 7 | Hiroimi |  | 24 | 233 | <i>Mar/Jun 23 (A)</i> |
| 8 | Jake |  | 27 | 244 | <i>Sept/Dec 23</i> |
| 9 | Lucia |  | 31 | 255 | <i>Sept/Dec 24 (A)</i> |

ANALYSIS OF PAST EXAMS

The table below summarises the key topics that have been tested in recent examinations.

Key:

- Q The question references are to the number of the question in this edition of the exam kit.
- ✓ Refers to questions which have not been included in the kit due to similarity to other recent questions.

| | Mar/Jun 2022 | Sep/Dec 2022 | Mar/Jun 2023 | Sep/Dec 2023 | Jun 2024 | Sep/Dec 2024 |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|----------|-----------------|
| IHT | | | | | | |
| Lifetime gifts | Q6, Q53 | ✓ | | Q8 | Q32 | Q50 |
| Death estate | | | | | Q32 | Q9 |
| Diminution in value | | ✓ | | | | |
| BPR/APR | | ✓ | Q44 | Q8 | Q32 | Q9 |
| Fall in value relief | | | | | Q32 | |
| Consequences of lifetime giving | | | Q44 | | | Q50 |
| Overseas aspects | Q6 | | | | | Q9 |
| Trusts | | | | | | |
| CGT | | | | | | |
| Basic computations | ✓ | | Q7, Q44 | Q8 | Q21, Q49 | Q9 |
| Leases | Q64 | | | | | |
| Compensation | | | | Q8 | | |
| Capital gains tax reliefs: | | | | | | |
| Incorporation relief | | | Q7 | | | |
| Rollover relief | | Q20, Q31 | | | | |
| BADR | | Q31 | | | Q21 | Q50 |
| Gift holdover relief | | | Q44 | Q8 | Q21 | Q9 |
| PRR/letting relief | | | | Q48 | | |
| Overseas aspects | ✓ | | | Q48 | Q49 | |
| Income Tax | | | | | | |
| Personal tax computations | ✓ | ✓ | Q44 | Q48 | Q32 | Q9 |
| Share options and share incentives | Q6 | | | | | Q50 |
| Employment benefits | | | | | Q49 | |
| Property business profits | | | | Q48 | Q32 | |
| Residence tests | | | | Q48 | | |
| Overseas aspects | ✓ | | | Q48 | Q49 | Q50 |
| NICs | | | | | | Q9 |

Section 1

PRACTICE QUESTIONS – SECTION A

TAXATION OF INDIVIDUALS

1 GAIL AND BRAD (ADAPTED) *Walk in the footsteps of a top tutor*

You should assume that today's date is 1 June 2026.

Your manager has had a meeting with Gail and her father Brad, both of whom are clients of your firm. Gail owns the whole of the ordinary share capital of Aero Ltd.

Advice is required in respect of:

- the corporation tax issues in relation to disposals of a building and some shares,
- the extraction of funds from a company as either a bonus or a dividend,
- the consequences of non-disclosure of income, and
- the inheritance tax consequences of lifetime gifts.

The following **exhibits** provide information relevant to the question:

- 1 Gail – extract from a memorandum prepared by your manager
- 2 Schedule prepared by Mill, a junior member of your firm's tax department
- 3 Brad – extract from a memorandum prepared by your manager
- 4 Work to be carried out – email from your manager

This information should be used to answer the question **requirements**.

Exhibit 1 – Gail**Extract from a memorandum prepared by your manager – dated 1 June 2026****Gail – background**

Gail was born in 1978 and has always lived in the UK. She owns the whole of the ordinary share capital of Aero Ltd (A Ltd) and works full-time as a director of the company. A Ltd owns the whole of the ordinary share capital of Zephyr Ltd (Z Ltd). A Ltd and Z Ltd are both UK resident trading companies. A Ltd and Z Ltd both pay corporation tax at the main rate.

Historical transactions in respect of A Ltd and Z Ltd – all transactions took place at market value

- | | |
|----------------|---|
| 1 January 2018 | A Ltd acquired the whole of the ordinary share capital of Z Ltd for £180,000. |
| 1 October 2022 | A Ltd sold a building (the Simpson Building) to Z Ltd for £110,000. A Ltd had purchased this building for £75,000 on 1 December 2014. The building was not eligible for structures and building allowances. |
| 1 March 2024 | A Ltd sold a brand to Z Ltd for £170,000, its market value at the time was £230,000. A Ltd had purchased this brand for £115,000 on 1 June 2020. |

Proposed transactions – all transactions will take place at market value

Gail intends to raise a substantial sum of money by carrying out the following transactions:

- | | | |
|---|--------------|--|
| 1 | 24 June 2026 | Z Ltd will sell the Simpson Building to an unrelated purchaser for £140,000. Rollover relief will not be claimed in respect of this disposal. Z Ltd will pay a dividend to A Ltd equal to the post-tax proceeds of this sale. |
| 2 | 1 July 2026 | A Ltd will sell the whole of the ordinary share capital of Z Ltd for £250,000. |
| 3 | 15 July 2026 | All of the cash realised by A Ltd as a result of transactions 1 and 2 will be paid to Gail in the form of either a dividend or a bonus. |

Non-disclosure of income

Gail has realised that she has not declared some of her income in respect of the tax year 2021/22. As a result of this, her income tax liability for that tax year was understated. I have already explained the interest and penalties which may be charged in respect of this error.

Exhibit 2 – Schedule prepared by Mill

| | |
|--|----------------|
| Cash which will be available to pay to Gail as a result of the proposed transactions 1 and 2 | £ |
| Sale of the Simpson Building by Zephyr Ltd | |
| Sale proceeds | 140,000 |
| Less: Cost | (110,000) |
| Indexation allowance (October 2022 to June 2026) | |
| £110,000 × 0.105 | (11,550) |
| Chargeable gain | 18,450 |
| Less: Corporation tax payable by Zephyr Ltd at 25% | (4,613) |
| Dividend of post-tax proceeds paid to Aero Ltd | 13,837 |
| Less: Corporation tax payable by Aero Ltd at 25% | (3,459) |
| Cash available in respect of the sale of the Simpson Building | 10,378 |
| Sale proceeds in respect of Zephyr Ltd | 250,000 |
| Total cash available for Gail | 260,378 |

Notes

- 1 I do not think there will be a chargeable gain on the sale of Zephyr Ltd due to the substantial shareholding exemption.
- 2 I think there will be a degrouping charge in respect of the brand but I do not know how to compute it.

Mill**Exhibit 3 – Brad****Extract from a memorandum prepared by your manager – dated 1 June 2026****Brad – background**

Gail's father Brad is 70 years old and is married to Laura. He has always been UK resident.

Inheritance tax planning

Brad's estate is worth approximately £5 million. He has not made any lifetime gifts and, in his will, he intends to leave half of his estate to his daughter, Gail, and the other half to his wife, Laura. I pointed out that it may be advantageous to make a lifetime gift to Gail. Brad agreed to consider giving Gail 1,500 of his shares in Omnium Ltd and has asked for a general summary of the inheritance tax advantages of making lifetime gifts to individuals.

Omnium Ltd is an unquoted company. Brad was given his shares in the company by his wife on 1 January 2022. The ownership of the share capital of Omnium Ltd is set out below.