RADSTOCK CO-OPERATIVE SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
53 weeks ended 28 February 2015

NOTE
4. TAXATION ON SURPLUS FOR PERIOD

	2015	2014
Analysis of charge in the period	**£**	**£**
Current tax:		
UK corporation tax on the surplus for the period	46,685	74,603
Adjustments in respect of previous periods	23,864	(36,046)
Total current tax	70,549	38,557
Deferred tax:		
Adjustments in respect of previous periods	-	29,885
Current year movement	19,509	12,690
Effect of change in tax rates	-	(20,196)
Pension	54,400	34,787
Total deferred tax	73,909	57,166
Tax on surplus after ordinary activities	144,458	95,723

Tax Reconciliation	**£**	**£**
Surplus before tax	1,091,017	403,166
Surplus before tax multiplied by the effective rate of corporation tax of 20.0% (2014: 23.1%)	218,203	93,091
Effects of:		
Expenses not deductible for tax purposes	47,466	35,319
Income not taxable for tax purposes	(145,074)	-
Capital allowances in excess depreciation	(29,385)	(12,899)
Movement in short term timing differences	(44,525)	(32,118)
Adjustments to tax charge in respect of previous periods	23,864	(36,046)
Other tax rates	-	(8,790)
Current tax charge for period	70,549	38,557

Factors affecting future tax charge

The Finance Bill 2014, enacted as Finance Act 2014 in July 2014, reduced the corporation tax rate from 21% to 20% with effect from 1 April 2015. The Society's current tax charge has been calculated at 20% applying the small profits rate. The rate of 20% has been used to calculate the position on deferred tax at 28 February 2015 (2014: 20%). The directors are not aware of any other factors that will materially affect the future tax charge.

No provision has been made for deferred tax on gains on revaluing investment property to its market value. Such tax would become payable only if the property was sold.

Deferred tax liabilities are not discounted

Expenses not deductible for tax purposes

Some expenses incurred by the Society may be entirely appropriate charges for inclusion in its financial statements but are not allowed as a deduction against taxable income when calculating the Society's tax liability for the same accounting period. Examples of disallowable expenditure include some legal expenses.

Income not taxable for tax purposes

Appropriation of property from fixed assets to trading stock, the sale of Homemaker and High Littleton properties was treated as a capital disposal from fixed assets within the 2014 tax computation. The profit on disposal arising in the 2015 accounts has therefore been treated as non-taxable. No prior period adjustment is required, as the gain arising in the 2014 computation was fully sheltered by capital losses and roll over relief. Under UKGAAP, we are not required to create a deferred tax liability in respect of rolled over gains (or indeed revalued assets). Post the company’s transition to new UK GAAP (IFRS or FRS101/102), however, this is likely to change and a deferred tax liability is likely to need to be brought onto the balance sheet.

Capital allowances in excess of depreciation

The accounting treatment of expenditure on fixed assets differs from the taxation treatment. For accounting purposes, an annual rate of depreciation is applied by the Society. For taxation purposes, the Society is able to claim capital allowances, a tax relief provided in law. This difference between the rates of depreciation and capital allowances means that there is a difference between the taxable profit for accounting and taxation purposes and this year the Society was able to claim more tax relief than the accounting charge for depreciation.

Movement in short term timing differences

Short term timing differences arise on items such as provisions and pensions, because the treatment of such items is different for tax and accounting purposes. These differences usually automatically reverse in the year following that in which they arise, as is reflected in the deferred tax charge in these financial statements.

Adjustments to tax changes in prior years

Adjustments to tax changes in earlier years arise because the tax charge in the financial statements is estimated before the detailed corporation tax calculations are prepared. Additionally, HM Revenue & Customs may not agree with the tax return that was submitted for a year and the tax liability for a previous year may be adjusted as a result.

Deferred Tax

Adjustments relating to deferred taxation:-	**2015**	**2014**
	£	**£**
Adjustments in respect of previous periods	-	29,885
Current year movement	19,509	12,690
Effect of change in tax rates	-	(20,196)
Pension	54,400	34,787
Deferred tax charge for period	73,909	57,166

Provision For Deferred Tax

	Balance as at 22nd February 2014 £	Revenue Account (Current period) £	STRGL (Current Period) £	Prior Years Adjustment £	Balance as at 28th February 2015 £
Accelerated capital allowances liability	134,326	19,509	-	-	153,835
Pension deficit deferred taxation asset	(374,200)	54,400	(117,200)	-	(437,000)
Total deferred tax asset	**(239,874)**	**73,909**	**(117,200)**	**-**	**(283,165)**

Deferred taxation liabilities represent sums that might become payable in tax in future years as a result of transactions that have occurred in the current year. The deferred tax assets disclosed in 2014/15 include the deferred tax relating to the Society's pension scheme liabilities.