



Level 4 Trailblazer

Role Simulation Exercise

Mock - November 2018

TIME ALLOWED – 2 ½ HOURS

Materials

This document consists of this front page, Additional Information and five tasks.

You must have a printed copy of the Advance Information. You may also use any other hard-copy materials you have brought. Materials may be annotated and flagged. Recommended texts are:

- ATT Paper 1 study manual for 2018 (FA 2017)
- ATT Paper 2 study manual for 2018 (FA 2017)
- Professional Responsibilities and Ethics for Tax Practitioners 4th Edition
- Essential Law for Tax Practitioners 4th Edition

You may use a calculator.

Instructions

The Presiding Officer will tell you when you may start the Role Simulation exercise.

Read the Additional Information carefully before you attempt the tasks.

Complete every task.

There are 100 marks in total. 25 of these are professional marks for quality of communication. Marks for each task are shown: allocate your time accordingly.

Present your answers clearly in the answer booklet only, using both sides of the paper and writing in ballpoint pen. Write your candidate number on every page used. Start your answer to each task on a new page and leave the margins blank. State any assumptions and show all workings to the nearest pound or month.

Where necessary, assume that the rules in the recommended texts continue to apply in future.

ADDITIONAL INFORMATION

From: melanie@candco.com
Sent: 22 November 2018 09:22
To: nur@candco.com
Subject: Notes for new joiners and info from Tangent

It was useful yesterday to talk through the work coming up for Tangent. An email has come in from Conor since then (below) – please read that before you start on this work.

We discussed also the need for new staff like Jonah to be fully aware of the issues around data handling. Details are in the firm's handbook, but I do agree with your point that the handbook is long. Although confidentiality and other data issues are mentioned on induction, a separate written summary could be helpful.

Would you draft some guidelines aimed at new or recent joiners? Mention both paper and electronic information. A fact sheet in question-and-answer style would be ideal, with a series of short points and one or two practical examples to help Jonah and others. Please highlight the need for staff to ask someone more experienced if they are unsure, too.

Thanks

From: conor@ttechplc.com
Sent: 21 November 2018 17:44
To: melanie@candco.com
Subject: Share plan; accounting date; one correction

Daya mentioned several forms of incentive we might consider to attract and retain employees. I am most interested in starting a share scheme. I think a **Company Share Option Plan** would be suitable. If I remember right, 3 to 10 years from grant is the window for exercising CSOP options. We shall not necessarily want to include all of our workers in the scheme. I should like flexibility to offer to whoever we choose. One of the original directors, Garrett, also has the largest shareholding at 10% which I hope does not exclude him from taking part.

Am I correct that for participating employees, there would be no NICs to pay at any point, no matter when they exercised their options?

I think an EMI scheme would not be allowed, but I should be grateful for confirmation of that.

It would be useful to have the reference for the key legislation for CSOPs which gives the rules on administering the scheme, please.

It would also help me to have a rough calculation as an example of typical tax for an employee on sale of their CSOP shares. Say an employee who pays 40% tax is granted the maximum shares allowed, then exercises four years later when the share value has doubled and sells immediately?

Meanwhile, we have settled on **31 July** as the new year end. We shall stay with December for 2018 then change to 31 July 2019. Please could you draw up a schedule of the new key HMRC deadlines – returns, instalments etc - for CT, which I can share with staff?

Finally, apologies, CA brought forward figure at 1 January 2019 will be **£16,928** on the 8% pool, not £61,928 as in my letter of 14 November. £30,877 for the general pool is correct.

Conor

TASKS

Task 1

Prepare a short fact sheet for trainees about client information as Melanie requests, outlining:

- The importance of client confidentiality
- The significance of the Data Protection Act for client confidentiality
- The role of the Information Commissioner's Office.

Use question-and-answer format and include at least one practical example.

Do not refer to use of client data for marketing.

Marks: 18, of which 6 are professional marks

Task 2

Draft a reply to Conor's letter of 14 November:

- Calculating draft capital allowances as requested for the seven months to 31 July 2019
- Explaining your treatment of the new machine with an expected life of 30 years
- Explaining how the Annual Investment Allowance is best allocated
- Responding to Conor's questions regarding the patent.

Marks: 24, of which 6 are professional marks

Task 3

Draft a technical file note regarding the 2019 secondments to Tangent Tech plc:

- a) Analysing as far as possible the UK residence of Finnish secondees visiting the UK for
 - 42 days; and
 - 123 days, noting one further piece of information which it would be useful to have
- b) Explaining why the secondees are unlikely to acquire English domicile while seconded to the UK. Assume that their current domicile is Finland.

Marks: 21, of which 5 are professional marks

Task 4

Draft an email to Conor regarding his proposal of 21 November for Tangent Tech plc to offer a Company Share Option Plan (CSOP). Cover the following points in the order you choose:

- State the legislative reference for rules on operation of a CSOP.
- Identify a factor preventing the company offering an Enterprise Management Incentive share scheme.
- Explain whether any of the company's employees would be excluded from a CSOP.
- Explain whether Conor's understanding of employee national insurance (NI) on CSOP shares is correct.
- Calculate the tax on sale which Conor requests, stating any assumptions where needed.
- Identify one tax advantage for the company's employees of taking part in a CSOP.
- Identify one further issue for Conor to consider before implementing the share scheme.

Marks: 19, of which 5 are professional marks

Task 5

Prepare a schedule of key dates and deadlines for Tangent Tech plc's Corporation Tax compliance for the seven months to 31 July 2019 and also for the year to 31 July 2020. Show the relevant dates for Corporation Tax returns, payments and record keeping. State the deadlines for amendments to returns and HMRC enquiries.

No explanation is needed of any dates shown.

Marks: 18, of which 3 are professional marks