

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	606	2654	3274
Section 2	538	2213	2885
Section 3	499	1956	2523
Section 4	303	1423	1898
Section 5	521	2362	2867
Section 6	302	1355	1922
Total	2769	11963	15369

Answer-to-Question- 1

1)The threshold for registering for VAT is £90,000 and this includes sales from taxable supplies including standard rated supplies and zero rated supplies. Her monthly turnover would be $13,200 + 6,700 = 19,900$. $90,000 / 19,900 = 4.5$ so within 5 months Amira would breach the VAT registration threshold of £90,000 ($19,900 \times 5 = 99,500$) As her taxable turnover in the last 12 months has exceeded the threshold she would be required to register in the month of the breach i.e she must inform HMRC within 30 days which is by 30th september 24 and she will be registered from the 1st October 2024

2)When a trader is late notifying HMRC that they should be registered for VAT, 3 things happen:

- 1- Their registration is backdated to the date from which they were liable to be registered.
- 2 - they must also account for output tax on their supplies from the date on which they should have been registered to the day before HMRC are actually notified.
- 3- They are liable to a penalty for the period of default, unless they can convince HMRC that there is a reasonable excuse for the delay.

The penalty is based on the behaviour of the person concerned and is a percentage of the potential lost revenue i.e net VAT due for the period between the date registration should have taken place and the day before HMRC are actually notified.

3)Amira must register new employees with HMRC when she starts employing them and before the employees first pay date. Amira will need to operate PAYE on the new employees salary as it is more than the national insurance lower earnings limit of £533 per month. An FPS will need to be submitted on or before the payment to the employee stating the employees address and passport number. Amira will also need to report a starter declaration and will need to ask her new employees 3 things to help determine which tax code to use, this information will also get reported on the FPS.

4)

Bo's student loan:

the deduction % for postgraduate loans is 9% and the threshold is 1,750 per month.

$$2,500 - 1,750 = 750 \times 6\% = £45 / \text{month}$$

Student plan 1 deduction is 9% on earnings in excess of £2,082

$$2,500 - 2,082 = £418 / \text{month (rounded down)}$$

5) As the accomodation is not job related then this will be a taxable benefit subject to income tax, this will need reporting on a P11D

The provision of a car will also be a taxable benefit this will need reporting on a P11D and a P46 will also need to be submitted.

The provision of a mobile phone is not a taxable benefit this does not need reporting.

P11D should be submitted to HMRC by the 6th July 2025

P46 should be submittted to HMRC within 28 days of the tax quarter.

6)

House benefit:

Higher of rents paid and the annual value;

$$\text{Rents paid} = 2,300 \times 6 = 13,800$$

$$\text{Annual value} = 27,000 \times 6/12 = 13,500$$

Rents paid 13,800 = taxable benefit

Car benefit

$$115 - 75 / 5 + 20 = 28\%$$

List price 26,500

Less capital contribution (5,000) maximum

Revised list price 21,500

$21,500 \times 28\% = 6,020$

Less non-availbilty (3,010)

Car benefit 3,010

Mobile phone - no taxable benefit.

7)

Car benefit for the whole year:

$21,500 \times 28\% = 6,020$

$6,020 \times 40\% = 2,408$

Hybrid benefit would be:

List price 18,800

12% for 35 mile range

$18,800 \times 12\% = 2,256$

$2,256 \times 40\% = 902$

Cavan should go for the Hybrid car as they would pay less tax.

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

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

Answer-to-Question- _2_

1)

$$1,050,000 / 1,720,000 \times 100 = 61\%$$

	Taxable	Exempt
Taxable	7,200	7,200
Exempt	2,940	2,940
non-attributable	18,900	11,529
		7,371
Total	18,729	10,311

De minimis? total exempt input tax less than or equal to £625/ month?

$$10,311 / 12 = 859 \text{ so NO}$$

Can only recover 18,729

Annual adjustment is:

Actual input vat recovered for the year 25,550

Less Input tax recoverable for the year (18729)

Tax to pay back 6,821

To be accounted for on the first VAT return of the new VAT year.

2)

30th June 2023 - return was submitted LATE, paid on time

30th September 23 - everything on time

31st December 23 - Return was submitted LATE and paid LATE

31st March 24 - Everything was on time

30th June 24 - submitted LATE and paid LATE

30th Septemeber 24 - everythnig was on time

31st December 24 - Submitted LATE, paid on time

Where s return is filed quartlery, a penalty point may be awarded by HMRC. Once the penalty threshold of 4 points has been reached a penalty of £200 will be awarded for each late return including the return which resulted in the threshold being reached. Individual penalty points expire after 2 years so long as the threshold has not been reached. A penalty point may be awarded for June 23, December 23, june 24 and December 24 as these were all late. This would equal for points and a penalty of £200. Any further late submissions will receive a further £200 fine but not another point as they are at the maximum.

If VAT is paid late but within 15 days of the dure date then no penalty is charged. if the tax is not paid by the 15th day a first penalty of 2% will be charged on any tax outstanding. If tax is not paid within 30 days a further penalty of 2% will be charged on any outstanding tax, so 4% in total. june 24 will have a 4% penalty fine for being over 30 days late = $28,000 \times 4\% = 1,120$. Dec 23 will have a 2% fine for being over 15 days late but less than 30 = $7,500 \times 2\% = 150$. Dec 24 is paid late but within 15 days so no penatly due.

3)a

Esme is UK resident and UK domiciled and so her earnings from her secondment will be subkect to UK tax on a receipts basis as in when she receives the money. It doesnt matter that she keeps it in a non-uk bank account.

b)

Gorka is non UK resident and non domiciled which means his earnings from Spain are not taxable to the UK. Gorka can be classed as a short term business visitor. This means payments can be made to an employee by an employer without the deduction of tax, if Spain is a country which the UK has a double tax agreement with.

Gorka will be considered a short term business visitor as he is coming to work for a UK company and is expected to spend less than 183 days in the UK in a 12 month period. The UK employer will apply to HMRC not to operate PAYE on earnings to Gorka.

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

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

Answer-to-Question- _3_

1) Bad debt relief can be claimed if the VAT has been accounted for and paid to HMRC.
The whole or part of the consideration must be written off in the accounts. The debit must be at least 6 months old from the date payment was due.

The payment of £4,200 is treated as paying off the older invoices first.

June 24 invoice is therefore paid in full

$4,200 - 2,000 = 2,200$ left to allocate

July 24 invoice paid in full

$2,200 - 1,200 = 1,000$ left to allocate.

August 24 $3,600 - 1,000 = 2,600$ partly paid

Can claim bad debt against August 24 $2,600 / 6 = 433$ VAT to claim back

No bad debt claim against Oct 24 invoice as it was exempt

No bad debt relief against Dec 24 invoice as the debt is not yet 6 months old.

2)

Sam NI

April 24 earnings 6,160

earnings under 12,570 so no NI

May 24 earnings $6,160 + 6,160 = 12,320$

earnings under 12,570 so no NI

June 24 earnings $6,160 \times 3 + 22,500 = 40,980$

$40,980 - 12,570 = 28,410 \times 8\% = 2,273$ NI

July 24 earnings $40,980 + 6,160 = 47,140$

$47,140 - 12,570 \times 8\% = 2,766$

less paid (2,273)

due 493

August 24 earnings $47,140 + 6,160 = 53,300$

$50,270 - 12,570 \times 8\% = 3016$

$3,030 \times 2\% = 61$

Less paid (2,766)

due 311

Sept 24 $53,300 + 6,160 = 59,460$

$37,700 \times 8\% = 3016$

$59,460 - 50,270 = 9,190 \times 2\% = 184$

Less paid (3077)

Due 123

Oct 24 65,620

37,770 3016

$15,350 @ 2\% = 307$

Less paid (3200)

due 123

Nov 24, Dec 24, Jan 25, Feb 25 Mar 25 same amount of NI due £123

$$\text{total } 6,160 \times 12 = 73,920 + 22,500 = 96,420$$

$$37,700 \times 8\% = 3016$$

$$96,420 - 50,270 = 46,150 \times 2\% = 923$$

$$\text{Total NICS} = 3,939$$

3a)

SMP

Employer must keep records for payments made. HMRC provide forms for SMP.

Employer must record details of the employees name, NI numbers and payment dates, the amounts paid and the date the pay period began. Should also retain maternity certificates.

Records must be kept for at least 3 years after the end of the tax year to which they relate.

SMP form part of the employees pay subject to tax and NI which must be reported on a full payment submissions on or before the date of payment. The amounts paid must also be recorded separately on the FPS. An EPS will need to be submitted to report the amounts of statutory payments recovered.

b)

SMP is paid for a maximum of 39 weeks. First 6 weeks at 90% of average pay. 33 weeks at the lower of 90% of average pay pr £184.03

$$\text{average pay} = 3,090/8 = 386.25 \times 90\% = 347.63$$

347.63 for first 6 weeks

$$6 \times 347.63 = 2,085.78 \text{ for the first 6 weeks}$$

184.03 for 33 weeks

$$33 \times £184.03 = 6,072.99$$

$$\text{Total SMP} = 8,158.77$$

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

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

Answer-to-Question- _4_

1)

Marcia trading profits $15,000 \times \frac{2}{5} = 6,000$

Add transitional 5,000

TTP 11,000

2)

Indicators of employment include:

Marcia is told what hours she has to work this indicates employment. Self employeeed can dictate their own hours.

Marcia is told what taskes she must perform, this indicates employment as self employed can usually choose which tasks they want to perform.

Marcia stil got paid for work that couldn't be used. This works similar to employment where you get paid regardless if you've done the work or not. Self employeeed would usually have to recify any mistakes in their own time out of their own pocket.

Marcia was not allowed to send a substitue in her place to the conference. The right of substitution is usually one of a self employeeed person, indication this is actually employment that she had to attend herself.

3)

income from relevant engagements	65,000
Less 5% automatic deduction	(3,250)
Salary	(15,000)
ER NICs on salary	(814) 15,000 - 9,100 x13.8%
ER pension contributions	(1,000)
Gross deemed payment	44,936
ER NICs on gross	(5,449)
Net deemed	39,487

4)

PAYE and NI will be due on the deemed salary by 22nd April 25 where payment is made electronically otherwise 19th april 25. deemed salary is deemed to be paid on 5th April 25. HMRC will accept an estimate with any outstanding amounts due by the following 31 January 26. However interest will be charged on any tax and NICs paid late. The deemed salary payment should be reported on a full payment submission on or before 5th April 25. Where a provisional payment of PAYE and NI has been made, any adjustments should be reported to HMRC on an FPS by 31st January 26. Actual salary paid is to be reported on an FPS on or before the payment is made.

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

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

Answer-to-Question- _5_

1)

Corporation tax return is due 12 months from the end of the period of account. Their return was due 30th Sept 23 therefore it is over 9 months late. The penalties for this include;

Flat rate penalty of £100 for being to 3 months late. The penalty increase to £200 (a further £100) for being over 3 months late.

Tax geared penalty:

Penalty of 10% of the outstanding tax liailbty applies if a return is not filed within 18 months of the end of the accounting period. 18 months here would be from 30/9/22 + 18 months = 31/3/23 so a 10% penalty is triggered. $£95,000 \times 10\% = £9,500$ fine. As it was filed within 2 years of 30/9/22 no further penalties are due.

2)

A member should maintain a system to ensure that all relevant time limits and deadlines are monitored and appropriate actions taken. Whatever services are provided, there will be a variety of deadlines. it is important to make clear who is responsible for ensuring these are met. If a member does under take tax compliance work this will normally include responsibility for keepig the client informed of the amount of tax payable, the due date for payment and drawing the clients attention to the fact interest accrues from that date. However a member is not responsible for ensuring that the client does actually pay the tax due.It must be made clear from that start who is responisbile for what.

3)

A close company is a company which is resident in the UK and controlled by either:

- five or fewer participators (shareholders)
- any number of directors who are also directors.

Control is established where these persons together own more than 50% of the shares.

This includes the individual shareholding and the shares of their associates. Meaning spouses, children, brothers and sisters.

Harley and Ceri's holdings will be classed together to make 20%

Saj and Mel's holdinds will be classed together to make 20%

Together with 2 other shareholders 10% makes 60% of shares held by 5 or fewer participators so the company is close.

4)

As Yani is a shareholder of a close company the company will have a s.455 charge to tax on the value of the loan of 33.75%.

Initial charge to tax was $30,000 \times 33.75\% = 10,125$ which was due 9 months and 1 day from the end of the accounting period i.e 1/7/24

When Yani repaid £10,000 of the loan Jaybird can reclaim the initial tax paid on the £10,000 loan i.e $10,000 \times 33.75\% = £3,375$. Tax will be repaid by reducing the corporation tax liabilty for the period in which the loan is repaid i.e 1/7/25 As Jaybird wrote off £4,000 of this loan they cannot reclaim any s.455 tax on this part of the loan nor is it an allowable deduction against corporation tax.

5)

When Jaybird writes off £4,000 of the loan Yani is treated as recieved a dividiend of this amount and will be charged 33.75% on this amount, 1,350. Yani will report this on their self assessment return due by 31st January 26

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

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

Answer-to-Question- _6_

1)

In order to qualify for favourable tax treatment the option must be exercised within 10 years of grant. Grant 2/2/15 10 years on = 2/2/25

Income tax on exercise of EMI shares if granted at a discount.

Rhianfa: exercised within 10 years of grant

Grant price £3

Lower of :

MV at grant £4

MV at exercise £9

MV of Shares 1,000 x 3 4,000

Less option price (3,000)

Charged as employment income 1,000

Guy exercised at 17/3/25 which is over 10 years from grant.

MV at exercise £11 x 1000 11,000

Cost of shares (3,000)

Charge to income tax 8,000

2)

Wolere Lrd must have fewer than 250 full time employees who work at least 25 hours a

week. We can assume that Rhianfa and Guy do not have a material interest/shares of over 30% in the company.

We can also assume that they don't already hold the maximum value of shares.

3)

A grant of an EMI option must be notified online to HMRC by 6th July following the end of the tax year. Notification is done online and includes the following to confirm the option qualifies under the EMI rules:

- Date the option was granted
- market value at the date of grant and price employees will have to pay on exercise.

Employers must file annual returns online with HMRC for all tax advantaged and non-tax advantaged schemes by 6th July following the end of the tax year - 6/7/25.

4)

Termination package:

Benefit	Taxable	Partially	exempt
MV of car		32,000	
Statutory redundancy		7,000	
Bonus for work	20,000		
PiLON	18,000		
Ex gratia		10,000	
Pension contribution			3,000
s.403 exemption		(30,000)	
Total	38,000	19,000	3,00

5)

Class 1A NICs due on $19,000 \times 13.85 = 2,622$

Class 1a NICs due on benefits in that they exceed the 30,000 exemption.