

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

[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