

ATT May 2023

Paper 1: Personal Taxation

Examiners' report

General comments

This section of the paper was answered well by the majority of candidates.

There were some tricky questions which required unusual application of knowledge, but there were sufficient mainstream application questions which should have provided some relatively easy marks for a well prepared candidate.

Candidates should be reminded that they should read the requirements very carefully and answer the specific question asked, not the one they wished had been asked.

In addition, full credit will not be given where there is no narrative provided in computations, where workings are not provided to support calculations, and where explanations are not given when they are specifically asked for.

Question 1

This question was answered well by the majority of candidates. However there were numerous answers which demonstrated a lack of understanding.

Common errors included incorrectly grossing up the OPS contributions, ignoring the information about previous years or carrying forward all four years of unused annual allowance, and not taxing the excess contributions at all or incorrectly taxing at the higher rate rather than additional rate.

The question clearly states that the taxpayer is an additional rate taxpayer and is not a 'high income individual' for pension purposes. Despite this, some candidates ignored this information and wasted time calculating threshold income, adjusted income and extending the basic and higher rate bands – all of which were unnecessary and earned no marks.

Question 2

The income element of the lease premium received caused problems. Many calculated the capital element rather than the income element, some used an incorrect formula to calculate the assessment and some ignored the premium completely.

Disappointingly, as in the past, too many did not calculate the rental income received correctly under the cash basis.

Both of the expenses incurred were allowable deductions, but many candidates only deducted one of them, or neither.

Question 3

This question required calculations of PRR and letting relief, but explanations were also required. Too many candidates failed to give any explanations and therefore lost some relatively easy marks.

Common errors included thinking that working in Wales is 'working abroad', not giving allowance of 48 months for 'working elsewhere in the UK', not giving allowance of 36 months for 'any reason', and not stating that for deemed occupation periods to be allowed there must be a period of actual occupation both before and after the period under consideration.

Some candidates calculated the PRR on an annual basis, or daily basis, despite the rubric of the exam stating 'All workings should be shown and made to the nearest month'. In most of these cases the answer was significantly incorrect.

Finally, many candidates incorrectly stated that letting relief was available and quoted the 'lowest of three amounts rule. Sadly quite a few other candidates ignored this part of the requirement completely and made no comment at all about letting relief.

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Question 4

On the whole this question was answered well by the majority, however many wasted time giving pages of work detailing everything they knew about the EIS scheme without clear focus or direction.

There were only 3 marks available, equally split between the income tax consequences and capital gains tax consequences.

Question 5

Most candidates did well in this question and remembered that the personal allowance and annual exempt amount are not available if the remittance basis election is made, although some deducted both in their answer.

However, quite a few forgot the remittance basis charge all together, or added it to both the income tax and capital gains tax liabilities, or added it to the amount of taxable income rather than the liability.

A significant number incorrectly included the remitted gains in the income tax computation and taxed as non-savings income. Finally, some candidates calculated the capital gains tax wrongly using the residential property rate of 28%, rather than using 20% as it is a commercial property (not residential).

Question 6

A disappointing number demonstrated that they cannot calculate National Insurance Contributions (NICs) correctly.

Many missed the fact that the taxpayer was a director and therefore the calculations should be performed on an annual basis, not monthly or weekly.

An even larger number mistakenly adjusted the salary for the pension contributions and calculated the NICs based on an incorrect 'cash earnings' figure. Some forgot to deduct the lower and upper threshold amounts, some also used the wrong rates and some calculated Class 1A NICs payable on the benefit of employer pension contributions.

Question 7

To gain the marks in this question, the conditions for BADR needed to be applied to the question. Marks were not given for simply regurgitated facts from a text book.

Many answers were confused, unclear, and not directed to answering the question. There were two individuals that needed to be considered: one making a gift, and the other making a sale, of shares, one qualifying for the relief and the other not.

It was important to clearly distinguish between the two events and conclude as to whether the relief is available, with reasoning as to why.

The majority of candidates mentioned the requirement to own at least a 5% interest in the shares, the 2 year rule, and the need to be an employee. Many however did not state that the company, Z Ltd, needed to be a trading company.

A significant number calculated the percentage interest of shares held by Nigella both before and after the bonus issue – but incorrectly calculated the position after the bonus issue based on there still being 1 million shares in existence.

Clearly this is not the case as not only will Nigella receive bonus shares, so will all the other existing shareholders. The total number of shares issued will therefore increase and the percentage interest of Nigella is therefore the same both before and after the bonus issue. This did not affect the decision concerning BADR as, in both cases, the percentage exceeded 5%, however these candidates demonstrated that they did not understand how a bonus issue affects a company's shares.

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Some candidates stated that there was no BADR on the gift as it was not relevant, stating that gift relief would fully defer the gain anyway, and so there would be no BADR.

However, the question did not ask whether BADR would actually be claimed, it just asked whether BADR would be available. Remember that gift relief is optional and part of making the decision as to whether to claim gift relief, the availability or otherwise of BADR will be an important factor.

Question 8

This question was excellent test of whether candidates understand how the taxation of trust income works in practice. It was tricky as it required the calculation of the 'additional amount of tax payable under self-assessment' specifically on the trust income, and the 'net after tax cash' the beneficiary of the trust would receive on the trust income.

Most candidates attempted the question, but did so by producing a full blown income tax computation including all sources of income, rather than just calculating the tax on the trust income. They therefore calculated the total income tax payable by the beneficiary on all of their income, not the 'additional amount of tax payable under self-assessment' specifically on the trust income.

Very few candidates went on to try and calculate the net after tax cash received. Most ignored this requirement, and some of those that did attempt it tried to calculate the net after tax cash received in total on all the income, not specifically on the trust income.

Question 9

Surprisingly this question was not well answered and many demonstrated their lack of knowledge as to how gift relief works on a sale at undervaluation.

A significant number did not calculate the chargeable gain before gift relief correctly. Many stated that gift relief would defer all of the gain. Of those that realised that the full gain could not be deferred, many went on to incorrectly calculate the portion of the gain that is immediately chargeable and therefore the amount of gift relief available as a balancing figure.

It is important to note that the requirement asked for a calculation of the amount of gift relief available, but in addition asked for an explanation of how it is decided how much can be deferred. Many ignored this part of the requirement and therefore lost the mark available for the explanation. Others wasted time explaining the conditions for gift relief and the due date for making a gift relief election, neither of which were mark earning.

Question 10

This question was not attempted by many candidates. Of those that attempted it, very few answers were good. There seemed to be confusion around the whole topic of pre-owned assets.

The most common error was incorrectly calculating the increased value of the asset at 2022/23 based on a 15% uplift over a number of years, rather than freezing the value for five years.

Other errors included talking about inheritance tax consequences rather than income tax, others calculated a 20% 'use of assets' benefit, and very few understood the significance of reducing the value of the asset to £200,000. Very few candidates knew the £5,000 limit rule and correctly applied it.

Question 11

Almost all candidates did this question, but again many wasted time writing far too much but were not answering the specific questions asked and not applying the knowledge to the question. Marks were not given for simply regurgitated facts from a text book.

There were only 3 marks available equally split between the SAYE scheme and the CSOP scheme.

The SAYE scheme part was well answered on the whole, however the CSOP scheme part was not.

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Many spotted that the exercise happened outside of the required 3 to 10 year period and stated that income tax and NICs therefore applied. Sadly few made the connection that the reason for the early exercise was retirement and therefore no charges arise provided the exercise is within 6 months of leaving.

Part II

Question 12

Overall this was a well answered question by a majority of candidates, with some excellent answers.

The better candidates got the emissions percentage correct and also spotted that the benefit needed to be time apportioned. For the fuel benefit, a lot of candidates probably knew it did not apply but did not state this. Remember the marker cannot give you marks for being passive, you do have to make a note of it.

The most common problems were confusion over how to treat the VCT dividends and what to do with the gift of shares. For the former, a lot of candidates thought that not subscribing for the shares meant the dividends were taxable. Lots just stated all dividends from VCTs are exempt. For the latter, the two common errors were extending the basic rate band or simply stating that it was a no gain/no loss transaction. Even where answered correctly, a surprising number of candidates deducted the incidental costs rather than adding them.

Another issue was with candidates giving explanations that were far too vague. Statements such as "no fuel cost", "VCT dividend for the first £200,000 is tax free" or just "exempt". £200,000 what? Of the investment? Or £200,000 worth of dividends? And what is exempt? The whole lot? These statements are simply too vague to get any marks. Others simply stated "VCT dividends are exempt", which is not correct.

With the EIS shares, a fair few simply stated it was exempt from CGT. Others calculated a loss for income tax purposes, but proceeded to add the EIS loss to the taxable income! Again, some answers were too vague in places, with a lot stating "No clawback as sold after 3 years". Clawback of what? You must be specific when answering questions.

A common error was identifying the EIS loss could be deducted from income, but candidates then deducted it from the total tax calculated, rather than from income.

It was remarkable how a fair few candidates still thought Ajay got a full Personal Allowance. Equally poorer candidates often forgot to deduct the PAYE at the end - some even added it onto the salary.

Some candidates lost marks for getting the wrong rate of tax for the Savings and Dividend income. Others forgot that the first £2,000 dividends are taxed at 0% due to the Dividend Allowance being available.

Question 13

This question was a real mix. It was either very poorly answered – sadly by a large number of candidates – or very well answered, with not much inbetween.

A lot were able to identify that the shares bought in the next 30 days are disposed of first, but simply pooled them with 5,000 shares from the s.104 pool for one CGT transaction, rather than two separate disposals.

The better candidates were able to correctly work out the capital gain for the shares purchased within 30 days of the sale. However, they often then found it harder to work out the s.104 pool for the remaining 5,000 shares.

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Some were tripped up by thinking the purchase on 12 May 2022 was the one within 30 days, forgetting it is 30 days after a sale, not before.

It was quite obvious that a fair number of candidates simply had no idea what the share matching rules are, getting themselves in a total mess trying to guess how to calculate the gains.

Not showing their workings cost a lot of candidates marks. In fact, some candidates who got the gains correct got less marks than those that did not get both gains correct, as they had shown their workings and so gathered follow through marks along the way.

In addition, candidates are reminded to read the question carefully. It asked for the total chargeable gains, not the CGT due, so it was a waste of exam time applying the annual exemption.

Question 14

Part 1

Most candidates were aware of the £150,000 threshold and that the cash and accruals bases were the two alternatives, with many recognising that the latter was available, in Poppy's circumstances, by election. Fewer referenced the pro-rating of the £150,000 limit and even fewer were able to calculate the gross property income accurately under the two bases.

Part 2

Generally well answered, the hardest mark to access being that which stated that the cash basis was preferable to the accruals.

Part 3

Generally well answered.

Question 15

Part 1

Quite poorly answered with a significant minority of candidates focussing on the necessary contents of an engagement letter, rather than the actions to take before issuing the letter.

Part 2

The majority of candidates recognised that this was a question about the disposal of UK residential land by a non-UK resident, so that the NRCGT rules were relevant. A surprisingly large proportion only referred to the default gain calculation, of proceeds less April 2015 value, without mentioning the other two options. Most of those that did refer to all three calculations then failed to conclude which one would be chosen, thereby missing out on the final ½ mark.

Part 3

Candidates generally struggled to score well on this part. A large majority referred to the temporary non-UK residence rules and got most of the basic marks available for the conditions under which it applies. However, the ensuing application of those rules to the facts of the question was often quite poor.

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Paper 2: Business Taxation

Examiners' report

Part I

General comments

Overall performance was good with candidates achieving decent marks across a range of topics. However, candidates often wrote too much irrelevant information which may have affected their time available for Part II of the exam.

Question 1

There were many good answers with occasional errors in the order of steps/ salary allocation.

Question 2

There were many decent answers although sometimes candidates forgot interest for both payments. Most candidates applied their answers, giving only the penalty relevant for this degree of lateness. However, there was some confusion with candidates often replicating a sentence from the study manuals that payments on account 'do not suffer separate late payment penalties' but then still giving a penalty for the late payment on account.

Question 3

This question was occasionally omitted but overall candidates gave decent answers, usually explaining at least two or three factors in relation to the scenario. Some candidates wasted time with repetition. Few candidates confused this with the badges of trade.

Question 4

Calculations were often perfect. The main errors arose from incorrect class 4 adjustments for the short period of trade. Candidates may be taught always to give payment dates etc but these were not required and this wasted time – giving extra information was a frequent feature of these scripts.

Question 5

This question was occasionally omitted. There were some good answers, but also some confused responses. However, performance on accounting generally seemed improved from a similar question last sitting.

Question 6

This was a discriminating question and it was clear that some candidates were unaware of the relevance of the earlier gain. Those who spotted rollover relief often, but not always, restricted it, although frequently thought the gross proceeds must be reinvested. Most candidates who applied rollover relief adjusted the base cost rather than correctly bringing the 'frozen' gain back into charge directly.

Question 7

There were many perfect answers. Occasional errors included omitting the annual exempt amount or charging tax at 10% - candidates are too eager to apply business asset disposal relief. A few candidates calculated indexation allowance despite the taxpayer being unincorporated.

Question 8

Candidates often showed good application of the instalment rules to the facts of the question, although not all recognised the prior year exception applicable. Those who did, scored highly but often forgot the overall £10 million limit or failed to reduce this for a six month period.

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Question 9

This was a discriminating question. Candidates wrote too much, not always answering the question, and made contradictory statements. Many covered all possible loss uses which was not required - the question stated that the company claimed relief as early as possible. Many recognised the flexibility of order of current year and carry back deficit relief but then did not apply this to give early loss relief or specifically favoured a current year claim. Candidates often stated that current year relief of the property loss was mandatory, but then contradicted this with other options.

Question 10

An ATT member should know the number of days in each month so it was disappointing that such mistakes were seen. That aside, many candidates gave decent, and some excellent, answers. The requirement merely asked candidates to state the dates – explanations scored nothing and wasted time. Some candidates lost easy marks for not answering the question in full, continuing to 30 April 2023.

Question 11

Candidates usually scored well enough and there were some perfect answers, but a variety of errors was seen. The most common errors for individual items included allowing the legal fees regarding share capital, and either allowing the dividends paid or deducting these as non-taxable income. Some candidates are still confused how to make adjustments when calculating trading profits, and a few calculated TTP instead. There were some unnecessary and lengthy explanations. Candidates were asked to calculate, showing their treatment of each item. This does not mean explain, but merely show where items require no adjustment (a label for the item with a dash or zero would suffice).

Question 12

Answers were too general regarding why an enquiry would be too late. Many candidates quoted rules but did not apply them – there was sufficient information in the question to determine the date the return was actually submitted and so the date by which an enquiry should be raised. Answers to the second part were usually much better with most candidates identifying that a discovery assessment would still be within time. The better answers justified this by way of the conditions for raising such an assessment.

Part II

Question 13

This was in general well answered, although the herd sale did confuse some candidates. Although they may have known that the profit was not taxable, they weren't always sure how this should be applied in practice. There was also some variation in the treatment of the redundancy payment with some candidates being unaware of the multiple of statutory redundancy which was allowed. Candidates also had a tendency to launch into the notes of potential adjustments and forgot to add back depreciation and the loss on disposal of assets.

There was some variation in the calculation of capital allowances with some candidates including AIA and WDA, despite the cessation of the business. Other candidates ignored the proceeds from the auction, although taking into account the market value of the other assets.

The terminal loss was in general correctly calculated. The only problem seemed to be the number of months to include from the year ended 31 December 2021. Some candidates seemed aware of the point that if the previous tax year was a profit overall then it should be ignored. However, they then

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applied this to exclude the share of profits from the year ended 31 December 2021: effectively applying it at the wrong point in the calculation.

A few candidates did pick up that there was a balance of loss available for the period to 30 June 2022.

Question 14

If a question omitted, it tended to be this one. When candidates did answer it, then the commentary was a good standard. They were aware of both business asset disposal relief and investors' relief and the relevant conditions. Candidates did sometimes get confused between the different investors, but provided the points were relevant, credit was given (e.g. Sam confused for Rafael). Candidates need to make sure that their answer is applied to the situation: a listing of the conditions for the different reliefs would not generate full marks.

Question 15

As a fairly standard corporate tax computation, this was well answered. The main error was to include structures and buildings allowance in the computation. This was not very detrimental to a candidate's marks overall. Occasionally candidates did deduct rather than add back the loss on sale of equipment. Second hand assets do not qualify for the super-deduction for capital allowances. Some candidates also seem to think that this applies to additional investment allowance, adding the second hand printing machine to the general pool.

Part 2 of the question on structures and buildings allowance was well answered, with many candidates getting full marks.

Part 3 proved a bit more difficult. Some candidates missed it out entirely. Some candidates addressed only the tax advantaged share options. Again, it was important to link the answer to the question: listing all the possible options without mentioning Sam lost marks.

Question 16

Sonja had three questions concerning VAT registration. The second and third questions were usually answered well. Some candidates referred to group VAT registration, despite there being no companies involved. Many candidates focussed on explaining fully the historic and future tests for VAT registration, which wasted time as it did not answer the question. The question made it quite clear that Sonja wouldn't have to register immediately under either test.

The second part of the question was occasionally missed altogether. When it was answered, candidates were aware of the relevant issues. However, they need to be careful to focus the answer on the question, rather than listing all the relevant sections of the standard.

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Paper 3: Business Compliance

Examiners' report

Part I

General comments

Performance was generally good but answers would be improved if directed more closely to the questions actually asked.

Question 1

Most candidates were able to correctly calculate the output VAT on the standard rate items but a high number did not even attempt to calculate the output VAT on the reduced rate items. The input VAT calculations were better with most candidates scoring full marks on this part. The weaker candidates either left out the question or were extremely muddled and often just multiplied the total VAT inclusive costs by 1/6 and went no further.

Question 2

Candidates found this question straightforward and were able to explain the functions required from the compatible software. In terms of the second part of the question, instead of answering the question set, candidates instead discussed penalties for non-filing of returns under MTD and missed the point that either compatible software was required or that Yunfan could use bridging software.

Question 3

This question was generally well done although candidates did not appreciate sometimes that the charge on deregistration would be treated as a deemed supply.

Question 4

Candidates struggled with this question and tended to just take the gross amounts and multiply by 1/6. More focus needs to be attached to the accounting part of the syllabus and distinguishing between debtors and creditors as candidates are generally very poor in this area.

Question 5

Whilst the benefit on the car and the annual value aspect of the house caused no problem for candidates, many wasted time calculating the "expensive accommodation" benefit. This displayed a lack of application skills and a misunderstanding of the rules as the original cost was below £75,000. The lower scoring answers also thought that the assessment of the benefit on the bills was the cosy multiplied by 20% so there was some confusion around the basic principles.

Question 6

Candidates are familiar with this type of question and scored well. However, there did seem to be a significant number who were of the view that the employment with Dent plc would not have to be shown at all on the self assessment – failing to appreciate that it would be shown as employment.

Question 7

Candidates made this question more difficult than it should have been. Many treated the taxpayer as an employee, not a director, and performed monthly calculations. Most marks were then still available, but only after more lengthy calculations. Other candidates appreciated the director status but calculated the NIC due for each month on a cumulative basis – a very lengthy calculation, far beyond the time allowed for 4 marks, which should have caused candidates to check the requirement again. Such candidates were still able to gain full marks, but at a time cost.

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Aside from approach, errors frequently concerned the mileage – an intended distinguishing aspect of this question. A small number of candidates wasted further time calculating Class 1 secondary contributions, not asked for in the requirement.

Question 8

There were many good answers, although candidates occasionally misunderstood the qualifying week for Statutory Maternity Pay.

Question 9

There were many perfect answers. Common mistakes were including taxable benefits or failing to apply 0.5% correctly (5% and 50% were both seen). However, candidates wasted time with calculations of the levy for earlier months, failing to appreciate that the figure they needed - the levy paid to date - had already been given in the question.

Question 10

Many candidates had a good understanding of the reporting obligations, usually recognising the two accounting periods but sometimes giving different filing dates. Again, candidate gave superfluous information – mostly involving payment dates which were not asked for.

Question 11

There were many decent answers – candidates could still score most of the marks if they incorrectly adjusted for the tax owing, provided they understood the letters involved in tax codes.

Question 12

This question was very occasionally omitted, but otherwise candidates usually achieved decent marks. The presentation of answers is to be commended – candidates usually followed instructions and clearly showed fully exempt and taxable amounts, and applied the £30,000 exemption correctly. There was usually an error or two, often with calculation of the camera benefit. There was plenty of mention of NIC which was not asked about.

Question 13

This was a differentiating question. Too few candidates were aware of how to collect tax and NIC on a share award and wrote generally or vaguely about PAYE. Too many candidates wrote extensively on the reporting requirements (not asked for) at the expense of addressing the collection and payment obligations (which were). Some candidates (sometimes after extensive paragraphs on reporting) did reproduce some relevant paragraphs from the learning materials and so picked up some marks, but not those available for applying this information to the actual facts and amounts in the question.

Part II

General comments

Again, performance was good overall. However, candidates continue to rely too heavily on stating rules (whether known or from the learning materials) with a reluctance to apply them to the specifics of the question scenarios.

Question 14

Part 1

A significant number of candidates scored well in this part, demonstrating really good knowledge on the VAT liability of imports and exports. Common errors made were treating the import of toys as zero rated, treating the children's books as standard rated and not knowing how to treat the import

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from Northern Ireland. Whilst most candidates alluded to the duty deferment scheme, explanations were often brief and so did not gain all of the marks available.

Part 2

Some really good knowledge shown on the operation of the penalty points regime, however candidates often favoured the "write all you know about a subject" approach over the application of the rules to the scenario. This was disappointing as the dates for MPC had been clearly set out to lead candidates to discuss how the penalties would be applied to them. The higher scoring candidates went through each deadline and identified the penalty points levied and the implications for MPC.

Part 3

TOGC is a commonly tested area and caused no problems. However, the conditions for TOGC to apply were often not discussed in detail and candidates spent a lot of time talking about checking of business records for transfer of the VAT registration which was not really the focus of the question.

Question 15

Part 1

It was really encouraging to see that a high number of candidates scored full marks in this section. Those that didn't miscalculated the overlap profits or did not understand the basis period rules at all.

Part 2

Again in this part, candidates favoured the knowledge approach over application skills. A key point in the question was that Mary would still need to be included on the FPS despite not paying income tax or NIC which many candidates did spot. However, there were lots of answers which focussed on the dates and deadlines for registering as an employer and the forms needed instead of appreciating the facts in the scenario.

Part 3

Candidates found this part straightforward. The weaker candidates got confused and instead discussed the availability of got confused and instead discussed the availability of child benefit.

Part 4

Most candidates scored full marks on this part.

Part 5

The stronger candidates scored full marks but there were a high number of candidates who discussed employer duties and explained in great detail points such as health and safety, training, duty to provide references etc. The question specifically asked about Adam and Mary. Some candidates also instead of discussing the common law duties focussed on contents of the employment contract which was not relevant.

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Question 16

Part 1

This part was very occasionally omitted. Those who persisted obtained varying marks. There were effectively three aspects to the answer – why the company was a deemed contractor, the exemption for properties used in the business, and whether the individual costs constituted construction operations. Most attempts covered at least one aspect and decent answers accurately covered at least two, with the second the most frequently omitted or misapplied.

Part 2

Many candidates gave decent answers here to the effect of the secondment on residence. Some failed to comment on the (nil) effect on domicile. Lower scores arose when candidates gave general comments, rather than specifically addressing, for example, the taxation of the salary. A few candidates applied rules for non-domiciled taxpayers despite correctly identifying retained UK domicile. It appears sometimes candidates lack the confidence to just stop writing – some later comments contradicted earlier ones.

Part 3

Many candidates produced answers that scored enough in the end, despite a sometimes convoluted journey to get there. Many wrote far too much. The requirement asked for a calculation and for candidates to 'clearly show' their treatment of each expense. It did not ask for explanations, but merely required candidates to indicate whether they were adding, deducting, or doing nothing (a label with zero would suffice) with each expense, when calculating employment income.

As expected, there were some errors with particular expenses (eg thinking entertainment reimbursements to be taxable). However, more concerning was the confusion over how to perform the calculation itself, for example, what to do with a taxable reimbursement. For example, some candidates taxed expenditure which had never been reimbursed, some further deducted exempt reimbursements. Where there was clearly a consistent misunderstanding of the action required, follow through marks could be awarded, but overall the time spent (including by the examiner in unravelling answers) was disappointing.

Question 17

Part 1

Most candidates achieved decent marks for explaining the close company, although perfect answers were infrequent. Many did not ultimately correctly identify the five controlling participators/ their shareholdings but were usually able to pick up many marks for their workings towards this. For example, many candidates identified the associates in the scenario but did not always follow this through correctly in terms of shareholdings. There was frequent confusion about directors, although of limited consequence to the answer.

Part 2

Most candidates gave perfect answers to this calculation, showing their full workings as instructed.

Part 3

1) Despite asking for the implications for the individual, many candidates wrote extensively about the s.455 charge, relevant only to the company. This was often at the expense of remembering the loan benefit. Many recognised the write-off would be taxed as a dividend, and some that NIC would also be due, but too many then quoted general ranges of rates – there was sufficient information in the question to determine the actual rates and perform the calculations requested. Time pressure and

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exam fatigue were probably setting in at this late stage of the exam, but it seems that many candidates could have easily scored more highly here if they had taken a moment to look back at the question information.

2) Many candidates recognised the bed and breakfasting scenario but most then concluded that no s.455 amount would be repaid. Such candidates scored enough, but there were very few full answers. Some wrote out the rules on the loan amount deemed to be repaid and when, but did not apply these to this scenario to give the actual amount or the actual date/relevant period.

Part 4

A simple ethics element about charging for services usually yielded enough marks for candidates who got this far. Many candidates could have scored more highly if they had explored the possibility of contingent fees more fully. As usual, there were some candidates who insisted on several 'warm up' paragraphs - even at this late stage in the exam – about fees generally, before starting to answer the question by giving possible bases (in then time-limited depth).

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Paper 4: Corporate Taxation

Examiners' report

Part I

General comments

In general candidates answered the questions well. Candidates should take care to read the question and the requirements carefully to ensure they are answering the question fully.

Question 1

Most candidates answered this question well and will have received full marks. A few candidates treated the digger and concrete mixer as eligible for 130% super deduction having missed that they were second hand and therefore the super deduction wasn't available. Some candidates forgot to apportion the capital allowances by 10/12 due to it being a 10-month period but most dealt with this aspect correctly. Candidates that apportioned the AIA available by 10/12 lost this ½ mark.

Question 2

This question was also well answered by a lot of the candidates. Mistakes were made when the indexation wasn't rounded to 3 decimal places, and candidates lost ½ a mark for each calculation that wasn't rounded correctly. A few candidates missed indexation altogether or didn't index both lots of expenditure.

Question 3

Candidates found this question tricky with many not even attempting it. Candidates made errors by not calculating 2/12 of the amortisation for the year ended 31 December 2022 or ignoring that amortisation would be charged at all. Candidates should indicate if their debits and credits were P&L or B/S but I didn't penalise candidates for this. Some candidates multiplied the expenditure by 230% as research & development expenditure but the question didn't ask for this and so received no marks for any calculation.

Question 4

Another well answered question. Marks were lost when candidates said that Darren would pay Class 1A on their car benefit. I would have liked candidates to say Primary contributions for Darren and Secondary contributions for Adcock Ltd but marks were not lost if they didn't. Where a candidate said Marcus would pay Class 1 then ½ mark was lost. A small number of candidates said that Adcock would pay Class 1, 1A and 1B, when 1B wasn't relevant to the question, however they didn't lose any marks.

Question 5

Candidates didn't answer this question as well. The question was in two parts and most candidates didn't answer the question in these two parts. Where candidates did answer the two separate parts as per the requirement, marks were awarded wherever they included a correct answer, even if the answer was in the wrong part. The LLP being transparent was often missed and that the LLP is not liable to corporation tax in its own right. If a candidate said that the LLP wasn't taxable itself I gave the ½ mark. Many candidates talked about the consequences of an individual partner which wasn't required. Candidates should make it clear in their answer that it is corporation tax that the company is paying not just tax.

Question 6

Candidates generally answered this well. Candidates should ensure they put the correct date, ie 31

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October not 30 October as this lost them marks. Some candidates omitted the final chargeable accounting period forgetting that it still had an open interest bearing bank account.

Question 7

This question was answered well. Candidates didn't always make it clear that there were two corporation tax returns required and that both of these were due for submission on 31 January 2024 and so lost a ½ mark. Some candidates didn't state what the two different accounting periods were.

Question 8

Most candidates did well on this question. Marks were lost for using the carried forward loss rather than the unrelieved profits to calculate the brought forward losses available to deduct, however follow through marks were given for the deduction of the profits even though they were calculated incorrectly. Marks were also lost for not showing the workings of TTP and the loss carried forward, a ½ mark in each case as long as the answer was correct. Candidates often didn't show the comparison between the carried forward losses and the full deductions allowance etc and the conclusion therefore lost a mark.

Question 9

Candidates did well with this question correctly identifying the companies that Meadowcroft Ltd is in for group relief purposes. However, candidates should remember to state their conclusion in the case of Jankowski Ltd not being part of the group to gain the ½ mark. The explanations weren't always comprehensive enough, although they still received the marks if they explained vaguely that there had to be a 75% subsidiary. Some candidates looked at capital gains group or talked about other group relief groups but this wasn't asked for in the question so no additional marks were awarded.

Question 10

Candidates did well on this question. Marks were lost for inadequate explanations, it was necessary to say that the legal fees were allowable as a renewal of a short lease, or a lease not exceeding 50 years, not just renewal or just short. The same with the gifts, that they cost less than £50 each was important and often missed. A reasonable number of candidates confused the rules on pension contributions with other remuneration and said they needed to be paid within 9 months and one day of the end of the accounting period rather than in the period.

Question 11

This question has been answered well by the majority of candidates. A significant number of candidates just said that the filing deadline was 31 January 2022 without any comparison to the issuing of the CT603, however no marks were lost for this as they stated the correct filing deadline. Candidates that incorrectly said that the filing deadline was three months after the issue of the CT603 and did lose the mark for this.

Question 12

The candidates answered this question well. Most identified which items were deductible from property income. Not many mentioned that the head office costs were deductible as management expenses from total profits but as a bonus mark many candidates still got full marks. Candidates should remember to explain fully, particularly in the case of the insurance, what is deductible.

ATT May 2023

Paper 4: Corporate Taxation

Examiners' report

Part II

Question 13

Part 1

A lot of candidates did not identify this as a terminal loss. Also a lot struggled with the interaction of capital loss c/f, the terminal loss c/b, and the offset of overseas property profits and losses. This wasn't a difficult question in terms of calculation – it needed an ordered approach to dealing with a lot of information

The question asked for total taxable profits to be stated – a lot of candidates didn't do this and missed easy marks.

Part 2

Not a difficult question if the candidate had the right offset in Part 1. However, the presentation of this was frequently poor and difficult to mark. Follow through marks were awarded where possible.

Part 3

Again, not difficult to gain marks on this if the correct answers had been given in Part 1. Follow through marks were awarded where possible.

Part 4

This was answered well by the majority of candidates - the concept of "place of supply" was clearly understood.

Question 14

Part 1

The question asked for Income Tax and NIC – both had to be given to get full marks. No marks were available for Corporation Tax but many candidates discussed the deductibility of the payments.

Part 2

Exam technique – this question had 2 marks only – many candidates gave long answers – more than 2 marks worth. The majority of candidates failed to realise that Patent B was out of the rollover period.

Part 3

The majority of candidates failed to apply their answer to the scenario – and gave the "text book" answer. Nowhere in the scenario is there a suggestion that Green Town Ltd is a charity but the majority of candidates discussed the use of companies limited by guarantee to charities.

ATT May 2023

Paper 4: Corporate Taxation

Examiners' report

Question 15

Part 1

Some candidates confused Group Payment Arrangements with the simplified arrangements for group relief.

Part 2

Some candidates failed to apply the Corporation Tax rate of 25% to this answer and many didn't realise that (given the short accounting period), the company was very large. Knowledge of the instalment dates should be easy marks for the well prepared.

Part 3

The vast majority failed to identify this as a retainer. Many just answered this as a general Letter of Engagement question. Very little application to the scenario, generally poorly answered.

Question 16

Part 1

An easy 3 marks for those who knew the conditions for investors' relief.

Part 2

A lot of candidates had trouble with the "first anniversary of 31 Jan following" rule. The calculation part of this was not difficult – it just needed a sequential approach. Some candidates confused investors' relief with BADR.

Part 3

Most candidates got at least some marks, mainly for identifying that there was a difference between cash and share-for-share.

ATT May 2023

Paper 5: Inheritance Tax Trusts & Estates

Examiners' report

Part I

General comments

Question 1

Poorly answered. Many candidates did not identify that the due date for payment of tax was the same as the due date for submission of the tax return. Many also did not calculate the penalties and interest per the question requirements.

Question 2

Fairly well answered on the whole. Not many candidates identified that POAT rules could not apply to the first scenario as the gift had taken place more than seven years prior to the painting purchase.

Question 3

Most candidates obtained the basic marks for including BPR, nil rate bands and tax rates. Many also applied fall in value relief, but most did not identify that the gift of cash to the company was a CLT.

Question 4

Very well answered. The most common area for losing marks was in the calculation of the DTR.

Question 5

Wide range in standard of answers.

Question 6

Well answered – most candidates were able to correctly identify the correct levels of penalties that would apply, and some of the ethical implications.

Question 7

Extremely well answered with most candidates obtaining full marks. A small minority did not identify that it was possible to choose which day's values to lose, but most then went on to correctly use the quarter up and average of marked bargains values and so were awarded follow through marks.

Question 8

Well answered with most candidates obtaining most of the marks available. A small number identified that the capital loss being set against the gains should be restricted with the excess being carried forward, and they obtained the final ½ mark available.

Question 9

Fairly well answered on the whole.

Question 10

Varied standard of answers. Candidates identified that Rosa had an Italian domicile of origin but many did not go on to fully consider and explain her domicile through her lifetime. This meant that many then did not identify the correct IHT treatment for the trust.

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Paper 5: Inheritance Tax Trusts & Estates

Examiners' report

Question 11

Well answered on the whole. Some candidates did not draw out the differences between a disclaimer and a deed of variation.

Question 12

The majority of candidates identified that there are restrictions around the utilisation of the loss and obtained marks, but around 40% of candidates did not identify this and so did not achieve any marks.

Part II

General comments

A mixed array of answers overall. Most candidates gained good marks in the computational areas but most discussion questions lacked explanation and further thought.

Question 13

Part 1

Well answered on the whole. Candidates correctly discussed the position for both Income Tax and Capital Gains Tax. Many candidates wasted time by discussing the Inheritance Tax implications which the question did not ask for. Most candidates failed to notice the parental settlement for Income Tax purposes.

Part 2

Poorly answered. Some candidates correctly identified the distributable amount in the estate, but failed to notice that all income would be taxable on the father. Most candidates failed to address any income in 2022/23.

Part 3

Well answered. Many candidates scored full marks here.

Question 14

Part 1

Well answered. The basic Inheritance Tax computation was answered well by most candidates who successfully identified the treatment of liabilities and reliefs. Many candidates struggled with the instalment option, but this did not prevent them from scoring good marks. A surprising number of candidates stated that the instalment option was paid monthly.

Part 2

Poorly answered. Many candidates used the incorrect interest rate, failed to identify interest-bearing instalments and incorrectly stated how late the instalments were.

Part 3

Well answered.

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Paper 5: Inheritance Tax Trusts & Estates

Examiners' report

Question 15

Part 1

Well answered with most candidates obtaining most of the marks available. Candidates correctly identified the type of trust in question and discussed the relevant elections thoroughly.

Part 2

Well answered on the whole.

Part 3

Mixed answers. Candidates provided very short answers with no description as to how they came to their conclusion.

Question 16

Part 1

Well answered. Many candidates wrongly included the PET to the daughter in the exit charge but this did not prevent them from receiving good marks.

Part 2

The computational aspects of this were well answered, although many candidates missed marks in regards to the PPR relief and the holdover relief claims, either ignoring them completely or wrongly allocating PPR relief to the gain.

Part 3

Most candidates correctly identified the conflict of interest, but did not expand into any other considerations.

Part 4

This question was answered well, with most candidates correctly identifying the breach of trust and the remedies available.

Part I

General comments

This part of the paper was generally well answered with able candidates scoring very well. Candidates did not appear to be pressurised for time and the vast majority gave full and complete answers. In some cases candidates would be advised to limit the length of their answers considering all of these were only worth 4 marks.

Question 1

This was by far the worst answered question of part 1. Many candidates did not consider that Becky may be a limited cost trader so simply multiplied her income by 7.5%. Only a handful of candidates were able to produce the correct answer by multiplying turnover (excluding bank interest) by 16.5% and deducting the VAT on the laptop.

Question 2

This question on the VAT liability of items sold by the cat rescue charity was answered very well with candidates scoring highly.

Question 3

Many candidates were able to produce good descriptions of how deferment accounts and PIVA operate so scored high marks. A surprisingly large number of candidates wasted time by writing about paying VAT at the port and how VAT would be calculated when the question clearly stated that Scandley Good does not wish to pay VAT at the time of importation.

Question 4

This question was answered very well with most candidates being able to identify the zero-rated exports and the effect of the NI protocol.

Question 5

The question was clear in that candidates needed to explain the process for Sarah to notify HMRC of the undeclared VAT, including the information to be provided. This required nothing more from candidates than to state that Sarah should submit a letter or form (VAT652) to HMRC, providing a description of the inaccuracy, the amount and how and why it occurred. A surprisingly large number of candidates went into detail about the limits for adjusting the error on the VAT return versus writing to HMRC when the question background clearly stated that Sarah cannot adjust the VAT return and will need to notify HMRC. In addition, some candidates also reproduced the penalty rules and percentages for making prompted versus unprompted disclosures and went on to consider whether Sarah's errors were a result of failing to take reasonable care. None of this was asked for.

Almost all candidates correctly identified that records need to be kept for 6 years but only a handful were able to state that the time limit is 4 years from the end of the accounting period in which the error arose.

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Paper 6: VAT

Examiners' report

Question 6

Candidates gave a variety of answers to this question and most were rewarded with high marks. Jacob's errors clearly arose from a failure to take reasonable care so candidates asserting that his behaviour was deliberate (even though he had paid for tax advice to make sure he was applying the correct VAT treatment and, when it transpired that he was not, he made a disclosure) did not get the relevant mark.

Question 7

This question was answered well generally but some candidates treated the income as VAT-exclusive even though the question stated VAT-inclusive, losing valuable half marks.

Question 8

Candidates appeared to be very familiar with the process of challenging HMRC's decisions so were able to produce good answers scoring high marks.

Question 9

This question on prompt payment discounts was answered well although only the very able candidates stated that, firstly, an invoice should be raised for the full amount (plus VAT) and that, secondly, ElectraCity should account for VAT on the amount actually received if the terms of the discount were met.

Question 10

The majority of candidates calculated the deemed output tax due on assets on hand and correctly added this to the output VAT due on the quarter's sales (rather than treating it as input tax as was the case in previous sittings). Some candidates struggled with the patent, erroneously accounting for output tax despite it being an intangible asset so no VAT is due.

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Paper 6: VAT

Examiners' report

Part II

General comments

This part of the paper was generally well answered with able candidates scoring well. For some of the questions, many candidates simply opted to copy the text from a tutorial manual and whilst that gave them some points, it did not always match entirely with the requirements of the question and points were missed. Candidates are reminded that they need to be able to apply their knowledge to a given scenario.

Question 11

Most were able to correctly identify where relief was available for the construction projects. Many candidates struggled with the correct application of lower rating and the liability of the subsequent sale. This is a tricky area of VAT but worth knowing as it often arises in practice. The most common omission was identifying that the sale of cottage was eligible for zero rating as it had been empty for 10 years.

Question 12

Candidates who worked through the question methodically were able to deal very well with the place of supply points.

Question 13

Mostly well answered. A common error was stating that the insurance income was exempt rather than outside the scope. The provision of insurance services is exempt – the payment settling insurance claims is not. A number of candidates failed to analyse the two different scenarios in which mugs were given away and only referred to the gifts. The section on vouchers was also challenging for some. The question clearly stated that the shop only sold standard rated items and that should have immediately taken candidates down the path of single purpose vouchers.

Question 14

Most candidates handled the standard method calculation very well, though it is worth noting that in order to score full marks, each step of the calculation should be clearly shown. A minor but very common error in the second part of the question was not rounding to two decimal places. In doing a special method calculation you need to calculate the percentage, round to two decimal places and then apply – this does not happen if you do the whole calculation as one.

In answering the question on how to apply for a special method, it was very clear that the vast majority of candidates simply copied text from one of the study manuals. That did earn some but not all the points. Again application of knowledge is vital to secure a pass.

The question on accounting was poorly answered. Accounting for VAT is a recurring theme in the exam, it is not a difficult area and there two easy points available.