

Taxation of melisk ltd

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

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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

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£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

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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

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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

<https://assignbuster.com/taxation-of-melisk-ltd/>

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

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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 2011 35, 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

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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 $\text{£}312, 873 * 26\% = \text{£}81, 347$

Marginal relief $(\text{£}1, 500, 000 - \text{£}312, 873) * 3/200 = \text{£}17, 807$

Corporation tax due $\text{£}81, 347 - \text{£}17, 807 = \text{£}63, 540$

NAME

ID NO:

LENGTH OF PERIOD OF ACCOUNT

18 months

NET PROFIT BEFORE TAX

$\text{£}312, 873$

NON TRADING LOAN INCOME (AUG 2011)

$\text{£}136, 300$

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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