

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 | 584 | 2646 | 3265 |
| Section 2 | 387 | 1682 | 2309 |
| Section 3 | 357 | 1515 | 2038 |
| Section 4 | 299 | 1495 | 2053 |
| Section 5 | 328 | 1384 | 1790 |
| Section 6 | 293 | 1306 | 1993 |
| Total | 2248 | 10028 | 13448 |

Answer-to-Question- _1_

1)

Amira: VAT registration

The current VAT registration threshold is £90,000. Only the standard and zero rated supplies will be included in the taxable turnover calculation for VAT purposes.

Taxable monthly supplies

| | |
|----------------|---------|
| Standard rated | £13,200 |
| Zero rated | £6,700 |

Therefore, the taxable monthly supplies are £19,900 (£13,200 + £6,700)

Under the historic test, the VAT registration threshold will be exceeded after 5 months
(£19,900 * 5) = £99,500 which is 31 August 2024.

Amira must notify HMRC by 30 September 2024 and registration will take effect from 1 October 2024.

2)

Amira's VAT registration will be backdated to when she should have registered for VAT under the historic test.

Amira must pay over the VAT due from the period when the registration should have

taken place to the date that HMRC were notified. Sales in this period are deemed to be VAT inclusive.

Amira must also pay a penalty based on the potential lost revenue, i.e., the VAT due. As the late notification was non-deliberate and non-concealed, the maximum penalty will be 30% multiplied by the outstanding VAT due.

If Amira makes an un-prompted disclosure to HMRC, the penalty may be reduced.

3)

When Amira gains new employees, she must include the following information on the FPS when they are first paid.

- the date the new employee started
- the address of the new employee
- the passport number, if known.

Amira will also need to report a 'starter declaration' so that it can be determined which tax code is to be applied.

Amira can use the P45 from the previous job to determine the starter declaration if the employee left their previous job in the same tax year.

Amira should use the tax code on the P45 when operating payroll.

4)

£2,500 per month - £2,082 threshold for plan 1 = £418

$£418 * 9\% = £37.62 \rightarrow$ rounded down to £37

Total deductions for year = $£37 * 12 = £444$

5)

Benefits to Cavan

Accommodation - The accommodation is a taxable benefit as it is not 'job related' accommodation.

Car - The company car is a taxable benefit

Mobile Phone - Provision of one mobile phone is an exempt benefit so no tax due here.

All benefits must be reported on a Form P11d which is due by 6 July following the end of the tax year i.e., 6 July 2025. Amira must also submit a Form P11d(b) which reports the benefits provided but the company and this is also due for submission by 6 July 2025

6)

Rented accommodation - available for 6 months of the tax year

Higher of

1) Annual Value $\text{£}27,000 * (6/12) = \text{£}13,500$

2) Rent Paid $\text{£}2,300 * 6 = \text{£}13,800$

Accommodation benefit = $\text{£}13,800$

Car

The relevant percentage used to calculate the car benefit is $(115-75)/5 + 20\% = 28\%$

Max capital contribution = $\text{£}5,000$

List price - capital contribution = $\text{£}26,500 - \text{£}6,200 = \text{£}20,300$

The car benefit is therefore $\text{£}20,300 * 28\% = \text{£}5,684$

Mobile phone: as noted above, use of one mobile phone is exempt

Total assessable benefits = $\text{£}13,800 + \text{£}5,684 = \text{£}19,484$

7)

If the petrol car were to be used for the whole of 2025/26, the benefit would total $\text{£}5,684$

If the hybrid car were to be used for the whole of 2025/26, the benefit would total;

$£18,800 * 12\% (1-50g/km; electric range 30-39) = £2,256$

There would be a saving if the hybrid car was used for the entirety of the year of £3,428
(£5,684 - £2,256)

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

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

Answer-to-Question- _2_

1)

| Input tax for year | Total | Taxable | Exempt |
|-------------------------------|--------|---------|--------|
| | £ | £ | £ |
| Wholly attrituable to taxable | 7,200 | 7,200 | |
| Wholly attrituable to exempt | 2,940 | | 2,940 |
| Non attrituable: | 18,900 | | |
| Taxable: 18,900 * 61% (W1) | | 11,529 | |
| Exempt: 18,900 - 11,529 | | | 7,371 |
| Totals | 29,040 | 18,729 | 10,311 |

Is £10,311 de minimis?

$£10,311 / 12 = £859 = \text{more than } £625$

$£29,040 * 50\% = £14,520 \rightarrow £10,311$ is less than 50% so part 2 is passed

Eventhough part 2 of the test passed, part 1 failed so £10,311 need to be repaid.

Working 1 - recoverable %

$1,053,200 / 1,723,200 = 62\%$ rounded up

2)

Q/e ended 30 June 2023

Submitted late. Petra will be issued a VAT penalty point. Tax paid on time so no penalty

Q/e 30 September 2023

Submitted and paid on time

Q/e 31 December 2023

Submitted late. Petra will be issued with another penalty point

Paid late, due by February 7 2024, paid 1 March 2024 so paid 15-30 days late

Penalty of 2% of outstanding amount will be charged i.e., $\text{£}7,500 * 2\% = \text{£}150$

Q/e 31 March 2024

Submitted and paid on time

Q/e 30 June 2024

Submitted late so another penalty point will incurred

Payment due by 7 August 2024 and paid 12 September so paid more than 30 days late,

2% fine is payable on amount outstanding on day 15 and on day 30

$\text{£}28,000 * 2\% = \text{£}560 * 2 = \text{£}1,120$

Q/e 30 Septmeber 2024

Submitted and paid on time

Q/e 31 December 2024

Submitted late so another penalty point issued and as this is the fourth penalty point, a

£200 fine will be issued.

3)a)

Esme earnings will be taxable in the UK as she is a UK resident and domiciled. Esme is resident for at least 183 days during the tax year so will remain resident for UK tax purposes. Both Esme's UK and overseas earnings will be taxable in the UK.

b)

Gorka qualifies for Overseas Workday Relief (OWR) because he is non-domiciled and in his first three years of UK residence which follows at least three years of non-UK residence.

Therefore, if Gorka claims the remittance basis, the earnings related to the duties performed overseas are only taxed if they are remitted into the UK.

The earnings related to the UK duties are taxed on a receipts baasis.

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

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

Answer-to-Question- _3_

1) Bad debt relief

As the condieration has been written off in their accounts as a bad debt, then relief may be available.

The cash received is allocated to the oldest payments first

- £2,000 to invoice on 30 July 2024
- £1,200 to invoice on 8 August 2024
- £1,000 to invoice on 31 August 2024 - leaving £2,600 outstanding

Relief is available if the debt is at least six months old (i.e., six months have elapsed since the later of the date of the supply and the due date of the payment as specified on the invoice)

Only the invoice due for 31 August is over 6 months old at 31 March 2025.

So the bad debt relief which can be claimed is £433 ($£2,600 * 1/6$)

2)

| | |
|-----------------------------------|--------|
| Earning's subject to Class 1 NIC: | £ |
| Salary (£6,160 * 12) | 73,920 |
| Bonus | 22,500 |
| Subtotal | 96,420 |

$(£50,270 - £12,570) * 8\% = £3,016$

$(£96,440 - £50,270) * 2\% = £923$

Class 1 Primary NIC = £3,939

3)

a)

The employer must keeo records of the payments made. The employer must record deails of the employees name, national insurance number, payment dates, the amounts paid and the date the pay period began.

The employer should also retain the maternity certificates.

Records must be kept for at least three years after the end of the tax year to which they relate

The amounts paid must also be recorded seperately on an FPS.

An employer payment summary will need to be submitted to report the amounts od statutory payments recovered.

b)

Estelle will be entitled to the first six weeks of maternity leave pay of 90% of her average weekly earnings so this will be;

$$£350 + £380 + 420 + £370 + £400 + £390 + £410 + £370 = £3,090$$

$$£3,090 / 8 = £386.25 * 0.9 = £347.63$$

For the next 36 weeks, she will be paid £184.03 (as this is lower than 90% of her weekly pay). Total for 33 weeks = £6,072.99

Any further time off will not be eligible for statutory maternity pay.

$$\text{Total maternity pay} = (£347.63 * 6) + £6,072.99 = £8,158.77$$

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

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

Answer-to-Question- _4_

1)

Marcia's taxable trading profits are;

Tax year basis

5 m/e 31 may 2024

$(£15,000/5) * 2 = £6,000$

Transition profits = £5,000

Total trading profits = £11,000

2)

Turise Ltd controls when Marcia works, i.e., in their usual business hours

The techincal direcor gave instructions on how he wanted the work be done. This means that Marcia does not have control over the tasks that she is allocated.

Marcia misunderstood one aspect of the work but Turise Ltd had to pay for this work. Marcia does not face any financial risk of the incorrect work being done, she will still receive her money eventhough she made a mistake.

Marcia had to go to the conference and therefore must provide the service herself and cannot send a colleague or a substitute.

Marcia had to represent herself as an employee at the conference which would indicate to others that she is not self-employed, rather an employee of Turise Ltd.

3) Marcia's net deemed employment payment

| | | |
|--|-------------|--|
| | £ | |
| Income from relevant engagement | 65,000 | |
| Less: Salary actually paid | (15,000) | |
| Less: 5% automatic deduction | (2,500) | |
| Subtotal | 47,500 | |
| Less: Employer pension contributions (£1,000 * 12) | (12,000) | |
| Gross deemed salary payment | 35,500 | |
| Less: Employers NIC £35,500 * 13.8/113.8 | (4,305) | |
| Net deemed salary payment | 31,195 | |

4)

The net deemed salary payment must be reported on a Full Payment Submission (FPS) on or before 5 April.

Payment of Income Tax and NICs are due by 22 April if made electronically, 19th otherwise.

The deemed salary can be based on provisional calculations. Provisional calculations can be used for both payment and reporting purposes.

Adjustments to the provisional deemed salary amount should be reported on a further FPS by the following 31 January i.e., 31 January 2026. Any additional amounts to be paid are also due by the same date.

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

Total penalties = £9,700 + £7,363 = £17,063

2)

A member should consider carefullt the terms which he agrees with the tax authority in order to use electronic filing

3)

Jaybird Ltd will be treated as a close company if it is a UK company and is controlled by any number of directors or five or fewer participators

4)

When a loan is made to a participator by a close company, it must make payment of notional tax to HMRC under s.455 CTA 2010.

The notional tax is 33.75% of the loan and is due for payment 9 months and 1 day after the year end, so for its year ended 30 September 2023, Jaybird Ltc will have to pay £10,125 ($£30,000 * 33.75\%$) by 1 July 2024.

Now that Yani has repaid part of the loan, Jaybird Ltd will receive a refund by way of its corporation tax liability for its accounting period in which the loan repayment taked place.

Jaybird Ltd will receive a refund on 1 April 2024

5)

Loan to Yani

Average method:

Loan at 6 April + Loan at 5 April) / 2 * Average ORI for tax year

$$(\text{£}30,000 + \text{£}20,000) / 2 * 2.25\% = \text{£}563$$

Strict method:

$$\text{£}30,000 * 11/12 * 2.25\% = \text{£}619$$

$$\text{£}20,000 * 1/12 * 2.25\% = \text{£}38$$

$$\text{Total} = \text{£}657$$

Yani would elect to use the average method as it creates a tax saving

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

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

Answer-to-Question- _6_

1)

The EMI shares were granted at a discount and therefore there is a charge to income tax on exercise:

Rhianfa

Lower of;

MV on grant $\pounds 4.00 \times 1,000 = \pounds 4,000$

MV on exercise $\pounds 9.00 \times 1,000 = \pounds 9,000$

Less: Price paid at exercise

$\pounds 3.00 \times 1,000 = (\pounds 3,000)$

Income tax $\pounds 6,000$

Guy

Lower of;

MV on grant $\pounds 4.00 \times 1,000 = \pounds 4,000$

MV on exercise $\pounds 11.00 \times 1,000 = \pounds 11,000$

Less: Price paid at exercise

$$£3.00 * 1,000 = (£3,000)$$

Income tax £8,000

2)

3)

EMI schemes must be registered with HMRC. New schemes must be registered by 6 July following the tax year.

The employer is required to submit an annual return to HMRC by 6 July following the end of the year in which the first award of shares was made.

If the employer fails to file a return by the correct date, an automatic penalty of £100 will be charged.

When completing the returns, the employer is required to provide all the information necessary to determine any tax charge.

In order for the EMI option to qualify for the advantageous tax treatment, the employer must notify HMRC by 6 July following the year in which the grant has taken place.

Notification is made online.

4)

| | Taxable £ | Exempt £ | Ex-gratia |
|----------------------|--------------|-------------|-----------|
| Statutory redundancy | | | 7,000 |
| Bonus | | | 20,000 |
| PILON | 18,000 | | |
| Ex-gratia | | | 10,000 |
| sub totals | 18,000 | | 37,000 |
| Less: Exemption | | | (30,000) |

Total taxable = £18,000 + £7,000 = £25,000

5)

Car benefit:

Available for 11 full months of the tax year

$£28,900 * 13.8\% = £3,988$

Pension contributions:

$£3,000 / 100/80 = £2,400$ net contribution

$£2,400 * 13.8\% = £331$

Ex gratia payments in excess of £30,000 are subject to Class 1A NICs so £37,000 -

$$£30,000 = £7,000 * 13.8\% = £966.$$