

The Association of Taxation Technicians

November 2020

Examiners' Reports

ATT Paper 1 Personal Taxation

Part I

General comments

It is worth reiterating that once again at this session a large number of candidates failed to read the question requirement properly. In particular, candidates default to doing calculations, when the requirement was to "Explain" or do a calculation when one is not asked for (see question 9 below). This wastes time when there are no marks available. It is basic – but crucial – exam technique to answer the question that has been set.

Question 1

In the main, the question was answered quite well, with a lot of candidates successfully identifying the options for the gain. Candidates who struggled thought this was a temporary non-residence question.

Question 2

This was another question that candidates generally answered well, identifying the difference between exercising in November and December. The better candidates were able to identify what the NIC position was for each, and why.

Question 3

The main mistake candidates made was forgetting to deduct the CGT annual exempt amount – or deducting it from the £1M side of the computation.

Unusually some candidates incorrectly believed that gain eligible for the remaining £1M of ER meant that £1M was taxed at 0%.

Question 4

A lot of candidates did well on this question, outlining the rules and then applying them.

The main issues were with candidates forgetting to state that the property needed to be furnished and in the UK. This is a reminder to make sure the basic marks in a question are earned.

Many candidates were too vague about Bryn's cottage, just stating an averaging election could take place, without giving the full detail required to get the mark.

Some candidates got mixed up between the penalties that apply for a late tax return and those for late payment. In addition, some candidates successfully identified the penalties, but had not read the question clearly enough and did not calculate the late payment interest due.

Question 5

Most candidates were able to identify that this was a no gain no loss calculation. Where candidates did struggle, they used market value for sale proceeds, rather than the original price paid for the shares.

A lot of candidates probably knew that the base cost would remain £12,000, but forgot to state it and so lost out on that half mark.

A significant number of candidates talked about divorce and the year of separation, which was not relevant to this question.

Question 6

The answers to this question were mixed. Some of the answers were excellent, outlining clearly what the rules were with regard to lettings relief and scoring full marks. If candidates did drop half a mark, it was generally for incorrectly calculating the gain in the let period.

A lot of candidates simply did not identify that lettings relief was applicable, which meant they could not score many marks.

Question 7

The answers were generally very good for this question, with a lot of candidates calculating the correct answer and showing their workings.

Where candidates fell down in the main was thinking there was a minimum amount for the MCA which was lower than the amount due for Jane.

Question 8

This was a straightforward question, with a lot of candidates scoring full marks.

Where errors were made, it was with using the incorrect official rate of interest or deducting the loan at the end of the year from the loan at the start.

Question 9

Whilst many candidates did well, quite a number wasted a lot of time by going on to calculate the income tax liability for the year. This is a reminder to read the question carefully – even if the tax was calculated correctly, there were no marks available for this and so time could have been spent answering the other questions in the exam.

Question 10

A lot of candidates struggled with this question, going into details on the remittance basis which was not relevant. It was clear that candidates who struggled on question 1, often struggled on this question as well, with a significant number not even attempting the question

Another problem was that candidates simply stated “if” the individual was not resident then certain pieces of income would be taxable and “if” the individual was resident then everything would be taxable. By

doing so, they did not answer the question as they did not apply the facts presented to them to get the answer.

Question 11

Only the best candidates dealt with both aspects, in order to score full marks.

Question 12

Many candidates did very well, managing to identify three points to get full marks.

Others struggled, making general remarks like “Wishing the candidate well for the future”, which was clearly not going to score any marks.

Part II

General comments

More students than usual transposed figures from the question to their answer, from their workings to their answer, and within their answer.

It appears that candidates did not pay adequate attention to the detail in the question, and many mistakes were made when typing answers at speed.

Question 13

This question involved two sisters. It required the calculation of income tax liability and NICs payable for one sister, the calculation of property income for the other sister, and a written part on a lasting power of attorney.

The vast majority of candidates attempted this question and many scored well but some answers were very disappointing. The NIC calculation in Part 1 and the whole of Part 2 were often completely omitted, or calculated incorrectly. The answers to Part 3 were in the extreme; word perfect from the ATT Law Manual, or not attempted at all.

Part 1

This was a straightforward income tax computation involving an employed individual with investment income – which included a mileage allowance benefit, living accommodation benefit, overseas dividends and pension contributions made into an occupational pension scheme.

This is a basic mainstream question and marks were expected to be high.

The income tax liability and Class 1 primary contributions were required, and some candidates did indeed score very highly – although not many gave perfect answers. Disappointingly, there were more poor marks than expected, and a surprisingly higher than normal number of non-submissions for this question given that the content was mainstream.

Common errors included:

- Not grossing up the overseas dividends correctly
- Not stating that the employer pension contributions are an exempt benefit, or including them as a taxable benefit or deducting them as an allowable deduction
- Not realising that the mileage allowance was received for all of the mileage, but ITEPA mileage rate relief is only given for the business mileage

- Incorrectly using the market value for the living accommodation benefit, and incorrectly adjusting for the furnishings and running expenses which the employee (not employer) paid for
- Incorrectly extending the basic rate band with grossed up occupational pension scheme contributions, sometimes using just the employee contributions and sometimes including both the employees and employers
- Applying the wrong rates of tax to the different sources of income
- Deducting PAYE when the requirement was for the income tax liability
- Forgetting DTR or calculating incorrectly (calculating the UK tax on the dividend being a particular problem for many candidates)
- Calculating class 1 NICs on the incorrect amount (should be cash earnings including the private element of the mileage allowance, but not the other benefits)
- Calculating class 1 secondary and class 1A NICs which were not required

Presentation of many answers could be significantly improved.

It is important to plan the approach to a question and present clear well labelled computations and workings.

Some chose to 'explain' how to do bits of the question and gave large amounts of narrative, rather than presenting a computation.

Part 2

This was a straightforward property income computation using the cash basis.

It was only worth 3 marks – but not many scored full marks.

Common errors included:

- Incorrectly counting months, or applying the accruals basis not cash basis rules
- Not treating the loan interest correctly
- Incorrectly time apportioning the insurance
- Many wasted time and went on to calculate the income tax liability – but only the property income assessment was required

Part 3

This question required two things: an explanation of what a lasting power of attorney is, and a statement of what must be included in a lasting power of attorney to make it a legal document. It did not require a list of everything that may possibly be included in a lasting power of attorney.

Answers came in the following categories:

- many candidates did not attempt this part at all
- some copied the relevant parts from the ATT Law Manual and applied their answer to the specific question
- some copied the relevant parts from the ATT Law Manual and much more besides which was not relevant to answer the question, and
- others wrote content copied from elsewhere which did not address the specific question asked.

Accordingly, marks awarded were either zero (or low) or full marks, and not much in between.

Question 14

There was some complexity in this question and a small minority of candidates were sufficiently put off by that to not even attempt the question. However, there were – as always - plenty of easy marks and most candidates who attempted the questions scored well. Even when faced with an unusual situation – e.g. the loan stock denominated in foreign currency – many candidates did well to apply a logical approach. The least well answered part was in relation to the gain arising on the Manu Ltd EIS shares where the investment exceeded the maximum £1m limit for Income Tax relief to have been claimed. A few candidates pointed out that the £200k “excess” investment could have been carried back to 2013/14 and Income Tax relief claimed in that year so that the full disposal was exempt from CGT and credit was given for that suggestion.

Question 15

This question was generally well answered. The only minor stumbling point was in relation to some confusion as to whether the 2nd and 3rd late payment 5% penalties arose 5 & 11, or 6 & 12, months after the 31 January payment date. Some candidates continue to insist on not claiming the mark (10% of the total available) for setting their answer out in the format requested by the question.

Question 16

Again, usually well answered. The marks that were most commonly not achieved were those in relation to the tax relief that Andy would get on subscribing for partnership shares. As a general rule, it is preferable for a candidate to state that Carol is taxed “on £3,475” rather than “on 1,390 x £2.50”. Although this is a small point it shows a more professional approach.

ATT Paper 2 Business Taxation

Part I

General

As this was an 'open book' exam, the questions were designed as far as possible to avoid the situation where a candidate could copy the answer directly from a text book or study manual. Some copying from study manuals was anticipated. Unfortunately, there were a few cases where it appeared that not only did the candidate not know the answer, they were also not able to find it in a text book. For some, it would appear that an 'open book' exam may not confer the advantage they may have anticipated.

Question 1

Many candidates produced very good answers to this question but some sadly proved that they did not read the question by listing the firm's name, address type of business, when it starts and how long it intends to run. The question included these matters and asked for four other matters so simply repeating them gained no marks.

Question 2

This question was generally well answered. Some candidates struggled with calculating the amount of loss relief and some, although stating it was on a LIFO basis, showed the loss relieved in 2017/18 first (i.e. so used the FIFO basis).

Question 3

There were many answers which gained full marks and the few that didn't were mainly due to the candidate demonstrating confusion over the explanation of whether two year and five year averaging claims were possible.

Question 4

This question caused problems for some candidates in establishing when the first instalment was due and also the last instalment (but not necessarily both). They could state the rule but were unable to apply it to the dates given in the question. The stated amount of each instalment was generally correct.

Question 5

The most common error in the answers to the question was to not split the accounting periods; many candidates showed a computation covering 15 months rather than splitting it into two. For those that did split the period, the most common error was to forget that the writing down allowance for the second period would be reduced in proportion to the length of that period.

Question 6

A few candidates failed to split the accounting periods but the majority did so. The most common errors were the set off the losses against the trade profits before apportionment to the accounting periods and

the apportionment of the non-trading profit, several answers showing the whole amount received in the second period.

Question 7

The answers to the first part of this question were poor in many cases with the candidates showing incorrect periods for which the payments were late and using the wrong interest rates in the interest calculation.

Question 8

Many candidates gained full marks on this question although there were also several who only lost one half mark by forgetting to show the cost of the remaining 20 acres completely or forgetting to include the improvement cost in the remaining cost.

Question 9

This question required some thought on the part of the candidates and many gave good answers. The main area which caused confusion was the third part which required the candidate to understand that there was a supply for consideration, (although in kind) and that the answer should relate to Elma for preparation of the tax return and not to George who gifted the wine.

Question 10

This was a straight forward question with many candidates gaining full marks.

Question 11

There were many answers to this question which appeared to have been copied from the study manual but with little application to the question. This resulted in long answers describing the bookkeeping but little or nothing on the effect to the tax charge in the following year's accounts.

Part II

Question 12

Part 1

Corporation tax accounting periods.

In general this question was well answered with many candidates getting full marks.

Candidates generally started their answer by setting out the rules for the commencement and cessation of accounting periods, perhaps indicating use of tutorial materials. However, some then seemed to have problems applying the rules to the scenario given: candidates worked out that the first accounting period commenced on the 15 January, but then said the second period ran for 12 months. A few candidates identified the periods correctly but then said that there would be 2 returns, rather than 3: one for 12 months and the second for the balance. The difficulty seemed to be realising that there could be 3 returns for a period of accounts.

Notification and payment dates were usually correct, where there were errors it was on the filing dates, where again the number of periods caused some confusion.

Part 2

Registration at Companies House

Where candidates had studied the law manual, they gave a list of four documents that would need sending.

Part 3

Commission

Where this was answered, it was generally answered correctly. Some candidates were confused between the receipt and payment of commission but still gained a mark if they referred to transparency being required.

Part 4

Employment allowance

The rules on car benefits were well know, the rules on mobile phones less so. There was usually quite a bit of information on the detail of the rules for employment allowance which perhaps wasted time, such as the rules concerning one person companies. Application to the question scenario was required to gain full marks – rather than just regurgitation of the study manuals.

Question 13

A significant number of candidates omitted this question. However those candidates who did attempt it found it to be a straightforward tax adjustment question.

The main adjustments to accounting profit were dealt with correctly (Jakub's wage, depreciation, loan to father, loan to employee and building repairs). The use of the employee services was less well understood, with candidates adding back the sales value rather than the cost. The rent prepayment was also often not adjusted.

The calculation of the capital element of the lease premium was usually correctly done, however the effect on the tax computation was not always right, with just the capital element added back and the full income element allowed.

The capital allowances on the plant and machinery were quite often correct. The errors involved splitting the period into two calculations or not adjusting the percentages for the long accounting period. The strengthening of the floor wasn't always adjusted. The structures and buildings allowance was usually correct, the only confusion being around the fees which were sometimes incorrectly treated and the time period allowed.

Where candidates continued as far as taxable income, the majority identified that there was no personal allowance available.

Question 14

This question was mainly well answered, although some candidates confused the rules for sole traders and companies. In some cases, however these candidates did then identify the non-trade loan relationship deficit, or referred to a company. If marks were lost it was mainly due to failure to apply the rules to the question. For example, listing the loss rules for rental property losses and then for non-trade loan relationship deficits indicated that candidates were hedging their bets. They needed to identify the loss correctly for the mark. Another example was missing the carry back to two accounting periods.

Question 15

Part 1

Capital gains tax calculation

The lease generally caused few problems, The main issue was when candidates tried to calculate the capital element of the sale, despite being given the figure for the income element.

The kiln presented a few problems. Some candidates were confused about the rules for assets on which capital allowances have been claimed, saying they were exempt for capital gains tax purposes. This confusion followed through to treatment of the welding equipment, where the business proportion was often left out. The 5/3 rule was usually spotted but not always applied to the question.

The disposal proceeds of the outbuilding were usually correctly stated as at market value and there were only a few occasions where indexation allowance was incorrectly included.

The main problem on the calculation of the tax payable was the calculation of the basic rate band still available with a number of candidates not reducing the profits for the personal allowance.

Some candidates missed the mark for the due date for the tax payable.

Part 2

Reliefs available

Where candidates picked up that gift relief was due, it was well explained, although some seemed to think that it applied because it was a disposal to a connected person rather than a sale at undervalue.

Quite a number for candidates considered that entrepreneurs relief applied even though there was no mention of a disposal of the whole business. The other relief usually discussed was rollover relief, despite the question stating explicitly that Eleanor did not want to re-invest.

ATT Paper 3 Business Compliance

Part I

General comment

Overall there were many good answers. However, many candidates were unable to resist copying lengthy, often irrelevant sections from the study manual. This would have caused time pressure at the later stages of the examination. There was also a lack of application of the material to the facts of the question – candidates may have been falsely comforted that if actively busy in the exam, they must be scoring marks. This is not always the case.

Question 1

Only a very small number of candidates recognised that the business was a limited cost trader. There were some basic errors amongst the lower scoring candidates who often took 20% of the sales figure as the VAT amount and ignored the flat rate scheme altogether. Others wasted time stating the conditions and operation of the scheme, instead of actually answering the question set.

Question 2

This was generally well done. There was a bit of confusion on the purchase of services by a UK business, with a high number of candidates stating that VAT would be charged where the supplier belongs. There is also still some very basic errors in terminology with candidates often confusing zero rated and exempt supplies.

Question 3

This question was very well done by the majority of candidates and it was encouraging to see candidates actually using application skills and stating the relevant dates for compulsory deregistration. Very few candidates picked up the point that Jacinta could transfer the registration to the new owner of the business. The 30-day notification period to HMRC was also sometimes ignored.

Question 4

Again, candidates often wasted time stating all the conditions for CSOP and how it operates, instead of dealing with the scenario. Sometimes candidates were mixed up between the treatment of part time directors and employees, but overall this question did not cause any problems.

Question 5

This question was answered accurately by most candidates. Some common errors were to use the wrong grossing up fraction in respect of the tax underpaid.

Question 6

A lot of candidates got full marks for this part. Those that did not, had not correctly dealt with the VAT element and had either ignored it altogether or deducted it from the payment. Some candidates stopped at a value of £840 so failed to deduct the actual CIS tax.

Question 7

This question was very well done with a significant number of candidates scoring full marks. Those that did not score full marks produced inaccurate calculations in respect of the telephone bill by either not limiting the amount recoverable or just taking the bill and multiplying by 70% without using the VAT fraction.

Question 8

There were usually good answers, although some that made less sense. For example, a small number of candidates typed out that the 2% rate was unchanged, but then proceeded to do otherwise in their calculations. An easy mark was lost if a saving was not actually calculated.

Question 9

Most candidates successfully applied the list of conditions given in the study manual to the facts of the question, although many wrote unnecessary narrative such as explaining why auto enrolment may be beneficial.

Question 10

There were many perfect answers for the director's NIC payments. Candidates who were less well-prepared calculated one annual amount and divided by 12 to find monthly payments. Others used monthly limits but were still able to obtain decent marks by cumulating the earnings as the year progressed.

Question 11

Few candidates stated dates as requested (dd/mm/yy). Many understood that no penalty arose but then gave huge amounts of information about every possible penalty for numerous defaults, at the expense of considering interest as a consequence.

Question 12

The apprenticeship levy calculations caused some difficulties although most candidates managed decent marks. Mistakes included not cumulating the salaries to date in month 2 while still deducting previous levy payments, or including the bonus in the wrong month. Candidates also showed that they did not understand the rate of 0.5%, frequently applying 5% and in some cases 50%.

Question 13

Most candidates applied the income tax rules and capped the 45p deduction at 10,000 miles, with the remainder at 25p. Some candidates allowed deductions for non-business mileage. Some candidates interpreted the mention of 45p (in tax tables or study manual) in relation to NIC to mean this is the chargeable, rather than allowable, amount. Many candidates understood and stated that passenger payments of up to 5p per mile are allowed without charge. Slightly fewer did not appreciate that this is an allowance per passenger, and many more thought a deduction exceeding the amount received, was available.

Question 14

The majority of candidates failed to apply their knowledge and identify which of the mentioned benefits could be payrolled. They still managed to obtain good marks for stating the forms required, and their submission dates. They wasted time discussing matters not asked for including payment of Class 1A.

Part II

Question 15

Part 1

Some candidates wasted time explaining the simplified tests for partial exemption. Answers tended to polarise between excellent and quite poor. There were then quite a few errors in relation to the VAT treatment of the capital items and rounding up of the % recoverable under the standard method. A number of candidates seemed to be confused between the simplified tests and the de minimis test. And failed to consider the annual adjustment. Some candidates chose not to answer this part of the question at all.

Part 2

This was answered very well with a high number of candidates scoring high marks. The penalty regime has been tested frequently and is a topic which candidates are comfortable with.

Part 3

Again, like part, this was answered very well. There is still some confusion in terminology and candidates refer to TOGC as being “exempt” as opposed to “outside the scope” of VAT which is always disappointing!

Question 16

Part 1

This type of scenario is one with which candidates are very familiar and the standard of answers was very high. Some candidates left out the NIC consequences and failed to explain the treatment for the child who was over 18 years old but overall, there were some very good answers.

Part 2

The standard of answers to this part was excellent and very surprising. Candidates were clearly well prepared for this type of question with a significant number gaining full marks for correctly identifying the value of the PENP and the amount of the ex gratia termination payment. The candidates who did not score full marks had either applied the formula incorrectly or had not explained fully that the £14,000 would not be subject to tax or NIC as it was within the £30,000 exemption limit.

Part 3

This was answered well with a lot of candidates scoring full marks. There were a small number who completely went off on a tangent and discussed the applicability of the Bribery Act and how commission was illegal; without logically considering the scenario or the Professional rules and practice guidelines!

Question 17

Part 1

Candidates did not always identify shared parental leave/pay. Many did obtain marks for the employment conditions of the taxpayer but the conditions for his partner were often omitted. Despite many decent answers, many irrelevant conditions were given, when only those relating to employment were required. Candidates are reminded to answer the question asked. Most candidates scored full marks for the recovery of the payments by the employer.

Part 2

In the end, candidates achieved very good marks. The main errors were treating the cash payment of £250 as part of a staff suggestion scheme and so exempt, and failing to tax the loan write off.

However, too many candidates seemed reluctant to perform an actual calculation as demanded. The instruction to 'show clearly your treatment of all items' means that in the computation exempt items should be listed but shown with a dash, a zero, or labelled as exempt. This instruction is not a request for explanation. Furthermore, when candidates did produce lengthy explanations, some failed to make clear the amount of benefit chargeable and so lost marks. The question asked for amounts chargeable to Income Tax, but despite this, there were lengthy discussions of NIC, P11Ds, payroll etc. Generally candidates overcomplicated what should have been an easy question.

Part 3

Most candidates scored enough, but rarely high, marks. Again, answers gave reams of conditions when only those relating to employees were required, and such answers sometimes did not get as far as those. Candidates typed out the general rules regarding tax implications but did not always apply to the question. For example, few candidates calculated the taxable amount if the sale of the company, and so the exercise of the options, were in 12 years' time, despite identifying that 10 years was a relevant time limit for the tax-advantageous treatment. Some candidates also considered capital gains tax implications which were not required. Some suggested that PAYE would be due if the shares were readily convertible assets, but then did not determine whether or not they were.

Part 4

This law part was frequently omitted. Those who answered either achieved decent marks or did not answer the question set but referred to the administrative conditions for the grant of EMI options.

Question 18

Part 1

This ethics element concerning an ATT member's own tax affairs was either omitted, answered with irrelevant matters regarding tax planning, or answered almost perfectly.

Part 2

There were very good answers for the calculation of the deemed salary payment.

Part 3

Few candidates understood that the deemed salary payment is deductible when calculating the company's trading profits, and when, and so most candidates failed to score for this short requirement. Many discussed basis periods and overlap profits despite these being irrelevant for a company.

Part 4

There were decent marks for this part. Many answers took the deemed salary payment into account, and correctly identified how an initial provisional amount reported can be updated. However, many candidates still think the FPS should be submitted by the date of the PAYE/NIC payment, and not by the date of a salary payment to an employee. Again, candidates wasted time discussing irrelevant matters including PAYE/NIC payment dates, when the question asked for reporting obligations.

ATT Paper 4 Corporate Taxation

Part I

Question 1

Overall this question was answered very well with a lot of candidates achieving full marks. Some candidates incorrectly allocated the air conditioning system as receiving 100% first year allowances when there was nothing to indicate that this was the case. Also, candidates missed adjusting for the disposal of the old manufacturing equipment. Candidates lost marks where it wasn't clear what additions were being allocated to the general pool after the AIA had been claimed.

Question 2

This question wasn't answered particularly well. Candidates who just listed the tests that are applied did not receive any marks unless they were applied to the scenario in the question. Mention of what pointed towards Martha being an employee did not receive any marks as this wasn't answering the question asked. Not all of the tests were listed in the model answer as they weren't particularly relevant. However marks were still awarded if these were mentioned with a good reason why these pointed towards Martha being self-employed.

Question 3

There was a mixed response to this question. Many candidates did very well and achieved full marks. Others omitted the capital gains tax consequences for Lavender and just calculated the dividend. The other issue was candidates using the wrong figures for the wrong person. Marks were given for indicating that there was a dividend calculation and a capital gains tax calculation for Lavender even if this wasn't specifically stated.

Question 4

Most candidates performed well on this question. Very few however mentioned that Florence Ltd had been registered for VAT for some time and therefore the instalments were based on the prior year's VAT liability and incorrectly calculated the instalments based on £43,000 which was the estimate for 2021. Marks were awarded if candidates referred to the prior year's liability even if they didn't state that the instalments were based on the prior year. Many candidates didn't specify that there would only be one return but where this was inferred the ½ mark was awarded.

Question 5

Candidates gave limited explanations. For example just stating 'no' for the mobile phone didn't get any marks. Candidates needed to state that this is exempt to get ½ mark. Several candidates mentioned that the phone would be exempt providing it was the only one provided and a bonus mark was awarded for this. Candidates that said that the premium bonds were readily convertible assets rather than surrenderable/convertible for cash lost ½ a mark. However, they still received credit for saying Class 1 NIC was payable on the premium bond.

Question 6

This question could have been answered better. Candidates need to ensure that they put Dr or Cr next to their descriptions in order to get the available marks and candidates should clearly indicate if they are referring to the P&L corporation tax charge. The question didn't ask for the accounting entries to set up the original provision of £66,000 so there were no marks awarded for stating these.

Question 7

Candidates generally did well on this question. Candidates who didn't correctly apportion the cost based on the current value of the land still received $\frac{1}{2}$ a mark for carrying out an apportionment of the original cost and received follow through marks for indexation correctly calculated on the incorrect cost. Where a calculation of indexation was made $\frac{1}{2}$ out of 1 mark was awarded if it was not rounded correctly or a wrong figure was used in the calculation.

Question 8

This question was answered well. Most candidates correctly said when the purchase of the new warehouse would need to take place. Some candidates talked generally about rollover relief rather than applying the rules to the scenario given and therefore didn't mention that the proceeds weren't fully reinvested and the cash retained was immediately chargeable. If candidates used figures to indicate that not all the gain could be rolled over, due to the proceeds not being fully reinvested, without any explanation, marks were still awarded if it was clear what they were doing.

Question 9

This question was mainly answered well. Most candidates knew the rules and applied them correctly. Where they weren't applied correctly but the correct rules were stated most marks were awarded. If candidates made reference to the gain being exempt or not taxable or any loss not being allowable the mark for no corporation tax was given, just stating the substantial shareholdings exemption would apply without an indication of what that means would lose a $\frac{1}{2}$ mark. Some candidates did comment on the availability of SSE in the first disposal which was not asked for in the question but marks were awarded if the correct rules were stated here if they weren't then repeated for the second disposal.

Question 10

Candidates didn't answer this question particularly well. However there were lots of marks available so candidates did get most of the available marks. Some candidates missed grouping together participators and their associates and in particular that you need to choose Phil in order to group Sarah, Peter and Phil together as Peter is not associated with Sarah, a $\frac{1}{2}$ mark was lost where they chose Sarah as a participator. Where a candidate stated the test correctly but applied them incorrectly they still received an appropriate number of marks.

Question 11

There were lots of marks available on this question and most candidates that attempted it did well. Extra marks were awarded, if available, where it was stated that the companies were large due to the number of employees and that made them subject to the transfer pricing rules. If candidates said that Hamilton Ltd may be able to make a corresponding adjustment depending on the rules in their jurisdiction they still received the $\frac{1}{2}$ mark.

Question 12

This question was answered well. Some candidates described when the payments were due but didn't put the dates which the question specifically asked for and therefore lost some marks. Those that put 31/6/21 as the date for the submission of the return lost ½ a mark.

Part II

Question 13

Part 1

This question required candidates to put into practice the tax treatment of losses brought forward, interacting with group relief. A disappointingly large number of candidates did not know (or could not put into practice) the formula:

Deductions allowance + (50% x qualifying profit-deductions allowance).

It was stated that Jerome Ltd and Harris limited would share the deductions allowed equally – so dividing it between three companies or just giving it to one meant marks lost.

Also, most candidates missed the “lower of” calculation/consideration. An easy mark missed.

Candidates should think about how they set out the answer to a question such as this - so it is clear what loss relief calculations have been performed, what is being offset, what TTP is, and losses c/f.

Part 2

The requirement in the question was clear – what steps would your firm take. There was no requirement to discuss the potential penalties arising.

Question 14

Part 1

Many candidates struggled with the grossing up of the overseas income and either put the net figure into the calculation or an incorrect grossed up figure

Part 2

Branch vs subsidiary – most candidates did very well on this.

Question 15

Part 1

Every Paper 4 part II has a mark allocated for presentation of a letter, email, etc. Candidates failing to set the answer out in email style throw away one easy mark. Similarly, the scenario of this question is about not being familiar with the client, which sets up the requirement to state what additional information is needed. Easy marks for answers such as – “did the company make a loss this year?” “provide details of the R&D expenditure to assess if it is qualifying” etc

The requirement was clearly to state the tax treatment of the expenditure. There are no marks for the tax treatment of profits or income from the use of IP.

Part 2

A lot of candidates did not answer this, although it should have been straightforward. Points were there for putting in the cash proceeds, and the cost, for example, which were given in the question.

Question 16

Part 1

A lot of candidates did not add the balancing charge to the profit in 4 months to Jan 2020; or they calculated an WDA of 18% or 8% on the TWDV b/f

Part 2

Incorporation relief - well answered although some candidates missed the requirement to state the benefit of the relief (i.e. it defers the gain)

Part 3

Gain on incorporation – many struggled with the calculation of the incorporation relief.

Part 4

VAT – generally well answered

Part 5

Most candidates got the general idea – veil of incorporation – but failed to give sufficient examples despite them being in the manual.

ATT Paper 5 Inheritance Tax, Trusts & Estates

Part I

Question 1

Although most candidates attempted this question it was poorly answered on the whole. Most were unaware of which valuing method should be used and did not state how to treat the accrued income.

Question 2

This question was fairly well answered on the whole. Most candidates correctly used the loss to donor valuation however the correct use of loss to donee for the fall in value relief was less consistent.

Question 3

Where candidates identified that the question was referring to normal expenditure out of income they answered very well.

Question 4

This question was well answered on the whole. Marks were missed where candidates did not state and apply the conditions in detail.

Question 5

Quite a few candidates answered this question in calculation format rather than written. Marks were awarded for this where they had clearly annotated the calculations to show the stages, and in general candidates displayed a good understanding.

Question 6

This question was answered well by most candidates.

Question 7

There was a varied standard of answers but most candidates were able to identify either the tax or the person subject to tax and obtained marks.

Question 8

This question was well answered on the whole, revision of chattels rules would have helped some candidates.

Question 9

This question was answered very well by most candidates. The large majority identified Entrepreneurs' Relief would be available on the disposal.

Question 10

Many candidates produced good answers to this question.

Question 11

This question was resulted in a mixed standard of answers.

Question 12

Although most candidates attempted this question it was poorly answered on the whole.

Part II

Question 13

This question was usually very well answered. Most candidates were able to identify the correct exemptions in the first part of the question and able to calculate the Inheritance Tax payable in part 2. The ethics aspect was also very well answered with many candidates achieving full marks. The only part of the question which was poorly answered was part 3 where a number of candidates were unable to identify the existence of a bare trust.

Question 14

All parts of this question were answered very well by most candidates. The only point which most failed to answer correctly was when the duties of the executors start and end.

Question 15

The computational aspects of the question were answered well, as were the penalties and ethics aspects of the question. A number of candidates struggled to obtain marks in parts 1 and 4 of the question in which they were asked to explain the IHT treatment of various trusts. However the standard was varied, and some showed good understanding.

Question 16

The first three parts of the question were fairly well answered by those candidates who attempted it. Quite a few did not correctly adjust the nil rate band for the prior CLTs and distributions in part one, however most made a good attempt at the calculation of quarters. Not many candidates achieved full marks in part 2 of the question; the unattained marks varied but candidates often forgot to deduct the capital loss, or to correctly comment on the PPR position. The last two parts of the question were not particularly well answered by most candidates, but most obtained basic marks for the ethics aspect.

ATT Paper 6 VAT

Part I

Question 1

Almost all candidates scored highly on this question, demonstrating that they knew the conditions for joining the annual accounting scheme and the advantages of doing so.

Question 2

Again, most candidates scored highly on this question. The two items appearing to be the most problematic being the English dictionary (some believing this to be an educational exempt supply) and the cycling magazine (some believing this to be standard-rated).

Question 3

This question was generally answered very poorly with only the best prepared candidates providing relevant responses. The question clearly set out that the charity, Carbon ReNew, has income from fundraising, donations and the sale of environmentally-friendly gifts and, perhaps more importantly, that it is VAT-registered. The majority of candidates wasted time by discussing whether the charity was able to register for VAT and what the disadvantages would be of not registering. Also, many candidates discussed the exemption for welfare and health services and the fact these were exempt supplies, which was not relevant to the question at all. The question required candidates to acknowledge which income constituted business income and which was non-business income and to briefly comment on their corresponding VAT treatment, as well as the VAT recovery status attracting to each type of supply.

Question 4

Most candidates scored well on this question, clearly demonstrating their knowledge of MTD and its application in practice, particularly around the permitted use of spreadsheets.

Question 5

The majority of candidates identified that the question was about Markus moving to monthly VAT returns and for those candidates this was an easy two marks. Some candidates instead discussed moving to annual accounting and concluded they could not recommend this.

Question 6

The vast majority of candidates scored full marks on this question, demonstrating a clear understating of basic and actual tax points as they pertain to services.

Question 7

There were mixed results for this calculation question concerning the flat rate scheme. Most candidates realised that the income from photography sales was shown as exclusive of VAT so needed to be grossed

up for inclusion in the calculation, but many did not realise this so lost an easy mark. The same applied to the deduction of input tax on the capital item (the camera) - many candidates considered the £2,000 limit but then erroneously concluded that the camera was not over the limit (as they had not grossed up the camera purchase price). Some candidates went on to discuss whether Tanya was a limited cost trader - this was not the intention of the examiners but marks were awarded if the percentage applied was 15.5% instead of 10%. On that note, many candidates omitted to deduct 1% from the flat rate scheme percentage for the first year of being in the scheme and an easy mark was therefore lost.

Question 8

This question was generally answered very poorly with the vast majority of candidates discussing the various penalty percentages for unprompted/prompted disclosures when the question was actually about the likelihood of HMRC levying interest, not penalties. The examiners were looking for comments about commercial restitution and whether that applied in this scenario. Some candidates scored a mark by saying that, as the customer (Grandol Ltd) would have recovered the input tax if VAT had been charged by Sindon Ltd, there would be no commercial restitution for HMRC in this case. However, only a couple of candidates went on to explain that, just because Grandol is VAT-registered this does not necessarily mean that it was able to deduct the VAT as the purchase may be for exempt or non-business purposes, hence HMRC may well levy interest.

Question 9

Candidates were able to score four easy marks on this question concerning special partial exemption methods, and the vast majority did so.

Question 10

This calculation question about deregistration and goods on hand at the date of deregistration was generally well answered by candidates. Some problems arose when calculating the output tax due on goods on hand with many candidates taking the original cost of the point of sale system instead of market value. Some candidates, after calculating the VAT due on these goods on hand, then deducted that amount as input VAT rather than including it as output tax.

Question 11

Very few candidates received full marks for this question. Many wasted time repeating that Lakshmi Ltd will be charged VAT by the landlord and, in order to recover the VAT in full, Lakshmi will need to make a taxable supply of the sublease - this was already stated in the question. Most candidates just mentioned that Lakshmi Ltd would need to opt to tax the building and then proceeded to discuss the conditions for revocation of the option. In respect of the latter the question did not ask this and the examiners were simply looking for candidates to highlight that Lakshmi's option to tax is a two-step process: firstly, the decision to opt and then the process for notifying said option to HMRC.

Question 12

Again, very few candidates received full marks for this question. The VAT rules pertaining to samples were generally well understood, but the rules around free supplies of in-house services were poorly understood. The majority of candidates incorrectly believed output tax would be due on the massage and referred to the £50 gift of goods rule.

Part II

Question 13

Most candidates scored well on this with the best marks being collected by those who worked through methodically addressing each point in turn and dealing with the specific facts listed in the question. A small number of candidates wasted time by setting this out as a letter when that was not required. Only a small number of candidates correctly identified that the sale of the converted flats was exempt rather than zero rated. Easy marks were available for stating points to be included in the dis-engagement letter, but many appeared to miss the point and provided instead a description of why there was a conflict or how this should be justified to the client.

Question 14

The export part of this was well handled, though only a few candidates scored points on the indirect export. Most candidates were able to Hoover up easy points on the evidence required for export. Identifying the place of supply of services did present challenges for many and future candidates would be well advised to ensure that they have a good grasp of this area. The accounting question was well answered giving easy marks for many.

Question 15

Most candidates appeared to have a good grasp of the penalty regime. Many missed a point for not stating that HMRC may well consider that the first error arises despite reasonable care and as such should have no penalty. A small number of candidates continue to list out the penalty table rather than addressing the specific circumstances of the question.

Question 16

Although most candidates scored well on this question, some lost points for failing to state what they were omitting from the calculation – the question asked for an explanation and invited the candidates to show workings. The commonest error was failing to omit the income from the capital disposal. Nearly every candidate picked up full marks for stating the advantages and disadvantages of voluntary registration.