

# [Taxation of melisk ltd](https://assignbuster.com/taxation-of-melisk-ltd/)

[](https://assignbuster.com/)[Finance](https://assignbuster.com/essay-subjects/finance/)

﻿Taxation of Melisk Ltd Melissa Kean is the MD of Melisk Ltd a cycling business operating in London, selling new and second hand bicycles and a range of cycling accessories. Customers include commuters, as well as local cycling enthusiasts and children. Melissa lives in a flat above the business premises which she also uses as her office.   
Melisk Ltd, has prepared the accounts as listed below for the period of account from 1st August 2011 to 31st January 2013   
The Income Statement showed the business made a net profit before tax of £41, 873 after taking into account the following information:   
Additional income from investments and property which was included in the Income Statement as shown below:   
Interest received on company savings account   
Aug 2011   
£136, 300   
Aug 2012   
£5, 700   
Rent received   
£900 per month   
Dividends received   
  
Sep 2011   
£4, 700   
Feb 2012   
£4, 800   
Aug 2012   
£ 120, 500   
Capital Gains & Losses   
Nov 2011 gain on sale of shares   
£92, 370   
Feb 2012 loss on sale of antique   
(£4, 370)   
Aug 2012 gain on sale of shares   
£5, 500   
Wages and salaries was composed of   
Salary taken by Melissa   
Wages of other employees   
£30, 000   
£35, 600   
Sundry expenses   
Donation to UK Independent party   
£850   
Business rates for shop and workshop   
£1, 200   
Rent of warehouse space   
£5, 000   
Council tax   
£1, 400   
Repairs to warehouse floor   
£950   
Repairs to flat above shop   
£550   
Customer entertainment   
£1, 700   
Motor Expenses (includes the cost of running the company car which is also used by Melissa privately for approximately 20% of the time)   
£1, 500   
Subscription to magazine, ‘ Cycling Monthly’   
£110   
General Provision for Doubtful debts   
£250   
Donation to local school to fund a charity bike ride   
£45   
Postage, stationery and telephone expenses   
£320   
Accountancy charges   
£180   
Sundry other items   
£50   
1. Depreciation was calculated on a reducing balance method and amounted to £12, 900   
2. Melissa sold a car and the loss on sale was £895. This was included as an expense in the income statement. You do not need to factor this into Capital Allowance calculations.   
CAPITAL ALLOWANCES   
3. The value of written down values for the main pool capital allowances as at 1 August 2011 was   
£   
Main pool   
35, 000   
Disposals   
Date   
Details   
Sale proceeds (£)   
Sept 2011   
Ford transit van, cost £11, 000   
7, 000   
Nov 2011   
Ford Focus car, 130g/km, emissions 25% private use, cost £6, 000   
3, 000   
Aug 2012   
Photocopier cost £1, 500   
2, 000   
Aug 2012   
Peugeot car, 180g/km, emissions 25% agreed private use. Cost £14, 000   
10, 000   
Additions   
Date   
Details   
Cost (£)   
Jan 2012   
Office Equipment   
80, 000   
Feb 2012   
Peugeot car, 180g/km, emissions   
25% private use   
14, 000   
June 2012   
Electric car, 104g/km, emissions   
16, 000   
Aug 2012   
Photocopier   
8, 000   
Aug 2012   
Ford transit van   
9, 000   
Melisk Ltd   
Statement showing the adjusted taxable profit as at 31st January 2013   
£   
£   
Income   
Interest received on savings account   
142, 000   
Rent received   
16, 200   
Dividends received   
130, 000   
Capital gain on sale of shares   
97, 870   
386, 070   
Expenses   
Capital loss on sale of shares   
4, 370   
Business rates for shop and workshop   
1, 200   
Rent of warehouse space   
5, 000   
Council tax   
1, 400   
Repairs to warehouse floor   
950   
Repairs to flat above shop   
550   
Customer entertainment   
1, 700   
Motor Expenses (includes the cost of running the company car which is also used by Melissa privately for approximately 20% of the time)   
1, 200   
Subscription to magazine, ‘ Cycling Monthly’   
110   
General Provision for Doubtful debts   
250   
Postage, stationery and telephone expenses   
320   
Accountancy charges   
180   
Sundry other items   
50   
Wages to other employees   
35, 600   
Capital allowances   
20, 317   
(73, 197)   
Taxable profit   
312, 873   
Capital allowances   
Written down values for the main pool as at 1st August 201135, 000   
Additions   
Additions   
Date   
Details   
Cost (£)   
Allowance   
Jan 2012   
Office Equipment   
80, 000   
Feb 2012   
Peugeot car, 180g/km, emissions   
25% private use   
14, 000   
(75%\*8%\*14, 000)   
= 840   
June 2012   
Electric car, 104g/km, emissions   
16, 000   
(100%\*16, 000\*14/12)   
= 18, 667   
Aug 2012   
Photocopier   
8, 000   
Aug 2012   
Ford transit van   
9, 000   
(18%\*9, 000\*6/12)   
= 810   
Total   
20, 317   
Marginal relief   
Corporation tax at main rate £312, 873 \* 26% = £81, 347   
Marginal relief (£1, 500, 000 - £312, 873) \* 3/200 = £17, 807   
Corporation tax due£81, 347 - £17, 807 = £63, 540   
NAME   
ID NO:   
LENGTH OF PERIOD OF ACCOUNT   
18 months   
NET PROFIT BEFORE TAX   
£312, 873   
NON TRADING LOAN INCOME (AUG 2011)   
£136, 300   
DIVIDENDS (AUG 2012)   
£120, 500   
CAPITAL GAIN   
£97, 870   
TOTAL DISALLOWED EXPENSES   
£31, 195   
MAIN POOL VALUE   
£35, 000   
PURCHASES: OFFICE EQUIPMENT   
£80, 000   
PURCHASES: VAN   
£9, 000   
DISPOSAL: PEUGEOT CAR   
£10, 000   
References   
Finney, M. (2004) UK Taxation for Students: A Simplified Approach. Spiramus Press Ltd   
Melville, A. (2012) Taxation: Finance Act 2002, 18th Edition. Paperback   
Saleemi, N. A (2004) Taxation I Simplified