

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	682	2970	3592
Section 2	440	1869	2252
Section 3	735	3332	4007
Section 4	416	1851	2234
Section 5	445	1979	2385
Section 6	344	1612	1910
Total	3062	13613	16380

Answer-to-Question-__1__

part 1:

The point of sale scheme is used if you can identify the VAT rate for goods sold at the time of sale, for example if you have an electric till that does this for you.

In terms of calculating VAT due you need to:

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

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

VAT Apportionment scheme 1 takes VAT inclusive purchases and sales for each quarter and then does an annual adjustment at the end of the year based on annual figures.

You cannot use apportionment if you provide services, goods that you have made or grown yourself or catering services. You can only use this scheme if you buy goods for resale.

For this scheme your turnover, excluding VAT cannot be more than £1 million per year.

To calculate VAT due:

- calculate the total value of goods purchased for resale in the VAT period for each VAT rate
- Divide the total of purchases for each VAT rate by the total of the purchases
- multiply the outcome by your total sales, divided by 6 for 20% rated goods and divided by 21 for 5% rated goods.

In the case for Jingux Ltd, children's clothing is zero-rated supplies, adult clothing is standard rated so 20% and children's car seats are reduced-rated so 5%.

Part 2:

quarter ended 31 march 2025, apportionment cheme 1

gross daily takings inc VAT: 97,000

	purchases		VAT inc
adult clo. SR	20,200	x 1.2	24,240
childrens clo ZR	7800	x 1	7800
children car s. RR	4600	x 1.05	4830
total			36,870

SR: $97,000 \times 20,200/36,870 = £63,144$ SR sales -> output tax = $1/6 \times 63,144 = £10,524$

RR: $97,000 \times 4830/36870 = £12,707$ RR sales -> output tax = $1/21 \times 12,707 = £605$

No need to do this for zero rated as we do not pay output tax on it.

Total VAT payable: $10524 + 605 = £11,129$

Part 3:

1. Include a clear notice or cavaet in the information stating that the advice has been prepared for the client and that no liability is accepted to any third parties who choose to make use of information
2. require that the client seek consent before information with which the name of member is associated is released by the client to third parties. in this case to the other firm of tax advisors
3. require the third party and/or its advisers to undertake in writing that a member be excluded from liability or held harmless as a consequence of making the information available to them
4. communicate to the third party the terms upon which the information is released including limitations on scope, stating that the advice was prepared only with the client's (Jingux Ltd) interest in mind, may not apply in all circumstances and confirmation that no

responsibility is accepted

Part 4:

tax months ending:

5 may

5 june

5 july

month 1: may

levy on salaries and commisiions, not on benefits $260,000 \times 0.5\%$
= 1300

less levy allowance $1/12 \times 15,000 = (1250)$

apprenticehsip levy due for 5 may = £50

month 2: june

levy on salaries: $(260,000 + 330,000) \times 0.5\% = 2950$

less levy allowance $2/12 \times 15000 = (2500)$

apprenticehsip levy due for 5 june = £450

month 3: july

levy on salaries: $(260,000 + 330,000 + 337,000) \times 0.5\% = £4635$

less elvy allowance $3/12 \times 15000 = (3750)$

apprenticehsip levy due for 5 july = £885

Part 5:

12 days late

a) late filing penalties: in the first month for july no penalty will be charged, for the months august and september as there are 150 employees, the penalty will be £300 per month (50 to 249 employees), total of £600

b) when it will be notified of the penalties

c) Payment will be due within 30 days of the date on the notice or interest will be charges

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

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

Answer-to-Question- 2

Part 1:

- a) goods leaving the UK, we look at place of supply which is UK so VAT output tax 20% of 18,000 = £3600
- b) goods leaving the UK to NI is treated as an import and technically liable to import VAT 10,000 x 20% = 2000
- c) goods arriving in the UK, no UK place of supply so no input tax
- d) from NI to GB standard rated goods, normal domestic VAT is charged on the invoice by the supplier 20% x 3600 = 720
- e) service of a professional outside the UK: place of supply is where the customer belongs which is ELeF Ltd in the UK and is outside the scope of UK VAT

Part 2:

		subject to income tax	notes		
	£	£			
termination payment:		7999	note 4		
statutory redundancy payment	5100				
mobile phone	-		note 1		
car	17,500		note 2		
notice period		20,001	note 3		
car benefit		4000			
extra payment	20,001		note 5		
less exemption	(30,000)				
balance of compensation payment		12,601			
total chargeable to income tax		44,601			

note 1:
 mobile phone is exempt 550

note:

car-

benefit is the higher of:

-market value when given or

- market value when originally provided less the amounts already charged for us of the asset

BUT these do not apply to cars and houses, the benefit is simply the market value less any amount paid by Corah

BUT we assume that the car is not contractual and there is no reasonable expectation that it will be received as we do not know if other employees get the car too when leaving and it is not mentioned in the termination package

note 3:

monthly salary $80,000/12 = \text{£}6667$

3 months $\times 6667 = \text{£}20,001$

note 4:

3 months of pay $20,001\text{£}$ is not contractual so $28,000-20,001 = 7999$

note 5:

the three months of payment Elef Ltd has agreed to but Corah does not need to work is not contractual so is taxed under s.401 ITEPA 2003

Part 3:

Transfer of going concern is the outside of the scope of VAT is the conditions are satisfied:

-the assets are to be used by Creq Ltd in carrying on the same kind of business, which is taking over customer contracts and stock, it is highly likely

-Elef Ltd is registered for VAT which they are and Creq Ltd is or becomes so as a result of the transfer, they also are already VAT registered

-If only part of the business is transferred, which is the cosmetics division, then that part of the business in its own is capable of a separate operation

-there should be no significant break in trading

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

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

Answer-to-Question- 3

DIRECTOR MARRIED TO PARTNER IN MY FIRM

Part 1:

As a director at Seine Ltd is married to one of the partners at my firm, the following things should be considered before the firm accepts Seine Ltd as a client:

Firstly, the firm must be aware of this potential conflict of interest and of the fact that this may impair the ability to give independent advice to Seine LTD.

A member must seek not only to avoid conflicts of interest but also manage situations where there may be a perceived conflict of interest. A member should acknowledge the existence of a conflict as soon as they become aware of it.

How a conflict is handled should be noted on file and where possible confirmed writing to the client including an agreement where a member continues to act.

As a partner at the firm is married to a director at Seine Ltd, the firm should avoid to put the partner on the Seine Ltd case and know as little information about it as possible to avoid conflict of interest and keep independence.

Part 2:

an accounting period begins the earliest of:

- the commencement of trading
- acquisition of a source of income
- immediately after the previous accounting period ends

starts trade as the commencement of trading by Seine Ltd is 1 January 2024 which is the start of the first accounting period:

accounting period ends the earliest of:

- the cessation or commencement of trading
- the end of a company's period of account
- 12 months after it began

the first accounting period will end 31 December 2024, 12 months after it began (1 January 2024)

the second accounting period will start as soon as the last one ended which is 31 december 2024. it will start 1 january 2025 and it will end 31 march 2025 which is when Seine ltd's period of account ends

	y/e 31 dec 24	3 m/e 31 march 25	total		
trading profits	153,000	38,250	191,250	note 1	
add dividend	12,000	3000	15,000	note 2	
augmented profits	165,000	41,250			

upper limit 250,000
lower limit 5000

upper limit adjusted $3/12 \times 250,000 = 62500$
lower limit adjusted $3/12 \times 50,000 = 12,500$

marginal relief:

$3/200 \times (250,000 - 165,000) \times 153,000 / 165,000 = 1182$
 $3/200 \times (62,500 - 41,250) \times 38,250 / 41,250 = 296$

$153,000 \times 25\% = 38,250$
less marginal relief (1182)
Corporation tax for year end 31 december 2024: £37,068

$38,250 \times 25\% = 9563$
less marginal relief (296)
corporation tax for 3 month ended 31 march 2025: £9367

note 1:
 $12/15 \times 191,250 = £153,000$
 $3/15 \times 191,250 = £38,250$

note 2:
accruals basis for companies bought shareholding during 2024:

$$12/15 \times 15,000 = \pounds 12,000$$
$$3/5 \times 15,000 = \pounds 3000$$

Part 3:

- a) Seine ltd's chargeability to Corporation tax should be notified to HMRC within 3 months of the start of the first accounting period (AP). As the first AP starts 1 january 2024, HMRC should be notified by 1 march 2024.
- b) Seine Ltd should file its corporation tax returns 12 months after the end of the period of account: for the first AP this will be 31 december 2025, and for the second AP tax return should be filed by 31 march 2026. As Seine Ltd is not a large company they have to pay corporation tax nine months and one day after the end of the accounting period. For the first AP this will be 1 october 2025 and for the second AP it will be 1 january 2026.

Part 4:

The annual accounting scheme would be the most appropriate as it is a small to medium sized busienss and VAT would be paid on an annula basis. This would be less admin and it is harder to miss the deadlines. To be eligible for the scehem traders should not havve taxable supplies exceeding £1.35 million per annum. Seine Ltd must leave the scheme when turnover exceeds £1.6 ,million per amnnum.

However as they have issues with claiming the bad debt relief they should use the cash accounting scheme. this allows them to dispense with the normal tax point rules to decide which VAT return to account for input tax and output tax on. Instead movements through the cash book, determine which vat return items are accounted for on. The major advantage of this scheme is the benefit of automatic bad debt releif.

To conclude they should use the cash accounting scheme.

Part 5)

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

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

Answer-to-Question- 4

part 1)

Gianc Ltd has a taxable trading profit of £1,960,000 for an eight month period. no dividends received so their augmented profits= TTP

The upper limits for augmented profits is $250,000 \times 8/12 = £166,667$ which they have clearly exceeded. this means they pay 25% corporation tax

They will not be considered very large as their augmented profits do not exceed £20 million however they will be considered a large company as their augmented profits exceed £1.5 million.

This means they will pay in instalments: period ended 31 december 2024

First instalment: £183,750
14 july 2025

second instalment: £183,750
14 october 2025

last instalment: £122,500
14 april 2026

$25\% \text{ of } 1960000 = £490,000$ corporation tax

$3/8 \times 490,000 = £183,750$

$490,000 - £183,750 - £183,750 = £122,500$

Part 2:

no gross payment

for two weeks

labour element: $800 \times 30\% = £240$

travelling: $75 \times 30\% = £23$

profit on materials: $500 - 400 = 100 \times 30\% = £30$

$1375 - 240 - 23 - 30 = \text{£}1082$ for two weeks so weekly is $1082/2 = \text{£}541$

part 3:

Gianc ltd has to file monthly returns to HMRC, the CIS300, due the 19th of each month. This should include the amounts paid to Sandy the tax deductions and materials, and msut be submitted electronically. There should be a declaration that no payments made to Sandy and status of Sandy has been verified.

Gianc ltd has to provide a payment slip/statement to Sandy at least one per month due on the 19th of the month. They can provide more to accompany each payment. It should include contractors so Gianc Ltd reference, payment and material deductions in writng on electronically.

Part 4)

Class 4 NIC:
 $1/12 \times 3588 = \text{£}299$

may 2024:

his salary for the first month was $\text{£}4000$, no class 1 primary Nics as total earning to date do not exceed the primary threshold of $\text{£}12570$

Month 2: june 2024
again still no class 1 primary NICs

month 3 still no class 1 primary NIC (july 2024)

month 4: earnings to date: $4000 \times 4 = 16,000$
now it exceeds the preimary threshold so $16,000 - 12570 = 33430 \times 8\% = \text{£}274$

month 5 september 2024
earnings to date: $4000 \times 5 = 20,000 - 12570 \times 8\% = \text{£}594$

month 6:

mont 8 december:
 $8 \times 4000 + 10,000 = 42,000 - 12570 = \text{£}29,430$

CLASS 1 primary

$4189 - 4000 = 189 \times 12 \text{ months} = 2268 \times 13.8\% = \text{£}313 + \text{class 4 insurance } 1/12 \times 3588 = \text{£}299$
in total it should be $\text{£}612$

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

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

Answer-to-Question- 5

Part 1;

debenture interest

income tax payable to HMRC

individuals: tax withheld on debenture interest paid to individuals only

$$10,000 \times 7\% \text{pa} \times 6/12 \times 20\% \times 65\% = \text{£}46$$

patent royalty:

$$56,000 \times 20/80 = (14,000)$$

$$\text{net amount from HMRC} = (13,954)$$

income tax is refunded to the extent that it has already been paid over to HMRC during the year ie, tax withheld on the debenture interest in previous half years:

2 x 46= £92 is refunded following the submissions on the quarterly

Due 14 days after end of the quarter which is 31 march so 14 april 2024

part 2;

He received maximum free shares up to £3600

He received maximum partnership shares which will be the lower of £1800 or 10% of salary plus bonus (salary is 50,000 so $\times 10\% = 5000$) he will receive max of £1800

He received matching shares for each partnership acquire which will be worth £1800 as well

$$\text{free shares } 3600/6 = 600 \text{ shares}$$

$$\text{partnership shares } 1800/6 = 300 \text{ shres}$$

$$\text{matching shares } 1800/6 = 300 \text{ shares}$$

total shares is 1200

sold for £10 per share, £12,000

free and matching shares are subject to a holding period between 3 and 5 years unless employment ceases which is what happened for Idris.

The benefit will be tax free from income tax as he did hold them for at least three years

For the partnership shares, it is deducted from gross salary before the income tax deducted under the PAYE and NICs are calculated

part 3:

owned by Magcake plc
annual value is 12,000

She moved in more than 6 years after Magcake plc bought the house so we use the market value at the date Flo moves in rather than the actual cost

yearly rent:

$$(242,000 - 75,000) \times 2.25\% = \text{£}3758 \text{ less already paid (300)} \\ = \text{£}3458$$

We do need include the improvements as it was immediately before she moved in. To include this in the cost it would have had to be provided before the beginning of the tax year.

transfer of assets (furniture):

higher of:

market value when given = £13,000

or market value when originally provided less amounts already charged for the furniture =
 $15,000 - 1,000 = \text{£}14,000$ this is the higher

annual value is 12,000

yearly rent = £3458

transfer of asset £14,000

total employment income: £29,458

part 4;

$$\text{£}220 \text{ per employee} \times 900 \text{ basic rate payers} = \text{£}198,000 \times 20/80 = \text{£}49,500 \times 13.8\% = \\ \text{£}6,831$$

$$220 \text{ per employee} \times 150 \text{ higher rate tax payers} = \text{£}33,000 \times 40/60 = \text{£}22,000 \times 13.8\% = \\ \text{£}3,036$$

total class 1B NIC payable is £9867 due 22nd October 2026 if made electronically

otherwise 19 october 2026.

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

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

Answer-to-Question- _6_

Part 1;

for Alex, relocation for qualifying expenses of £2000 (10,000-8000) is chargeable to income tax and PAYE does not apply

For Brody, clothing which is spent on suits counted as private expense paid to Brody will show up on PAYE but not chargeable to income tax/

For Mitchell, travelling between clients £4000 is not subject to income tax and PAYE will not apply. The £1000 for personal expenses will show up on the PAYE income and chargeable to income tax.

Part 2;

Under gift aid payments are made net of 20% tax. Higher and additional rate relief is given by extending the basic and higher rate limits.

Donations to charity via BCD Partnerships payroll deduction scheme reduces Jamal's gross pay for PAYE purposes. There is no minimum or maximum amount that can be deducted via payroll giving.

Part 3:

for year ended 31 March 2025:

	total	B	C	D	
	540,000				
note 1	(360,000)	120,000	120,000	120,000	
note 2	(21,000)	21,000			
note 3		31,800	63,600	63,600	
	total	172,800	183,600	183,600	

note 1:

1 April to 30 November it was shared equally $\frac{8}{12} \times 540,000 = \frac{360,000}{3} = 120,000$

note 2

B gets annual salary from 1 december for $84,000 \times 3/12 = 21,000$

note 3:

remaining profits are:

$540,000 - 360,000 - 21,000 = \text{£}159,000$

1:2:2

$20\% \times 159,000 = 31,800$

$40\% \times 159,000 = \text{£}63,600$

$40\% \times 159,000 = \text{£}63,600$

part 4)

to: email

from: email

Re: HMRC enquiry implications

Dear Braxton, Cindy and Dirk,

Thank you for your email.

HMRC has deemed your understatement of £90,000 due to careless error. As HMRC has discovered this during the enquiry, the minimum penalty through a prompted disclosure will be 15% of lost revenue so 15% of the £90,000 which results in a penalty of £13,500 and a maximum penalty could be 30% resulting in £27,000.

As there are three of you in the partnership, HMRC will charge you individually the third of these amounts. Minimum being: £4,500 per partner and maximum of £9,000.

Please do not hesitate to contact me if further questions arise.

Kind regards,

Your adviser

