

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>136</b>	<b>662</b>	<b>775</b>
Section 2	<b>566</b>	<b>2574</b>	<b>3088</b>
Section 3	<b>0</b>	<b>0</b>	<b>0</b>
Section 4	<b>197</b>	<b>917</b>	<b>1107</b>
Section 5	<b>600</b>	<b>2799</b>	<b>3410</b>
Section 6	<b>382</b>	<b>1843</b>	<b>2190</b>
Total	<b>1881</b>	<b>8795</b>	<b>10570</b>

Answer-to-Question- \_1\_

## PART 1

### VAT APPOPRTIONMEWNT SCHEME 1

This is usually used when the VAT Exclusive sales are less than £1 million. a quaterly calculation is done on the cost of sr goods / cost or reduce rated goods multiplied by the gross takings. The output VAT is subject to 1/6 if SR or 1/21 if reduced rated goods. There is an annual adjustment

## PART 2

## PART3

## PART4

APPRENTIC ESHIP LEVY MAY		TOTAL. £		
PAYBILL X0.5%	260,000X0.5%	1,300		
LESS LEVY ALLOWAN CE	1/12X 15,000	(1,250)		
LEVY PAYABLE		50		

APPR JUNE				
PAYBILL X0.5	260,000+ 330,000 x0.5%	2,950		
less levy allowance	2/12x15,000	(2,500)		
less levy paid		(50)		
levy payable		400		

Apprenticsh p levy July				
paybill	927,000x0.5%	4,635		
less levy allownace	3/12x15,000	(3,750)		
		885		
less levy paid		(400)		
LEvy PAYABLE JULy		485		

**PART5**

BARter was 12 days late in his submiision of his FPs

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-----ANSWER-1-ABOVE-----  
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 -----ANSWER-2-BELOW-----  
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Answer-to-Question- 2

**PART1**

**VAT LIABILITY FOR Q/E 31/03/2025**

	WORKING £	TOTAL £	TOTAL £
OUTPUT VAT			
SALE OF COSMETICS NOTE 1	EXPORTS ZERORATED	18,000X0	0
SALE OF HANDBAGS NI NOTE2	SALE TO NI SAMERATE AS UK	10,000X 20%	2,000
ACCOUNTANT PAYMENT NOTE3	B2B		4,000
<b>TOTAL</b>			<b>6,000</b>
INPUT TAX			
PURCHASES JAPAN nOTE 4	DUTY DEFERED SCHEME	6,000X20%	1,200
PURCHASES CLOTHES. NI (NOTE2)	IMPORTS NI SAME RATE 20%	3,600X20%	720
ACCOUNTANT PAYMENT	REVERSE CHARGE	20,000X20%	4,000
<b>TOTAL</b>			<b>(5,920)</b>

NOTE 1:  
 SALE OF COSMETICS TO FRANCE IS OUTSIDE THEUK , good leaving uK are zero rated for VAT purposes provided Elef Ltd kkeeps evidence of documents, like bill of

lading.

NOTE 2: Under the Windsor Framework the aim is to simplify the process of trade between Great Britain and Northern Ireland. Hence the seller will charge the same rate of VAT as if it was a UK supply.

Similar for imports from Northern Ireland, Elef Ltd can recover this as input VAT in UK.

NOTE 3; When Elef Ltd pays to a business (assuming the accountant has a business in BARBADOS) it is considered B2B transaction and there is an mandatory reverse charge under VAT. As Elef is VAT registered he can charge output VAT and then can later deduct it as input VAT.

NOTE 4: Since Elef Ltd does not use Postponed VAT accounting he can account for Import VAT using duty deferred Scheme a and pay the VAT by the 15th of the following month.

## PART 2

### INCOME TAX LIABILITY for termination payments

	working £	TAXABLE £	EXGRATIA. £
CAR	£17500-4000		13,500
mobile Phone			500
PENP NOTE2	80,000/12 =£6667 x3	20,000	
Termination payment	28,000-20,000		8,000
Statutory Redundancy pay			5,100
EX GRATIA ALLOWANCE	First 30,000 is exempt		(30,000)
Tax payable		20,000	
less PA		(1,045)	
		18,953	
less BAnd 1		(3142)	
		15,810	

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**NOTE 1:**

since Corah was allowed to kkep the car and the phone an it does not seem thatit is a norm within th ecompany , hence it classifies as non contrcatrual and is deducted from the Ex gratia allownace .

**Note 2:**

The Post Employment Notice Pay for 3 months of work is fully taxable under the termination payment.Of £20,000.Assuming this payment is done after the she is made redundant after p45 is issued.SO there will tax code OT used and her calculatuon would be M1 monthly ,

So Band 1  $37,700/12 = £3142 \times 20\%$

An BAND 2  $87440/12 = £7286 \times 40\%$

So she will be her PA  $12570/12 = 1,045$

**PART3**

**TRANSFER OF A GOING CONCERN**

The sale of the cosmetic Divsion Og EleF Ltd would be considered outside the scope of VAT and there will be no VAT on this transaction, provided these conditions are met.

- The assets are to be used in the same kind of business and it looks like Creq Ltd will carry on the same business.
- The transfereor is registered for VAT which has been confirmed that CREq ltd is a VAT registered business.
- t There should be no significant break in trading, though it is not clear but they can verify.

-If Only a part of the business that is the case in Elef Ltd as only the cosmetic division is being sold so, that part must be capable of seperate operations.

So if all of these conditions are met this sale of Business is considered as Transfer of Going Concern and it is outside the scope of VAT and no VAT is chargeable.

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-----ANSWER-2-ABOVE-----  
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-----ANSWER-3-BELOW-----  
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Answer-to-Question-   3  

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-----ANSWER-3-ABOVE-----  
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-----ANSWER-4-BELOW-----  
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Answer-to-Question- 4

PART 1

PART2  
CIS DEDUCTION

CIS DEDUCTION	WORKINGS	TOTAL £	
LABOUR	FULLY INCLUDED	800	
TRAVEL	INCLUDED	75	
MATERIALS	ONLY THE PROFIT ELEMENT INCLUDED	100	
CIS DEDUCTION	975X20%	80	
<b>AMOUNT PAID TO SANDY</b>	<b>1375-80</b>	<b>1,295</b>	

PART3

GLANC ltd must make monthly returns to HMRC on the CIS 300.

-These returns should be electroonic paybale by the 19 of each month which is 14 days after the end of the tax month.

- it should include the gross amounts, the material deduction and the CIS deduction.

- Even if no returns due HMRC must be informed otherwise penalty may be incurred.

There is a fixed penalty of £100 and then it increases.

GLANC ltd must also make monthly payment statements to Sandy also due on the 19 of each month. CAn also provide more than one to accompany each payment as he is paying Sandy weekly.

-it can be eitehr electronic or paper.



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-----ANSWER-5-BELOW-----  
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Answer-to-Question- 5

**PART 1**

**INTEREST AND ROYALTY**

Ignore payment to companies for this calculation. It is paid quarterly and charged 20%

Debenture interest 1march 2024

**INTEREST WITHHELD**

$\text{£}10,000,000 \times 7\% \times \frac{1}{4} \times 65\% \times 20\% = \text{£}22,750$

This would be reported on FORM CT 61. The calculations are made quarterly and the due date of return and payemnt is 14 days after the end of the quarter.

So for this it would be due on 14 April 2024.

**INTEREST WITHHELD**

Debenture iNTEREST 1 sept 2024.

This would be the same amount of £22,750 and would be reported on the calendar quarter of 30 sept 2024 and would be due for payment on 14 Oct 2024.

**INTEREST SUFFERED**

ROYALTY 18 sept 2024

As she received from an individual we need to gross it up

$\text{£}40,000 \times \frac{20}{80} = \text{£}10,000$

SINCE Both of them incurred in the same quarter we will do an adjustment

**INCOME TAX PAYABLE TO HMRC**

Income tax withheld = £22750

Income tax suffered =(10,000)

NEt amount due to HMRC = £12,750

This is due with the corporation tax laibility.

**PART2**

a)

**UNDER SIP**

IDRis can be awarded maximum sshares of =£3600

Idris can buy partnership shares =£1800

( lower of £1800or 10% of salary)

=50,000x10%=£5000

The employer could give upto 2 shares for

each partnership share ==== =£3600

TOTAL Number of shares £ 9000

MV at that time =£6

So number of shares Idris had were 1500 shares.

Any salary surrendered to buy the partnership shares is deducted from gross salary before income tax deducted under PAYE aand NIC calculated.

b)Since Idris withdrew between 3-5 years there is

Free Shares - Income tax on lower of MV at allocation (£6 or Market value at withdrawl £10.

Partnership shares are also the same as above.

There is an income tax charge but no NIC charge if they are not readily convertible assets. If the full amount has not been deducted from the employee , the employer MAgcake should pay HMRC by the due date and collect from IDris within 90 days.

**PART3**

	WORKING	TOTAL £	TOTAL £
FLO EMPLOYMENT INCOME 9 mnths			
HOUSING BENEFIT NOTE 1	(242,000-75000)x 2.25%x7/12=2,192		
ANNUAL VALUE	12,000x7/12=£7000		
less RENTAL BY FLO	300x7=(2,100)		

HOUSING BENEFIT		7,092	
USE OF FURNITURE	15000x 7/12x20%	2,250	
SALE OF ASSET NOTe 2			
Employment income		9,342	

**NOTE 1:**

For Housing benefit we use the the value the employee moved in and if its more tahn 6 years it is the current market value on the date of 1July 2024.Thenn it is apportione dto the period she was employed for 9 monthsupto the tax year 5 april2025.  
 As it is not necessary for her job it is fully taxable.

**NOTE 2;** AS magcake has allowe dto keep th efurniture the value ius calculated at the higher of :

- market value when given ;£15,000
- Market value when originally provided less amounts already charged for use of asset.  
 $£15,000 - 2,250 = 12,750$ .

But there is an exceptioin when the asset has been used before the transfer thenit is at the second hand value of the asset which is £13,000.

**PART4**

**CHRISTMAS PARTY**

If this amount had been less than £150 for annual party it would be exempt from NIC.

WE gross up the figure

Since this is one off it can be included in the PSA. IT will be CLASS 1B NIC @ 13.8% payable and reported by the 22of October 2025 if electronic or 19if otherwise. THE Total amount payable is £47,058.

There is just one annual payment for PSA.

**TOTAL COST**

cost	basic rate	higher rate	
220x900=	198,000		
220x170=		37,400	
	198,000x100/80=	37,400x100/40=	
GROSS up	247,500	93,500	
TOTAL BENEFIT			
<b>CLASS 1 B 13.8%</b>	<b>34,155</b>	<b>12,903</b>	<b>47,058</b>

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 -----ANSWER-5-ABOVE-----  
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-----ANSWER-6-BELOW-----  
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Answer-to-Question- \_6\_

PART 1

**ALEX**

**Relocation Allowance is allowed up to £8000 And must include qualifying exepenses, like relocation furniture ,fees incurred in the process. Excess and non qualifying are all taxable under PAYE .**

**Therefore £2000 would be chrageble to tax under PAYE .**

**Must be reported on P11d as well.**

**BRODY**

**CLothing is only allowed if it is absolutely necessary for the job and will result in better performance of the job or is customary for all employees.**

**it does not look like this clothing expense appears to satisfy these conditions,Hence this will be fully taxable under PAYE and CLASS 1 PRIMARY BY BROODy and CLASS 1SEcondary NIC by BCD Partnership should be paid..**

**MITCHEL**

**THis Seems that Mitchel was awarded round sum allowance of £5000.**

**In thiscase the full amount has been paid to Mitchel and he can claim the qualifuing business expenses via their self assessment for any genuine business expenses.**

**as Mitchel has incurred £4000 spent on travel between sites, it is an allowable exepense , provided he keeps all his invoices and proof of these travels. HMRC will not approve of it without receipts or invoices.**

**SO the excess of £1000 would charged ro PAYE and Class 1 NIC.**

**PART2**

Under The gift aid scheme he will gross up the benefit and his band would increase with that amount. and so more of his income will be charged at the lower rate. The payments are made net of 20% of tax. Higher and additional rate relief will be available to Jamal by extending his rate limits by that amount.

If he does it under the Payroll deduction scheme, it will reduce Jamals gross pay. There is. no minimum or maximum amount he can pay into the scheme via payroll giving. His INcome Tax will reduce as his salary would reduce but no change for CLASS1 NIC , as they are going to be charged on the salary figure,

**PART3**

taxable profits p/e 30 nov 2024	TOTAL £	BRAXTON £	CINDY £	DIRK £
TRADING PROFIt 8/12x540,000	360,000	120,000	120,000	120,000
PSR EQUAL 3	(360,000)			
<b>TOTAL</b>	<b>nil</b>	<b>120,000</b>	<b>120,000</b>	<b>120,000</b>
taxable profit p/e 31march24				
trading profit 4/12x540,000 .	180,000			
less salary 4/12x84,00	(28,000)	28,000		
	152,000			
psr 1:2;2	(152,000)	30,400	60,800	60,800
<b>TOTAL</b>	<b>NIL</b>	<b>178,400</b>	<b>180,800</b>	<b>180,800</b>

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**PART4**

**To:**

**From:**

**SUBJECT :FINANCIAL IMPLICATIONS**