

Institution **CIOT - ATT**  
Course **ATT Paper 3 Business Compliance**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID

Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 1	<b>73</b>	<b>323</b>	<b>395</b>
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Answer-to-Question- \_1\_

1) Construction of new buildings, with the exemption of few cases, are standard-rate, VAT of 20% must be charge to the works provided but just for the part related to the new building (ignorig the conversion, which a vat of a 0% will apply).

2) Conversion for housing association is charged to a vat rate of 0%. The part of these works that corresponds to the new building has vat charge of 20%.

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-----ANSWER-1-ABOVE-----  
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-----ANSWER-2-BELOW-----

Answer-to-Question- 2

As this is a partial payment, Anika identifies the payment made as relating to a particular invoice, and that invoice is settled in full, the general rules is that cash received is allocated to the older invoices first.

Invoices	Net	VAT	Gross	Cash paid	Outstanding	
8 August 2023		Exempt	1,200	1,200		
25 August 2023	850	170	1,020	600	420	
1 Sep 2023	500	100	600		600	
8 Sep 2023		Exempt	400		2,400	

Bad debt relief is allowable for outstanding debts that have not been paid within 6 months, since Anika paid Gerard on 18 April 2024. Gerard can claim the following on his VAT return in the quarter to 30 June 2024:

$$420 \times 1/6 = 70$$

$$600 \times 1/6 = 100$$

A total of £170.

-----ANSWER-2-ABOVE-----

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-----ANSWER-3-BELOW-----

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Answer-to-Question- 3

The first late return is the one for the quarter to 31 March 2023. As this is the first late return, Fiacra Ltd incurs a penalty point.

The next late return is the one for the quarter ended 30 September 2023. Another penalty point is awarded, Fiacra Ltd has two points now.

The next return is the one for the quarter ended 31 March 2024, now Fiacra Ltd has three points.

The next one, which is the one for the quarter ended 30 June 2024, is also late. Fiacra Ltd now has four points and a penalty of £200 can be imposed.

Subsequent returns will not result in any additional penalty points but a £200 fine could be imposed for each subsequent failure (the one for the quarter ended 30 September 2024 is apparently one day late but the date is not set).

The penalty points will only re-set to zero once Fiacra Ltd has submitted four VAT returns in a row on time.

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-----ANSWER-3-ABOVE-----

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-----ANSWER-4-BELOW-----

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Answer-to-Question- \_4\_

Amira:  $\pounds 109.40/2 = 55$  per week (27 per day  $55/2$ ). As she has been off sick for two weeks, the amount payable to her is 55 (See below)\*.

Binger:  $109.4/4 = 27$  per day for the first week as he was off sick from Tuesday total week. For next week he was off for a full week which leaves a daily amount of  $\pounds 22$  ( $109.40/5$ ). The total payable to Binger for this 14 days off sick is.

\*The first 2 days for both of them are waiting days and not payable.

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-----ANSWER-4-ABOVE-----

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Answer-to-Question-\_5\_

Net benefit	235
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[illegible]

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-----ANSWER-5-ABOVE-----  
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-----ANSWER-6-BELOW-----

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Answer-to-Question- \_6\_

1)

-a Before this plan can be operated it must be registered with HMRC and the company must certify that it satisfies all the conditions required. -b

-b They must also, once registered, submit annual share scheme returns(by 6 July following the end of the tax year).

2) They have incurred in late registration for employment related securities. As tax advantaged schemes must be registered by 6 July following the end of the tax year in which the first grant of options were made.

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-----ANSWER-6-ABOVE-----  
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-----ANSWER-7-BELOW-----

Answer-to-Question- \_7\_

Plan 1 repayment			£
3,500-1,834	1,666	@9%	150
Postgraduate loan			
3,500-1,250	2,250	@6%	135
Total			185

-----ANSWER-7-ABOVE-----

-----ANSWER-8-BELOW-----

Answer-to-Question- \_8\_

			£
Flights		allowable*	
Hotel accomodation		allowable*	
Flights for Tamar		non allowable	2,000
Coat		non allowable	500
Total expenses			2,500

\* assumed they are wholly and exclusive related to their job and fall under the category of ITEPA 2003 ss 337-340

-----ANSWER-8-ABOVE-----

-----ANSWER-9-BELOW-----

Answer-to-Question- 9

very large company			
1st instalment	15/03/2023		
2nd instalment	15/06/2023		
3rd instalment	15/09/2023		
4th instalment	17/12/2023		

-----ANSWER-9-ABOVE-----

-----ANSWER-10-BELOW-----

Answer-to-Question- 10

Although she is not a director, she is a shareholder. As Janet has not paid the loan back and it does not seem that she will paid within 9 months of 30 June 2024 Baltti Ltd have to pay tax back, via corporate tax.

Baltti will pay corporation tax at 33.75% of the outstanding amount:  
 $50,000 \times 33.75\% = 16,875$ . They will also need to treat this as a benefit in kind as Janet is a share holder and pay National insurance contributions class A at 13.8%..

Implications for Janet not consider.

-----ANSWER-10-ABOVE-----

-----ANSWER-11-BELOW-----

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Answer-to-Question- \_11\_

As the accounting period it is just for nine months, rather than twelve, they will not have to pay in instalments if the total tax corporation liability is not more than 7,500 (10,000\*9/12) for that period (10,000 for a twelve months accounting period).

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-----ANSWER-11-ABOVE-----

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-----ANSWER-12-BELOW-----

Answer-to-Question- \_12\_

From 1 July 2023 to 5 April 2024		£	£
National insurance contributions class 2	40 weeks	@3.45	138
National insurance contributions class 4	(50,270-12,570)*9%		3,393
	(75,000-50,270)*2%		495
Total class 2 and 4 payable			4,026

-----ANSWER-12-ABOVE-----

-----ANSWER-13-BELOW-----

Answer-to-Question- \_13\_

2022/23 tax return:

First payment on account: late (1 month and 10 days later), had to been made by 31 January 2023 (with the balancing payment of Mendi's 2021/22 tax return).

Second payment: made in time, as this was due by 31 July 2024.

Balancing payment: late (2 months and 19 days), the 2022/23 balancing payment needed to be submitted by 31 January 2024.

-----ANSWER-13-ABOVE-----

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Section 14	<b>4</b>	<b>8</b>	<b>8</b>
Section 15	<b>394</b>	<b>2001</b>	<b>2362</b>
Section 16	<b>181</b>	<b>867</b>	<b>1028</b>
Section 17	<b>167</b>	<b>770</b>	<b>927</b>



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-----ANSWER-14-BELOW-----  
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Answer-to-Question- \_14\_

1)

2)

3)

4)

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-----ANSWER-14-ABOVE-----  
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-----ANSWER-15-BELOW-----

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Answer-to-Question- \_15\_

1) Where permitted by law if, a third part or in this case, a lawyer pays to the accountancy firm a fee in return for the introduction of a new client provided that:

- The solicitor has no reason to believe, and does not beleive, that undue pressure or influence was exerted on the prospective client by the accountancy firm.

- Before accepting instructions, the solicitor has disclosed to Sandpiper, in writing, both the amount and nature of the fee and the identity of the accountancy firm.

2) When a business takes on its first employee a PAYE scheme must be stablished. Sandpiper must to register with HMRC as an employer and access the PAYE online service. The registration normally is made online. To report payments to HMRC they have to submit the information via Full Payment Submission (so the information is reported in real time).

Following the end of the tax year the employer needs to generate a P60 which includes Jemima's total taxable income and tax and NICs deducted (no later than 31 May 2024). And they will also need to submit Jemima's P11D on 6th July 2024.

3)

Jemima's 2023/24 employment income

From 6 June 2023 to 5 April 2024 (10 months)		£
Salary	67,000 annually	55,833
Removal costs w3)	9,000 W1)	1,000
Accommodation benefit w2) and w3)		17,033
Employment income		73,866

W1) Removal costs are exempt provided they are under £8,000. As she received £9,000, only £1,000 will be added to her employment income.

w2)

	£		£
Annual value	13,000	for 10 months (13,000*10/12)	10,833
Add employer bills			6,200
Taxable benefit			17,033

w3) The excess of the removal expenses (Totalling £1,000 per my previous calculation) can be eligible for voluntary payroll. However, living accommodation is a specified benefit that it's been excluded by the law SI 2003/2682, reg 61A.

4) Normally, like in this case, if a subcontractor carries out work exclusively for Sandpiper it is highly probable that the subcontractor will be regarded as an employee of Sandpiper.

Sandpiper needs to consider whether the CIS rules applies and be certain that the subcontractor would not be regarded as an employee under normal 'employed versus self-employed' rules.

To confirm all of the above Sandpiper can contact HMRC's 'Check Employment Status for Tax' to assist with the decisions necessary in the declarations (these declarations certify that the contractor has considered the status of the subcontractor).

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-----ANSWER-15-ABOVE-----  
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Answer-to-Question-\_16\_

1)  
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[illegible]

2)

[illegible]

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3)HMRC as they apply the off-payroll working rules (anti-avoidance) if a one-man company (Skilzup Ltd) works primarily for one client (Alty Uni). Although this decision is under the worker to determine.

4) She must report the income received from her work of £10,000 and the deemed salary of £8,000(income that has not been paid out as salary) and this last will then be subject to PAYE and National Insurance.

5)After setting up a company this one acquires a separate entity from the director and will respond against any kind of liability with its own assets. A few exemptions apply, in this case: any debts belonging to the company which have been secured with a personal guarantee will need to be repaid by the director should the company become insolvent (as the bank needs to secure the loan). Janina will also be held liable for Skilzup Ltd debts if she found guilty of misconduct or fraud.

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-----ANSWER-16-ABOVE-----  
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-----ANSWER-17-BELOW-----

Answer-to-Question- 17

1)

- Associate: HMRC allows £0.45 per mile free of tax on the first 10 miles, afterwards they allow a total of £0.25 per mile. Only the excess of 0.05 will be subject to NIC class A at a rate of 13.8% of the total excess payable to the employee.

$$10,000 \times 0.05 = 500$$

$$190,000 \times 0.75 = 1,425$$

$$\text{total} = £1,925 \times 13.80$$

$$\text{class 1A payable: } £266$$

- Manager:

	£		£
List price			40,000
less			
contributions	8,000	(max amount permitted £5,000)	(5,000)
Revised list price			35,000
Car benefit:	35,000 * 14%		4,900

$£4,900 \times 13.80\% = £676$  payable as national insurance class 1A.

2)

3) They had 12 months after the end of the period of account to submit the return (the receipt of filing notice had a shorter period for filing and can be ignored). This return had to be submitted by 1 April 2024. And they submitted the return two months late.

-a: 9 months from the date of receipt: 31 January 2025.

-b:31 July 2025 (12 months from the next quarter day following the late filing).

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£4,900\*13.80%= £676 payable as national insurance class 1A.

2)

3)

3)

1x4959


2)

3)



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