

Question 1

Part 1

This part was done relatively well with a lot of candidates achieving full marks. Some candidates did make mistakes by not including the zero-rated supplies as taxable turnover or wasted time explaining the future turnover test which was not relevant.

Part 2

Excellent knowledge was shown on this part which candidates found straightforward.

Part 3

Good knowledge was shown on this part with candidates producing very thorough answers.

Part 4

Whilst the majority of candidates correctly calculated the student loan deductions, there were some candidates who mixed up the postgraduate and plan 1 student loan percentages.

Part 5

Candidates explained correctly that the accommodation provided was a benefit subject to reporting on P11D by 6 July. Some candidates also included the mobile phone which showed a lack of knowledge between taxable and exempt benefits. A high number of candidates failed to consider the fact that a form P46 needed to be completed on provision of the car. Some candidates showed excellent knowledge of current issues and discussed the future payrolling of all benefits, which was very encouraging to note.

Part 6

Common errors in this part of the question were to deduct the full amount of the capital contribution, displaying a lack of understanding on the maximum contribution and also not pro rating the benefits for non availability.

Part 7

This part produced varied answers. Some candidates correctly dealt with the requirement and calculated only the income tax due. This had been signposted within the information in the question relating to Cavan's taxpayer status. A number of candidates however calculated the Class 1A due on the benefits and centred their conclusion based on this. The question did not require Class 1A to be considered as it was structured around Cavan's income tax liability only.

Question 2

Part 1

It is still the case that candidates cannot distinguish between taxable and exempt supplies. A number of candidates failed to include zero rated supplies in the calculation. Also the majority included the capital item in their calculation also. Many wasted time and discussed the simplified tests for partial exemption – often getting these mixed up with the de minimis limits

Part 2

This part was done really well, with a high number of candidates achieving full marks. Excellent applications skills were shown.

Part 3

a) Most candidates correctly identified that as a UK resident, Esme's worldwide income was subject to UK tax.

b) This part produced mixed answers which polarised between candidates showing excellent understanding and application skills and being confused. Many candidates identified that Gorka met the conditions of a short term business visitor and were awarded full marks. A number of candidates thought that as Gorka was resident overseas, he did not have to pay UK tax at all even on UK earnings. Some candidates went down the route of discussing the remittance basis in great detail which was not relevant to the question. Candidates did sometimes confuse the short term business rules with overseas workday relief. This question was a good discriminator between those candidates with excellent skills and those who just rely too much on and copy large chunks from the learning materials.

Question 3

Part 1

This should have been straightforward, but the common approach adopted was for candidates to explain the rules relating to bad debts generally, without any consideration of how these applied to the scenario and the actual amount of bad debt relief that could be claimed.

Part 2

The better candidates scored full marks on this section, but there were a high number of candidates who just took the annual earnings and applied the NIC percentages to them; without considering the NIC's due each month which the question asked for. There is an extensive example on this approach in the learning materials so candidates should familiarise themselves with this for the future.

Part 3

Whilst most candidates scored full marks on this section, a number of candidates ignored the requirement in the question and instead explained the records which must be kept for VAT, clearly getting mixed up between the taxes tested in each requirement.

Part 4

This question was done well generally and it is an area where candidates appear to be confident and knowledgeable.

Question 4

Part 1

Trading profits on cessation of trade was either answered 100% correctly or poorly.

Some candidates made the simple mistake of apportioning the £15,000/12 instead of 6. Yet others failed to apportion it at all or used a numerator of 1 or 3 instead of 2.

Many candidates either used the full transitional profit of £5,000 or just £1,000 being 20% of the same instead of realising that £1,000 should be deducted and the balance used on cessation.

Part 2

Factors indicating employment status.

Paper 3: Business Compliance

Examiners' report

A good proportion of candidates scored well on this part of the question although a fair amount failed to take the obvious factors into account such as right of substitution and financial risk.

Part 3

The deemed employment payment was similarly answered well by most candidates although some struggled with the class 1 secondary NIC on the salary payment and some thought that the £1,000 pension payment was a monthly amount and lost easy marks as a result. Some failed to include the 5% deduction and yet others added the salary to the income from relevant engagements. Follow through marks meant that the majority of candidates scored 75% or more on this part of the question.

Part 4

PAYE and NIC obligations was answered well by many candidates who identified the main points regarding the salary, deemed payment and P60 obligations. Easy marks were lost where candidates focused on either just the salary or the deemed payment although those that concentrated on the deemed payment scored over half marks.

Question 5

Part 1

Late filing penalties were identified correctly by a majority of candidates. Some added the fixed rate penalties together to arrive at £300 rather than cumulating the £100 penalties to arrive at the correct fixed penalty of £200. Some went on to add further fixed rate penalties which was not appropriate. There was some confusion over the tax geared penalty applicable with some candidates taking the 18 month point from the due date of submission rather than the end of the AP thus assuming that these did not apply whereas yet others took the 18 month period from the start of the AP and therefore applied a 20% rate instead of a 10% rate.

Part 2

Ethical guidance to ensure tax compliance met was either answered well or very poorly. There were also a reasonable number of non-attempts of this part. Despite there being a maximum 4 out of 5 possible marks awarded few candidates scored 4. Some candidates failed to understand the question and answers reflected that.

Part 3

Close company rules was not answered as well as expected – a lot of this was regurgitation of the rules without applying them to the particular situation. Whereas many candidates scored well they failed to obtain full marks as, although they reached the correct conclusion, their methodology in arriving at the same was flawed. Some thought that the directors and their associates automatically controlled the company under the second leg of the rules but failed to appreciate that together they only owned 40% of the shares. Yet others assumed that a 50% holding gave control and therefore despite not getting the associates point still thought that 5 separate participators controlled the company. Notwithstanding this a fair number of candidates scored full marks which differentiated them as the better candidates providing clear application to the situation at hand and a logical approach to arrive at a perfect answer.

Part 4

This part of the question had a mixed response from candidates. Some didn't appreciate that the reduction in loan value by the normal due date afforded a reduction in s.455 tax liability, they then also assumed a refund for the following period based on the same then missed the reduction for the

third period as a result of the waiver. Others lost easy marks by not being clear as to the figures involved and the applicable dates.

Part 5

Most candidates failed to acknowledge that there was a loan benefit taxed as dividend. Others calculated the benefit but assumed that it was to be taxed via form P11D (these obtained marks for the calculation only). Most candidates obtained half marks for acknowledging that the loan waiver resulted in a dividend chargeable on Yani in 2024/25 payable 31/1/26 at the marginal rate. Lack of calculation or dates resulted in lower scores.

Question 6

Part 1

Exercise of an EMI option - the majority of candidates gave the correct answer for Rhianfa, but a good proportion of candidates failed to differentiate Guy's situation. Yet others assumed that Guy incurred no income tax at all after 10 years but was only subject to CGT.

Part 2

Assumptions made about the employees for the EMI scheme to apply was mostly answered well although candidates lost easy marks by talking about the company, not mentioning a maximum number of employees being 250 or not expanding their answer. For instance, for a perfect answer candidates needed to state that they did not have a material interest in the company, meaning less than 30% shareholding together with their associates. Most candidates failed to mention associates and lost a half mark as a result. Similarly some mentioned full time employee without explaining what that meant in this context e.g. 25 hours or more/> 75% of working time.

Part 3

Employer reporting obligations was poorly answered and had a fair number of non-attempts. Many candidates got bogged down in registration on the ERS and notification obligations on historical grant of the EMI options where what was required was detail around the reporting obligation on the annual return around the exercise event. Better candidates honed into this and obtained full marks. The majority who attempted the question gained at least one mark for stating that an annual return was required and the due date.

Part 4

The termination package was answered well in the main although candidates didn't apply full exemption with usage of the £30,000 limit for the statutory redundancy payment instead categorising this as partially exempt subject to the £30,000 limit. For this they were still awarded full marks. The treatment of the car caused some confusion some bringing in the car benefit against the final termination amount of £32,000 giving a net figure of £3,100, others ignoring it completely. Some candidates thought that the bonus was partially exempt. Follow through marks were awarded where appropriate.

Part 5

This part of the question was dependent on the answer to part 4 requesting the Class 1A NIC due on the termination payment, follow through marks were awarded where appropriate. No marks were awarded where the normal car benefit was included as being subject to Class 1A, nor where the taxable termination payments were subjected to Class 1A. Marks were awarded in full where the transfer of the car MV £32,000 to Lara was excluded in part 4 and an assumption was made that there was therefore no Class 1A due because the other partially exempt payments fell within the £30,000 limit.