

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	498	2227	2638
Section 2	218	1056	1225
Section 3	595	2655	3218
Section 4	356	1600	1862
Section 5	257	1109	1308
Section 6	63	302	354
Total	1987	8949	10605

Answer-to-Question-__1__

1

1) Retail scheme

Jingux Ltd can join a retail scheme at the beginning of any VAT period, no need to tell HMRC.

They can leave a scheme at the end of any VAT period.

Apportionment scheme 1

You can't use apportionment if you provide services, goods that you've made or grown yourself or catering service. This is not the case for Jingux Ltd as you buy and sell goods.

For to use this scheme, your turnover excluding VAT, can't be more than £1 million a year. As your quarter ended 31.3.25 sales is £97,000 vat inclu. It is unlikely you will exceed the limited for the year.

annual adjustment needed.

Point of Sales scheme

If you can identify the VAT rate for goods sole at the time of sale, ie if you have an electronic till that does this for you.

In terms of vat calculation, you need,

- . add up all the sales for each VAT rate for the VAT return period
- . for 20% rated goods, divided sales by 6, for 5% rated goods, by 21

For this scheme your turnover, excluding vat can't be more than £130 million a year.

and the other advisor and the client themselves.

4)
 Apprticeship Levy

	£		£
ME 5.5.25			
paybill	260,000		
Levy @0.5%	1,300		
Less Levy allowance 15,000 x 1/12	(1,250)		
Levy due	50		
ME 6.5.25			
paybill to date	260,000	Apr25	
	<u>330,000</u>	may25	
	590,000		
Levy @0.5%	2,950		
Less Levy allowance 15,000 x 2/12	(2,500)		
	450		
less paid M1	(50)		
Levy due	400		
ME 6.6.25			
paybill to date	260,000	Apr25	
	330,000	may25	
	<u>337,000</u>	Jun25	
	927,000		
Levy @0.5%	4,635		
Less Levy allowance 15,000 x /12	(3750)		
	885		
less paid to date	(450)		
Levy due	435		

5)Late FPS

a)Penalties for late PAYE FPS depends on the no of employees within PAYE scheme
Barter plac has 150employees, thus £300 penalty applies for each late FPS.

As ther are 3 late FPS as they are 12 days total od £900

No penalties if there is a reasonale excuse

b)Penalty will be notified by 6 of the following the end of the tax month

c)The payment due is 22 following the end of the tax month if paid electronically, 19th otherwise.

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

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

Answer-to-Question- 2

2

1)

Vat treatment

a) sales of goods to France is export of goods thus Zero rated on £18,000. Nil output vat is incurred.

b) sale of handbag in Northern Ireland (NI) for £10,000. This is standard VAT slaes. Thus output VAT is £1,667 (= 10,000/6).

c) purchase jewellery £6,000 from business in japan. The importation attracts 20% import VAT of £1000 as it would be the case for purchaing in the UK. This input VAT and would have been paid as no postponed VAT accounting used.

d)Purchase adult clothing £3,600 from a business in NI. This will have input VAT of £600 (3600/6). It is normal demestic VAT charge at standard rate. Elef Ltd can recover.

Total input VAT = 1000+0= 1,000

Total output VAT = 0+1,667+1000=2,667

VAT due = 1,667 (being 2667-1000)

2) IT

benefits		£	£	£
		taxable	exempt	partial exempt
statutory redundancy			5,100	
termination pay	W1		8,000	28,000 (20,000)PILON
car		17,500		
phone	550 exempt			
salary Ap-Dec24	80,000 x 9/12	60,000		
PILON	80.000 x3/12	20,000		

car benefit		<u>4,000</u>		
		101,500		
less PA		<u>(12,570)</u>		
		88,930		
IT liability				
37,700 @20%		7,540		
51,230 @40%		<u>20,492</u>		
		<u>28,032</u>		

w1

the payment of £28,000 reduced by PILON of 20,000 gives us 10,000 allowable payment.
Thus left with 8,000 exempt pay.

8,000 plus 5,100 statutory, = £13,100 less than allowable exemption of £30,000.

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

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

Answer-to-Question- 3

3

1) new client

- . Before accepting a new client, our firm should formalise the engagement in line with PRPG requirement
- . comply with identification requirement set out in the anti-money laundering guidance
- . Request client permission to communicate with a previous advisor if there is one..
- . contact the previous advisor after the consent to ask whether they are aware of any professional reason that we should not accept the appointment.
- . if no positive response received, we should consider the risk of accepting the new client and the circumstances carefully before accepting.
- . issue an engagement letter to the client, setting out the basis upon fees are charged, the scope and nature of the assignment and ask the for their formal agreement.

2) account period 1.12.23-31.12.25 and CT due each period

- 1.12.23 incorporation does not automatically count a start of the accounting period (AP).
- AP1, 1.1.24 start trading to 31.12.24 as an AP can not exceed 12 months.
CT (W1) £36,759
 - AP2, 1.1.25 starts end of the previous AP -31.3.25 it ended on the Period of Account.
CT (W2) £9,199

w1

trading profit for the 15 months is £191,250
so 12 months is £153,000 + dividend £15,000 = £168,000 Augmented Profit(between £50,000 - £250,000)- it qualifies marginal tax relief
tax at 25% x 153,000 = £38,250
less marginal tax relief: $\frac{3}{200} \times (250,000 - 168,000) \times \left(\frac{153,000}{168,000}\right) = £1,455$
this gives CT for the AP1 = **£36,759**

w2

trading profit for the 15 months is £191,250
so 3 months is £38,250 (between £12,500 [$\frac{£50,000}{(3/12)}$] and £62,500 [$\frac{£250,000}{4}$])-
it qualifies marginal tax relief

tax at 25% x 38,250 = £9,563
less marginal tax relief: $\frac{3}{200} \times (62,500 - 38,250) = £364$
this gives CT for the AP1 = **£9,199**

3)

a)

Seine Ltd must notify HMRC within 3 months of the start of its first AP, ie by 31.3.2024 as you started new.

b)

The corporation tax returns need to be filed for each AP although the company files period of accounts for the 15 months ended 31.3.2025. Therefore AP1 and AP2 in one period of accounts and filed to HMRC by 31.3.2026 and it contains 2 accounting periods.

The CT is paid by each AP.

- CT liability for AP1 should be paid to HMRC by 1.10.25 that is 9 months and 1 day after the Accounting Period.
- CT liability for AP2 should be paid to HMRC by 1.1.26 that is 9 months and 1 day after the Accounting Period.

4) cash Accounting

It seems that the client is suffering from payments from their client, thus delay the VAT bad debts relief as they have to waiting for 6 months to writ off and claim back.

Cask accounting offers,

- . pays VAT on sales when a customer pays
- . Reclaims VAT on purchases when you have paid your suppliers.

Condition to join.

- . be up to date with its VAT returns
- . not using flat rate scheme
- . not have committed a VAT offences in the last 12 months
- . have reasonable grounds for believing that taxable turnover in the next 12 months will not exceed £1.35 million

5)vat on mileage

Jamie diesel 22000cc is 19p per mile. 400 miles x 19P = £76

400 x 45p = £180 claimed by Jamie, but the company can only claim VAT on the mileage rate by HMRC

Ahmed 15 p x 200 miles = £30

200 x 20P = £40, but the company can only claim VAT on the mileage rate by HMRC

Both of them

Total: £106

Vat: £106/6 = £18 can claim.

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

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

Answer-to-Question- _4_

4

1) CT

the company is large as it's profits exceed £1.5 million.

CT liability = £1,960,000 x 25% = £490,000

The due date for payment of CT 8 m/e 31.12.24

- 14.11.24, 3/8 x £490,000 = £183,750

- 14.2.25, 3/8 x £490,000 = £183,750

- 14.4.25, 2/8 x £490,000 = £122,500

2)

CIS_ Sandy

not gross pay, so 20% tax withhold charged on Labour, travel to site and marginal profit on the material.

20% x (800 + 75 + 500-400) = £195

Total invoice £1,375 less CIS tax withhold of £195, it gives **£1,180** paid to Sandy.

3)

.Gianc Ltd would file CIS300 each tax month for the CIS tax withheld from each subcontractors worked for them during the month.

.It must be file 19th following the end of the tax month for which payment were made to Sandy.

by 19 December 2024 as the payment made in Nov24 for two weeks

. The gross payment amount £2750 (1375x2)(VAT exclusive amount), material amount of £800 (400x2) and tax deducted £390 (195x2)shown on the return.

4) Regi

	earning	accumulative earning	Class 1 NIC Class 4 NIC	reason
	£	£		
M1 24/25 5.5.24	4,000	4,000	nil, Class 1 NIC	director class 1 NIC on accumulative

				basic up to £12,570
M2 24/25 5.6.24	4,000	8,000	nil, Class 1 NIC	as above
M3 24/25 5.7.24	4,000	12,000	nil, Class 1 NIC	as above
31.7.25			1,794	50% of 23/24 Class 4 NIC due for 2nd POA
M4 24/25 5.8.24	4,000	16,000	274 Class 1 NIC	(16,000-12570) x 8%
M5 5.9.24	4,000	20,000	320 Class 1 NIC	(20,000-12570) x 8% - 274
M6 5.10.24	4,000	24,000	320 Class 1 NIC	(24,000-12570) x 8% - 274-320
M7 5.11.24	4,000	28,000	320 Class 1 NIC	(28,000-12570) x 8% - 274-320-320
M8 5.12.24	4,000	32,000	320 Class 1 NIC	(32,000-12570) x 8% - 274-320-320-3 20
M9 5.1.25	4,000 + 10,000 bonus	46,000	1,124 Class 1 NIC	(46,000-12570) x 8% - 274-320-320-3 20-320
M10 5.2.25	4,000	50,000	320 Class 1 NIC	(50,000-12570) x 8% - 274-320-320-3 20-320-
M11 5.3.25	4,000	54,000		(54,000-50270) x 2% + (50270-12570) x 8% less already paid
		58,000		(58,000-50270) x 2% +

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

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

Answer-to-Question- _5_

5

1) IT CT61, ye 28.2

date		tax withheld	tax suffered	CT61 net
		£	£	
1.3.24 debenture payment	£10 m x 7% x6/12 x 65% individual x 20%	45,500		£45,500 to pay to HMRC by 14 April 24
1.9.24 debenture payment	£10 m x 7% x6/12 x 65% individual x 20%	45,500		
18.9.24 received £40,000 from individual	40,000 x 20/80		10,000	net of £35,500 to pay to HMRC by 14 Oct 24

2)
 a)

Idris withdraw SIP within 3 to 5 years, income taxed on the lower of

- MV at allocation, £6
- MV at with drawl, £10

£3,600 maximum awarded free shares p.a

no of shares at grant = 600 (3600/6)

Thus 600 x £6= £3,600 charheable to income tax, £270 at 20% (50270-50000), the rest £3330 taxed at 40%.

b)

As the sharewithdrawl form a plc, it is readily convertaible asset, tax on this through PAYE as taxable earning, subject to class 1 NICs as normal.

3) benefit .1.7.24

31.1.25 house

	£	£		
house				
annual value	12,000			
additional charge (242,00-75,000)x 2.25% More than 6 years from purchase	<u>3,758</u>			
	15,758			
less unavailable 10/12	(13,132)			
less paid 300 x2	<u>(600)</u>	2,026		
furniture 15,000 x 7/12 x20%		1,750		
sold to her	higher of - MV: 13,000 MV- benefit:Less	<u>13,250</u>		

	Benefit to date: 15,000- 1750= 13,250			
Total benefits		17,026		

4)

Class 1B NIC on PSA is 13.8% on gross benefit provided.

$\text{£}200 \times 900 \times 100/80 = \text{£}225,000$ gross

$\text{£}200 \times 170 \times 100/60 = \text{£}56,667$ gross

Total $\text{£}281,667$

Class 1B NIC on PSA is $13.8\% \times \text{£}281,667 = \text{£}38,870$

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

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

Answer-to-Question- 6

6

1)payment to employees and PAYE

- Alex, relocation £10,000

the allowable for relocation is £8,000, thus excess of £2,000 liable to PAYE

- Brody, clothing £3,00 on suit is not allowed subject to PAYE, class 1 NICs as normal

- Mitchell, \$4,000 general not allowed, PAYE and NICs apply

2)

3)

4)

To: BCD partnership

From: Tax Advisor

Date: Today

Subject: Partnership

