

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	364	1765	2107
Section 2	244	1101	1334
Section 3	375	1549	1884
Section 4	346	1696	2008
Section 5	568	2648	3185
Section 6	515	2466	2861
Total	2412	11225	13379

Answer-to-Question- _1_

1) Amira is required to notify HMRC of her VAT registration

Trading: 1 April 2024

Monthly turnover: £13,200 + £6,700 = £19,900

Registration threshold: £19,900 x 5 (months) = £99,500

Under the historic test, Amira was VAT registered by 31 August 2024 (5 months) of turnover exceeding £90,000.

HMRC must be notified within the next 30 days - by 30 September 2024.

2) If Amira is late notifying HMRC that her business should be registered for VAT, her registration will be backdated to the date which she was liable to be registered. Amira must also account for output tax on her supplies from the date on which they should have been registered, to the day before HMRC were actually notified. Amira will be liable to a penalty for the period of default, unless she can convince HMRC that there is reasonable excuse for the delay. [Calculate penalty]

3) As Amira employed two new employees on 6 October 2024, Amira must report certain information in respect of any new employee on the Full Payment Submission (FPS). This should be done on or before the date of first payment to the employee. The information to be sent includes:

- Date the employment started
- Employee's address
- If the employee doesn't have a P45, the employer must ask the employee to state one of the following 1) Whether this is their first job since 6 April 2024 and they are not

receiving any taxable benefits

4) Bo - Monthly salary of £2,500. Student plan 1 loan.

Employee earnings threshold - £1,834 per month

$2,500 - 1,834 = £666$ (above threshold)

$£666 @ 9\% = £59$ (rounded down)

5) Benefits provided to Cavan:

- Monthly salary: Not a taxable benefit
- Rented house: Taxable benefit as company provided accomodation
- Petrol: Personally paid and not taxable benefit
- Use of petrol car: Taxable benefit as company car, taxable benefit in respect of private use of the car - on the cash equivalent
- Smart phone: Taxable benefit
- Rental income: Not employment related and not taxable benefit

6)

Rented accomodation (not job-related)

Rents paid by employer: $2,300 \times 12 = £27,600$

Annual value: £27,000

Less:

Employee contributions: Nil

Taxable benefit: £27,000

-----ANSWER-1-ABOVE-----

-----ANSWER-2-BELOW-----

Answer-to-Question- _2_

1) Recoverable %:

$$1,053,200 / 1,723,200 = 61\%$$

Unattributable VAT relating to taxable supplies:

$$18,900 \times 61\% = \pounds 11,529$$

Unattributable VAT relating to exempt supplies:

$$18,900 \times 39\% = \pounds 7,371 \quad (18,900 - 11,529)$$

$$\text{Total VAT relating to exempt supplies} = \pounds 10,311 (2,940 + 7,371)$$

2)

3a) Esme has always been UK resident and domicile. In 2024, she spent the following time in the UK -

$$2 \times 4 \text{ months} = 8 \text{ UK workdays during secondment}$$

8 months (approx 240) days = Remainder of the year

Esme will remain UK tax resident for 2024/25 and liable to UK income tax on her worldwide income. Both UK and overseas income will be taxable on receipt, due to Esme being UK resident and domiciled. Remittance basis does not apply to Esme as she is UK domicile, therefore remittance basis and overseas workday relief is unavailable.

3b) Gorka is resident and domiciled in Spain. The 2024/25. As he was seconded to the London office for two months, he may also be domestic resident in the UK and subject to taxation on his worldwide income. As a non-domiciled individual - his foreign income can be taxed on the remittance basis if a claim is made and the tax year is one of the three tax years following three consecutive years of non-residence. Therefore it will only be taxed in the UK if it is brought to the UK. If it's kept offshore, it will be free of UK income tax.

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

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

Answer-to-Question- _3_

1) Bad debt relief is available to traders where they have supplied goods or services and have account for/paid the output tax to HMRC, where the whole or part of the consideration has been written off in their account as bad debt, where the value of the supply being written off is not more than normal selling price and where the debt is at least six months old since the later of the date of supply or due date for payment.

Date of supply	Payment due date	Six months	Bad debt available
30 June 24	30 Jul 24	30 Jan 24	(2,000)
9 Jul 24	8 Aug 24	8 Feb 24	(1,000)
1 Aug 24	31 Aug 24	28 Feb 24	(1,200)
1 Oct 24	31 Oct 24	30 Apr 24	Not available on VAT return to 31 March 25 not 6 months old
10 Dec 24	1 Jan 25	1 Jul 25	Not available on VAT return to 31 March 25 not 6 months old

Debt: £6,000

Bad debt available: £1,800 (6,000 - 4,200)

2)

Class 1 NIC each month (11/12 months (excl June 2024): £290.7 (£251.28 + £39.42)

Class 1 NIC June 2024: £761.66 (£251.28 + £510.38)

Workings

Salary: £6,160 / month

Primary threshold: £1,048 (@ 0%)
UEL - PT: £3,141 (4189 - 1048) @ 8% = £251.28
> UEL: (£6,160 - £3,141) * 2% = £39.42
> UEL: (£6,160 - £3,141) + 22,500 * 2% = £510.38

3a) Tails Ltd must keep records of the statutory payment dates and amounts paid. The amounts paid must be reported on a Full Payment Submission. The amounts paid should also be recorded separately on Estelle's form P60, as well as in gross pay. Records must be kept for at least three years after the end of the tax year to which they relate.

3b) Statutory maternity pay is paid for a maximum of 29 weeks (Estelle was on maternity for this exact amount)

Average weekly earnings: 8 weeks earnings average: £386.25
90% of £386.25 = £347.62 to be received in first six weeks
For the remaining 33 weeks, she will only receive £184.03 as this is lower than the AWE

6 x £347.62 = £2,085.75
33 x 184.03 = £6,072.99

Total statutory maternity pay: £8,159 (rounded up)

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

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

Answer-to-Question- _4_

1)

			£	
24/25	p.e 31 May 2024		15,000	Taxable trading profit 24/25
<u>Less:</u>	<u>Transition profits 23/24</u>		<u>(5,000)</u>	
			10,000	

2) Marcia may offer her services via an intermediary rather than entering a contract.

Marcia will be a deemed employee where

- Marcia (the worker) personally performs or is under an obligation to perform services to Turise Ltd (the client)
- the services are not provided under a contract between the Turise Ltd and Marcia, but instead are provided under arrangements involving a third party
- the circumstances are such that if the services had been provided under a contract directly between Turise Ltd and Marcia, Marcia would have been regarded for tax purposes as being an employee of or the holder of an office with the client.

If Marcia engaged with the company directly, she would be deemed an employee of Turise Ltd as she had a contract directly with the client. Marcia also directly carried out the work for this contract. Marcia was under the instruction of Turise Ltd and was requested to specifically attend the conference and represent the company as being from Turise Ltd. Present factors include - Mutualality of obligation, wage, personal service and control. As well as provision of own equipment working from home.

As Turise Ltd is a small company, it is the responsibility of Marcia as the worker to determine whether or not the off-payroll working rules apply and deduct any actual salary paid to Marcia.

3) In order to calculate the amount of salary which is deemed to have been paid to Marcia at 5 April 2025, we use the proforma below:

24/25		£	
Income from relevant engagements	15,000 + 65,000	80,000	

Less:	5% Automatic reduction	5% of £15,000	£4,000	
	Expenses:			
	Employer pension		£1,000	
	Employer's NIC			
	Actual salaries and benefits paid		15,000	
Gross deemed payment			60,000	
Less: Employer's NICs	W1			
Net deemed payment				

4) Pazzax Ltd is an incorporated company - Pazzac Ltd must pay Class 2 and 4 NICs.

Pazzax Ltd must

Pazzax must also pay Corporation tax. Due 9 months and one day after the end of each accounting period.

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

-----ANSWER-5-BELOW-----

Answer-to-Question- 5

1)

End of accounting period: 30 September 2022

Corporation Tax due date: 1 July 2023 (9 months 1 day) small company

Corporate Tax return submitted: 17 July 2024

Taxable paid 17 July 2024: £95,000

Interest on late paid corporation tax runs from the due date for payment (1 July 2023) to the actual payment date (17 July 2024). This applies to all payments of CT, whether company pays by installments or not. Interest rate of late payment is 7.75%
2.25% official rate of interest for 24/25

All companies are required to file their corporation tax return within 12 months of the end of the period of account (by 30 September 2023). A flat rate penalty will apply of £100 as the return is up to three months late. The penalty will increase to £200 as the return is more than three months late. This will increase to £500 and then £1,000 as the tax return remained outstanding.

A tax geared penalty of 10% will apply if the return is not filed either within 18 months of the relevant account period (31 March 2024) or if the filing date is later than that, but the filing date. 10% of 95,000 = £9,500 due. (+1,000 flat rates)

2) POZ LLP should follow the following standards when assisting with tax planning:

- Tax planning must be specific to the particular client's facts and circumstances
- Act lawfully
- Disclosure and transparency
- Advising on tax planning arrangements
- Professional judgement and appropriate documentation

There is a member's responsibility to the client for the accuracy of all filings made, based on information provided.

POZ LLP should also act in good faith when dealing with HMRC in accordance with the fundamental principle of integrity.

POZ LLP should advise Jaybird Ltd of the consequences of failure to disclose, benefits for making voluntary disclosures.

POZ LLP must arrange to amend/recitift any return affected by errors.

POZ LLP can cease to act if the client continues to ignore compliance deadlines.

- 3) A close company is a company which is resident in the UK and controlled by either
- Fiver or fewer participants
 - Any number of directors who are also shareholders

Jaybird is a UK company (UK resident). Jaybird Ltd has 10 individual shareholders (therefore the first test doesn't apply and not fewer than 5). However as Jaybird Ltd has two directors (Ceri and Mel) who are also shareholders, this test is met and it is classed as a close company.

4) Loan to Yani - Tax for Jaybird Ltd

Yani is a shareholder. Company made an interest-free loan for £30,000 on 1 April 2023. There will be a charge to tax the close company itself (s.455).

Loan after 6 April 2022 = $33.75\% \times 30,000 = £10,125$

Last day of the accounting period: 30 September 2023

Loan outstanding: £30,000

or

Normal due date: 1 July 2024

Loan outstanding: $£30,000 - 10,000 = £20,000$

Tax on loan = $33.75\% \times 20,000 = £6,750$. As the loan was written off/wave in 1 October 2024, the tax paid will be refunded to the company by reducing the companys corporate tax liability.

5) Loan to Yani - Tax for Yani

Yani will be treated as receiving a dividend equal to the amount of the loan written off or released.

Outstanding amount waived: £20,000

Date of receipt: 1 October 2024

Class 1 NICs payable

$20,000 - 12,570 = 7,430 @ 8\%$

-----ANSWER-5-ABOVE-----

 -----ANSWER-6-BELOW-----

Answer-to-Question- _6_

1) Options must be exercisable within 10 years of grant in order to be a qualifying option, but must be exercised within 10 years of grant in order to qualify for favourable tax treatment.

Grant date: 2 february 2015

Grant amount each: 1,000 shares x £3 = £3,000

Rhianfa exercised: 1 June 2024 (within 10 years)

Guy exercised: 17 March 2025 (outside of 10 years)Non-tax advntaged option

No tax charge on grant of EMI option.

Guy			
Market value @ exercise	£11 x 1,000	11,000	
<u>Cost of shares</u>	<u>£3 x 1,000</u>	<u>3,000</u>	
Chargeable to income tax		8,000	
Rhianfa			
Market value at grant	£4 x 1,000	4,000	
Market value at exercise	£9 x 1,000	9,000	Not to be used
<u>Less: Option price</u>	<u>£3 x 1,000</u>	<u>3,000</u>	
Employment income chargeable:	4,000 - 3,000	£1,000	

Amounts chargeable to income tax

Rhianfa: £1,000

Guy: 8,000

2) Both Rhianfa and Guy will be subject to capital gains tax on the sale of their shares in March 2025. The EMI scheme does not include all employees. Rhianfa and Guy will time employees, devoting at least 25 hours a week to the company. Employees with a material interest cannot participate, therefore we can also deduce that Rhianfa and Guy do not control more than 30% of the share capital of the company. We can also deduce that Rhianfa and Guy do not hold options that exceed a value of £250,000 each.

3) Wolere Ltd's EMI scheme must be registered within HMRC, however it doesn't need to self-certify. The schemes must usually be registered by 6 July following the end of the tax year that the first aware was made (2 Feb 2015) therefore registered by 6 July 2015.

Wolere Ltd's is required to submit annual tax return to HMRC by 6 July following the end of the year, therefore for 2024/25, this must be done by 6 July 2025.

The employer must provide all the information necessary to determine any tax charge.

In order for an EMI option to qualify for the advantageous tax treatment, Wolere Ltd must notify HMRC within 92 days that the grant has taken place.

4)

W1	Amount £	Treatment	Workings	Taxable amount £
Statutory redundancy	7,000	Tax free (30k rule)	£30,000 - £7,000 = £23,000	Nil
Bonus	20,000	Taxable		20,000
PILON	18,000	Fully taxable		18,000
Ex-gratia	10,000	Tax free (30k rule)	£23,000 - £10,000 = £13,000	Nil
Taxable gross payment				38,000

W2	Amount	Treatment		
Pension	£3,000	Tax free/Exempt		

W3	£	Treatment		
Car				
Value at time of gift	32,000	Partially taxable (30k rule)		

		Chargeable to income tax	
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Ex gratia	Partially exempt	£10,000	
Car at MV	Partially exempt	32,000	
Statutory redundancy	Partially exempt	£7,000	
Pension contribution	Fully Exempt	<u>Nil</u>	
		49,000	
Less: 30k Exemption		(30,000)	
		<u>19,000</u>	
Add:			
Bonus	Fully Taxable	20,000	
PILON	Fully Taxable	<u>18,000</u>	
		57,000	

- 5)
 Class 1A NIC contributions are liable to be paid by the employer only on cash equivalent of benefits provided to employees at a rate of 13.8%

		£	
Ex gratia		10,000	
Car		32,000	
Statutory redundancy		7,000	
Less		(30,000)	
Subject to Class 1A		19,000	
19,000	13.8%	2,622	Ignore
Bonus		20,000	
PILON		<u>18,000</u>	
		57,000	
57,000	13.18%	£7,866	Answer