

Your manager has sent you a schedule prepared by Claire Falkner concerning her company, Plad Ltd. The covering email from your manager details the work he requires you to do. The two documents are set out below.

Attachment: Schedule from Claire Falkner – dated 3 June 2019

Plad Ltd

I have owned the whole of the ordinary share capital of Plad Ltd since 2004. Plad Ltd trades mainly in the UK and is a UK resident company. It purchases components from third parties to be assembled into finished products. It also has a permanent establishment in the country of Chekka. The profits realised in Chekka are subject to 14% Chekkan business tax. There is no double tax treaty between the UK and the country of Chekka.

Plad Ltd – unreported chargeable gain

I have just discovered that a chargeable gain of £21,600 realised by Plad Ltd in the year ended 30 June 2015 was omitted from its corporation tax return. However, because the gain arose in respect of the sale of land, it was reported for the purposes of stamp duty land tax. Accordingly, I assume we do not need to do anything and that HM Revenue and Customs (HMRC) will contact us about this at some point.

Extract from the email from your manager – dated 4 June 2019

Please carry out the following work:

(c) Plad Ltd – unreported chargeable gain

Explain the implications for Plad Ltd, and our firm, of the failure to report the chargeable gain to HM Revenue and Customs (HMRC). You **SHOULD NOT** address money laundering or the possibility of penalties, as I have already spoken to Claire about these matters.

Tax manager

Required:

Prepare the notes as requested in the email from your manager. The following marks are available:

(c) Plad Ltd – unreported chargeable gain. (5 marks)