Did you know?

How to complete s940A CTA 2010 transfers in Alphatax

This is a topic that often comes up in calls to our support desk, so here we explain stage by stage how to deal with it.

Where there is a transfer of a trade between related companies the capital allowances on the asset need to be split between the transferor and transferee companies.

There are two different methods to calculate the allowance due to both parties.

One is the legislative method set out in CTA 2010 s948 to treat the transferor and transferee period as a single period.

The other is the Revenue manual method (Revenue manual) to treat the transferor and transferee ownership as separate periods.

By default Alphatax uses the Revenue manual method to calculate the allowances due.

If you wish to **use the legislative method, set the Use alternative method for s940A CTA 2010 transfers based on equivalent single period between transferor and transferee?** flag found in the 'Configuration options' Input statement to Yes.

Alphatax provides a specific statement for s940A transfers to calculate the allowances due to the transferor and transferee companies.

Below are outlined methods of entering Transfers In and Transfers Out using the Accounts Analysis function in Alphatax.

Transfers Out

1) Start by selecting the 'Tangible fixed assets per accounts' statement and enter the Cost and Depreciation in the Transfers Out lines.

2) Click on the downward arrow to the left of the line to create an analysis schedule.

3) In the analysis schedule, enter the Cost, Depreciation and the Transferor's opening TWDV – for capital allowance purposes. In this example, the TWDV is £80,000. A separate line may be required if the transfers apply to different pools.

4) Click on the downward arrow to the left of the line to tax categorise to the s940A Transfer calculation statement.

5) A new statement will be created within the s940A Transfers list of the Trade where the relevant details can be entered. In this example, the transfer takes place on the first day of the accounting period 01/01/2017. Pressing Yes to the box 'Default is the end of the day of transfer. Amend this to the start?' will change the Transfer to calculate from the start of the period. Enter the pool classification and this statement will calculate the relevant allowances for the company. In this case, £0 allowances are calculated for the Transferor.

Transfers In

1) Start by selecting the 'Tangible fixed assets per accounts' statement and enter the Cost and Depreciation in the Transfers In lines.

2) Click on the downward arrow to the left of the line to create an analysis schedule.

3) In the analysis schedule, enter the Cost, Depreciation and the Transferor's opening TWDV – for capital allowance purposes. In this example, the TWDV is £80,000. A separate line may be required if the transfers apply to different pools.

4) Click on the downward arrow to the left of the line to tax categorise to the s940A Transfer calculation statement.

5) A new statement will be created within the s940A Transfers list of the Trade where the relevant details can be entered. In this example, the transfer takes place on the first day of the accounting period 01/01/2017. Pressing Yes to the box 'Default is the end of the day of transfer. Amend this to the start?' will change the Transfer to calculate from the start of the period. Enter the pool classification and this statement will calculate the relevant allowances for the company. In this case, £14,400 allowances are calculated for the Transferee.

If you would like more detailed information or need further assistance, then please contact us on 01784 777 666 or by email to support@taxsystems.com.