

Institution **CIOT - ATT**
Course **ATT Paper 3 Business Compliance**

Event **NA**

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Exam ID 

Count (s)	Word(s)	Char (s)	Char (s) (WS)
Section 1	1058	4860	6321
Section 2	650	3089	4121
Section 3	979	4401	5604
Section 4	1051	4686	5801
Section 5	963	4362	5509
Section 6	800	3778	4810
Total	5501	25176	32166

Answer-to-Question-__1__

Explain for Jingux Ltd, the conditions to operate a VAT apportionment scheme 1 and the VAT point of sale scheme.

Retail schemes remove the need for retailers to account for VAT on each individual transaction.

In order to operate a VAT Apportionment Scheme 1, it requires an estimated split of gross takings between the different types of turnover (for which Jingux Ltd has done), and is available when retailers have annual sales of up to £1,000,000, excluding VAT, as with a VAT inclusive figure of £97,000 for the quarter, this will be below the threshold.

The operation of the VAT Apportionment Scheme 1, will take the gross takings and times these by the cost of the Standard rate goods purchased (incl VAT) over the cost of all goods purchased, which will be the standard rates sales for the period, or where there are reduced rated supplies the same principle applies. This is operated on a quarterly basis, with an annual adjustment being calculated at the end of the year which is based on total figures.

The Point of Sale Scheme can be operated in two instances, where all sales are made at a single positive rate of VAT (unlikely in this instance due to the mixed rate), or if electronic tills are used which can analyse the different rates of VAT at sale (which would be required for this retail scheme to work). This means the trader does not need to identify VAT for each sale, but instead the till does it. Output VAT is based on a fraction of total takings, for the purposes of the mixed supplies the till does the work, there still however may be a need for an annual adjustment to work out gross takings.

Calculate the amount of VAT payable for Jingux Ltd for the quarter ended 31 March 2025, assuming it adopts VAT apportionment scheme 1.

Adult clothing is standard rates (20%)

Children's clothing is zero rates (0%)

Children's car seat is reduced rate (5%)

Standard Rates Goods: $20,200 + (20,200 * 20\%) = \text{£}24,240$

Zero Rated Goods: $\text{£}7,800$

Reduced Rated Goods: $4,600 + (4,600 * 5\%) = \text{£}5,520$

Cost of SR goods purchased (incl VAT) (24,240) / Cost of all goods purchased (incl VAT) ($7,800 + 5,520 + 24,240$) = 0.64537

$97,000 * 0.64537 = \text{£}62,601$

Cost of RR goods purchased (incl VAT) (5,520) / Cost of all goods purchased (incl VAT) ($7,800 + 5,520 + 24,240$) = 0.1470

$97,000 * 0.1470 = \text{£}14,256$

Output VAT

- $1/6 * 62,601 = \text{£}10,434$

- $1/21 * 14,256 = \text{£}679$

Total Output VAT is 11,113.

However, there are also overheads for the quarter ended 31 March 2025, i.e. some input

VAT, therefore the total output VAT is £11,113 - £900 = £10,213.

Applying the PRPG state four ways which your firm can manage the risk of duty of care being established towards the other firm of advisors who are acting for Jingux Ltd.

The duty of care risk can be managed by:

- Including a clear notice of caveat in the information stating that the advice we have provided for the client and that no liability is accepted to any third parties who make use of information i.e. the large multinational.
- It should be a term in the engagement letter that the client must seek consent before informatio with which their own affairs or name is associated with is released by the client to third parties i.e. the large multinational.
- It should be required that the third party undertakes in writing that a member must be excluded from liability or held harmless as a consequence of making the information available to them, this would be the preferred approach in higher risk situations (whcih this might seem to be as a large mutlinalional).
- Communicating to the third party the terms upon which the informatioin is released including the scope and that the advice was prepared with only our clients interests in mind, may not apply in all cases but would be good to implement here, to ensure the large mutlinalional does not re use any advice and cause harm to themselves. (medium risk).
- Finally, we could just rely on dislcaimers in the original information, but this is a low risk approach, and one i would not take with such a large company.
- Indemnity from the client in respect of any claims against a member by third party, would also be a good idea, if the client has a strong interestr in the information being provided to the third party, which would be the case here as a potential merger.
- Finally we could not provide, but that would be extreme.

Calculate the Apprenticeship Levy due for Barter Plc for the Tax months ended 5 May, 5 June, 5 July 2025. Assume rates and allowances for 2024/25 continue in future years.

Month ending 5 May

Paybill for YTD (260,000) * 0.5%	£1,300
Less: 1/12 * 15,000	(£1,250)
Apprenticeship Levy Payable for YTD	50
Less: Apprenticeship Levy paid in YTD	-
Apprenticeship levy payable to HMRC	50

Month ending 5 June

Paybill for YTD (260,000+330,000) * 0.5%	£2,950
Less: 2/12 * 15,000	(£2,500)
Apprenticeship Levy Payable for YTD	450
Less: Apprenticeship Levy paid in YTD	(50)
Apprenticeship levy payable to HMRC	400

Month ending 5 July

Paybill for YTD (260,000 + 330,000 + 337,000) * 0.5%	£4,635
Less: 3/12 * 15,000	(£3,750)
Apprenticeship levy payable for YTD	885
Less: Apprenticeship Levy paid in YTD	(450)
Apprenticeship levy payable to HMRC	435

Explain to Barter plc in relation to the late filing of the FPS:

The penalties incurred: A penalty will not be levied for a late filing of an FPS in the first instance, but for the following months i.e. August and September there will be a late filing penalty, as they have 154 employees this will be £300 per each of these filing, so £600.

When it will be notified of the penalties: The penalties will be issued quaterly, therefore as there is no penalty in July, they would not recieve it then, but would recieve it October 2025.

When payment will be due: The payment will be due within 30 days of the penalty notice, and interest will be charged where a penalty is late. Therefore it will be due in September 2025 is recieved in October 2025.

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

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

Answer-to-Question- 2

Explain the VAT treatment of the transactions during the quarter ended 31 March 2025 and state the amount of input VAT and output VAT to be included on the return.

Output Tax on Sales going out

Cosmetics to France (Zero rated)

Handbags to Northern Ireland (Domestic VAT) $10,000 * 20\% = 2,000$

(Service) Accountant in Barbados $20,000 * 20\% = 4,000$

Input Tax on Purchases

Purchase of Jewellery from Japan $6,000 * 20\% = (1,200)$

Purchase of clothing from Northern Ireland $3,600 * 20\% = (720)$

(Service) Accountant in Barbados $20,000 * 20\% = (4,000)$

VAT Due to/(from) HMRC 80

Although technically an import and export to Northern Ireland, normal domestic VAT rules are charged on invoices.

The overseas purchases, the people selling should not include VAT on their returns, instead we will pay it and recover it via HMRC.

However as imports are occurring which are outside of the UK, import VAT is payable by UK importer under S.1(1) c and S.1(4) VATA 1994. Where import VAT can be paid, ultimately the VAT on these items will be recoverable, as when the items become stock or assets, then it is at the sale of these that the output VAT will be recoverable, but as they are not sold yet, we cannot recover yet.

As the accountancy services is a B2B supply, there is a mandatory reverse charge on the UK business, being the UK business customer. Therefore they need to account for the VAT in the return, as output tax as the place of supply is the UK (where customer belongs) but also include VAT amount as part of the input tax on VAT returns which can be recovered as normal.

Calculate Corah's Income Tax Liability for 2024/25

	S.104	General Earnings
Termination Payment		28,0000
PENP (W1)	(20,000)	20,000
Statutory Redundancy	5,100	
Less: (30,000 exemption)	(30,000)	
	NIL	20,000

Salary (9/12 * 80,000)	60,000
Company Car (Transfer - benefit)	13,500
Mobile Phone(Transfer)	550
Termination Payment (Garden leave payment)	20,000

Total Income 94,050

Less: PA 81,480

NSI @ 20% (37,700) 7,540

NSI @ 40% (43,780) 17,512

Total Income Tax Liability for 2024/25 = £25,052

W/L: PENP: $80,000 / 12 * 3/1 = £20,000$

This is the amount of earnings which she will have received as part of her garden leave, therefore these are fully taxable earnings as they are post employment notice payments. This payment will be deducted from the termination payment she received, and the remainder of the termination payment will be taxable under S.104.

Statutory redundancy, this is always taxable under S.104.

The transfer of cars, is a taxable benefit, it is the market value of the car less any amount paid by the employee, in this instance we can deduct the £4,000 already charged as a taxable benefit.

The phone before transfer, will be a tax free benefit, hence why we are only concerned by the transfer.

Explain how the potential sale of cosmetics division will be treated for VAT.

The transfer of going concern is outside the scope of VAT, if the conditions are satisfied:

The assets are to be used by the transferee in carrying the same business, it would seem by purchasing everything that this was the intended decision.

The transferor is registered for VAT, and the transferee is or will be, well we know that Creq Ltd is registered for VAT.

If only part of the business is being transferred then part must be a business in its own right, as a whole division is being transferred we can assume it can work on its own.

There should be no significant break in trading, we wouldn't expect this as it would seem everything has been purchased, so it could continue trading without major disruption.

As transfer of going concern is outside the scope of VAT, and it would seem that this potential sale qualifies for TOGC, then there would be no VAT implications of the sale.

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

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

Answer-to-Question- 3

Applying the PRPG, explain what your firm must do and consider before accepting Seine Ltd as a new client.

There is a potential conflict of interest, this would seem as though it is an actual one as opposed to perceived or potential, we should always be aware of these and the fact it may impair the ability to give independent advice to a client i.e. with the director and partner being married.

We should avoid these conflicts, but manage them as well, we must consider this position in the light of our own views but also how this would be perceived by clients and third parties (would they be happy with the conflict).

We should acknowledge this existence of conflict, and we should consider advising the client to obtain independent advice on whether it is in the client's interest for us to act.

Where it cannot be managed, we should decline to act for one or more clients, perhaps we only work for one, and do not take on the work.

We could act for one client, where this is generally the first client i.e. the employee, and we therefore do not take on the work.

we could act for both, as long as there is disclosure and safeguards put in place, and that it

is agreed in writing and no preference is shown. as they are not both clients, maybe we put in teams that do not include the director and partner, i.e. separate teams to ensure no cross over.

If we do not think we can manage the conflict, we can refuse the work and not take it on.

State the date of Seine Ltd's accounting periods between 1 December 2023 and 31 March 2025 and calculate the CT due for each period.

1 January 2024 - 31 December 2024 (12 months)

1 January 2025 - 31 March 2025 (3 months)

An accounting period begins on the commencement of trade i.e. 1 January 2024, and cannot last longer than 12 months, therefore it ends on the 31 December 2024. With a new accounting period beginning on the 1 January 2025, with it ending when the end of a company's period of account is i.e. 31 March 2025.

Taxable Trade Profits (12:3)	153,000	38,250
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Dividends recieved	15,000	
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Augmented profits	153,000	53,250
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Upper Limit	250,000	62,500
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Lower Limit	50,000	12,500
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Rate of CT	MARGINAL	MARGINAL
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CT @ 25% (153,000: 38,250)	38,250	9,563
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Marginal Relief (W1) (1,455) (100)

CT Liability 36,795 9,463

Liability due 9 months and 1 day after AP end i.e. 1 January 2026.

W1: Marginal relief applies to companies whose augmented profits are between the relevant limits:

$$3/200 * (250,000 - 153,000) * (153,000/153,000) = 1,455$$

$$3/200 * (62,500 - 53,250) * (38,250/53,250) = 100$$

Explain to Seine Ltd:

When it should notify HMRC of its chargeability to CT

The company must notify HMRC within 3 months of the start of its first Accounting Period i.e. it starts on 1 January 2024, so notification should be made by 1 April 2024.

The dates by which it should file its CT Return(s) and pay its CT liability.

There are two accounting periods and two CT600's due for the period of account, both of these are due on the same day, which is 12 months after the end of the accounting period, or three months from the receipt of the filing notice, therefore the filing should be made by 31 March 2026, or before 1 April 2026.

In terms of the liability, as the company is not very large or large, i.e. doesn't have augmented profits over £1,500,000 or £20,000,000, payments will be due nine months and one day after the end of the accounting period. i.e. it will be due on 1 August 2025

for the first AP, and 1 January 2026 for the second.

Recomend which VAT accounting scheme would be most appropriate for Seine Ltd to adopt and the conditions it must meet to be eligible for the scheme.

I would suggest the cash accounting scheme.

As you have mentioned that debt relief has been an issue, the main advantage of cash accounting is that there is automatic bad debt relief, if the cash is never recieved from the customer, the output tax is not paid to HMRC, therefore automatic relief.

There are many conditions that must be satisfied before a business can join the cash accoutning scheme, but to mention a few:

- There must be reasonable grounds for believing that the value of taxable supplies will not exceed £1,350,000 in the next 12 months, this is not a concern for Seine Ltd.
- All VAT returns should be up to date, and any outstanding VAT made.
- No VAT offences have been committed in the last 12 months.
- No VAT penalties have been recieved for evading VAT where the business has been accused of dishonesty in the last 12 months.
- You would have to leave the cash basis if turnover in 12 months exceeded £1,600,000.

There is no need to apply to HMRC or notify them that you are using the cash accoutning scheme, as long as you meet the conditions.

Calculate and explain the amount of VAT that Seine Ltd can recover in relation to the employee mileage payments.

VAT can be reclaimed on the business use of the fuel.

The employer can recover 1/6 of the petrol element of mileage claims.

Jamie

$$19p * 400 = \text{£}76$$

Ahmed

$$15p * 200 = \text{£}30$$

Therefore the employer can recover $\text{£}106 * 1/6 = \text{£}18$ in relation to the fuel which has been used on the mileage claim, as these expenses have been strictly reimbursed i.e. fuel for cash, however there is no relief for further allowances even if the employee accounts for expenditure actually incurred.

Otherwise Motor Cars are considered blocked for input tax, therefore just the above can be recovered.

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

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

Answer-to-Question- 4

State the due dates for payment of Gianc Ltd's Corporation Tax for the eight month period ended 31 december 2024, calculating the amount due by each date.

A company is large if its augmented profits exceed £1,500,000 and do not exceed £20,000,000. Assuming it made over £1,500,000 in the previous period, then this company is large for accounting purposes.

Clear that the CT rate is going to be 25%, regardless of short AP.

$$1,960,000 * 25\% = 490,000$$

$$3/8 * 490,000 = £183,750$$

14th day of Month 7: 14 November 2024: £183,750

Three months later: 14 February 2025: £183,750

three months plus 14 from end of AP: 14 April 2025: £ £122,500

The final payment on 14 April 2025 is the balance of the remaining liability.

Calculate the amount Gianc Ltd paid to Sandy to settle each weekly invoice.

Labour Element 800

Travel 75

Materials (Profit) 100

975

20% @ 975 195 withheld per week.

As registered with HMRC but fails the gross payment test, deductions of 20% are withheld from the above.

Therefore, the amount Gianc Ltd paid to Sandy each week, will be £1,375 - £195 = £1,180 per week. As the reverse charge applies, Gianc Ltd will pay this to HMRC, and credit will be provided to the supplier, on their annual return for the tax already suffered.

Explain Giancs Ltd's reporting obligations to HMRC and to Sandy, regarding payments made to Sandy.

Dates for the below: As the payments were made on the 11 November 2024, we would expect this to be due on the 19th of the following month if payment not made in time i.e. 19 December 2024. if payments were made before this date then it could be eligible to go on the previous month i.e. 19 November 2024.

Contractor

There is a monthly return required by the contractor which should be submitted to HMRC, (CIS300), this is due on the 19 of each month, this includes the amount paid to subcontractors, the tax deducted and materials, this must be submitted electronically, this is for the returns by contractor.

For the payment, this is required on the 19th of each month with PAYE/NIC, or 22nd if made electronically, which is required if more than 250 staff.

The payment slip/statement should also be provided to the subcontractor from the contractor, this should include a minimum of once a month, due on the 19th of each month, and can provide more payment slips to accompany each payment, includes the name reference and payment which has been made, along with this in writing or electronic.

Subcontractor

The payments made to sandy should also include the deduction of the amount withdrawn i.e. 20% as per above.

The subcontractors (Sandy) will file annual person return (assume) or CT returns, and make sure to claim a credit for the deductions withheld.

If an individual is being paid, which in this instance it would seem it is, then we treat the payment on account of incom tax, and can be deducted from the liability at the end of the tax year.m otherwise can offset agfainst PAYE/NIC liability if company.

Calculate the payments made to HMRC, during the period 6 April 2024 to 5 April 2025, of NIC suffered by Regi, should label which NIC.

April 2024

For the month of April 2024, Regi was still self-employed, and therefore would not be

subject to PAYE or payroll, instead his UK Income Tax and NIC would be collected via Self-Assessment, or potentially certain payments on account. Therefore in the month of April 2024 no payments would be made to HMRC. However as his tax bill is more than £1,000 he will be required to pay POA.

Payment due on 31 January 2025: He will have paid 50% of his liability on 31 January 2024 and 31 July 2024, therefore the remainder which will be due on the 31 January 2025 will be £264.

May 2024, June 2024, August 2024, September 2024, October 2024, November 2024, February 2025, March 2025.

For the above months, Regi was employed by Gianc Ltd, and as he has gross earnings of £4,000, would have been subject to PAYE, where:

Class 1 Primary NIC would be due by himself via PAYE:

$$(4,000 - 1,048) * 8\% = £236$$

Class 1 Secondary NIC due by his employer as well:

$$(4,000 - 758) * 13.8\% = £447$$

The payments for which are due 17 days after the end of the tax month in question i.e if we take May 2024 payments then on the 22nd or 19th (if not electronic) of June 2024 a payment would be due to HMRC.

July 2024 (Special): He will have his usual payments as per the above (i will not repeat here, from his employment), but will also have a Payment On Account of his 50% liability from the previous year i.e. £1,794, but we would ask that this is reduced as he is now employed and likely getting 80% of his tax taken via PAYE.

December 2024 (Special): In December he will receive a bonus of £10,000, this will need to be reported on an FPS on or before payment is made, as with all payments made to an individual in cash. This tax will be due on the 22 of the next month i.e. 22 January to be paid by the company. This will be required to be subject to Class 1 Primary and Secondary NIC, at the rates discussed above, so along with the above income.

Class 1 Primary NIC would be due via PAYE:

$$(4,189 - 1,048) * 8\% = \text{£}251$$

$$(4,000 + 10,000 - 4,189) * 2\% = \text{£}196$$

Class 1 Secondary NIC payable by Employer:

$$(14,000 - 4,189) * 13.8\% = \text{£}1,354$$

January 2025 (Special): In January there will still be the payments mentioned before i.e. standard monthly payments of £4,000 with NIC on this due the following month i.e. February 22nd if electronic. But there is also a balancing figure required to be paid to HMRC as the 2023/24 UK return is due, this will be the POA which have been paid based on the 2022/23 UK tax year, less the liability due i.e. £3,588, which will leave a balancing payment on the UK return which needs to be submitted and paid for on 31 January 2025 of £264.

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

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

Answer-to-Question- 5

Calculate the Income Tax payable BY Magcake plc or the income tax receivable from HMRC, for the year ended 28 February 2025, stating due dates.

For each quarter the company is supposed to calculate the payments due to HMRC, on a CT61 return, the due date for the return and any income tax due is 14 days after the end of the quarter.

Patent royalties recieved by UK companies from individuals are recieved net of 20% tax, therefore we need to claim back the 20% we are missing.

Quarter ended 31 March

Payment to HRMC: £91,000 (W1)

Due date would be 14 April 2024

Quarter ended 31 September 2024

Payment to HMRC: £91,000 (W1)

Payment Due from HMRC: £50,000

Net £41,000

Due date would be 14 October 2024

For the entire period the Tax payable by Magcake Plc will be £91,000 + £41,000 =
£132,000.

Any excess tax suffered is carried forward to a later quarter, if it is not fully recovered it is deducted from the CT liability, of this exceeds CT then it will be repaid by HMRC.

(W1) Debenture Interest calculation

Debenture Interest Paid: £10,000,000 * 7% = £700,000

Held by individuals: 65% * £700,000 = £455,000 - this is paid net of 20% tax, therefore £91,000 should be paid to HMRC, and £91,000 should be deducted from the payment made to the individuals i.e. £364,000.

Held by companies: 35% * £700,000 = £245,000 - this is paid gross to the companies, therefore no adjustment required from Magcake PLC.

Royalties from individual

£40,000 * 100/80 = £50,000.

Calculate the number of shares withdrawn from the SIP by Idris, and explain the amount chargeable to Income Tax.

Employees can be awarded up to a maximum of £3,600 worth of free shares per annum, therefore as the shares were worth £6 he could have claimed a maximum of 600 shares on 1 May 2020.

The maximum number of partnership shares are the lower of £1,800 or 10% of his salary, $(50,000) * 10\% = £5,000$. Therefore the maximum would be £1,800 of value, at £6 a share, this would mean 300 shares.

The maximum number of matching shares, will be two further shares for each partnership share i.e. 600 shares.

For the free shares, these have been disposed of between three to five years, therefore there is an income tax charge on the lower of market value at allocation i.e. £6 a share $(£6 * 600) = £3,600$ or market value at withdrawal i.e. $(£10 * 600) = £6,000$. therefore there will be an income tax charge of £3,600.

For the partnership shares, as these have also been disposed of between three to five years, there is an income tax charge on the lower of, the amount used to purchase shares i.e. £1,800 or the market value at withdrawal i.e. £3,000, therefore there will be an income tax charge of £1,800.

Finally, for the matching shares, these are treated as the same as the free shares, and there will be an income tax charge for the same amount i.e. £3,600.

Explain how the Income Tax arising on the share withdrawal is collected and paid to HMRC?

Where the income tax charge occurs, as these are shares in a PLC (i.e. a public trading company) these are listed on the stock exchange so would be considered readily convertible assets, therefore there will be PAYE due and Class 1 NIC's due as well. These readily convertible assets are basically treated as cash, therefore are required to be reported on payroll and will be subject to PAYE.

Therefore upon withdrawal, and assuming this occurs and is paid before his P45 is issued, the PAYE for such withdrawals and Class 1 Primary and Secondary is due on the 22nd of the following month i.e. 22 July 2024.

Calculate Flo's employment Income on her benefits from Magcake PLC for 2024/25.

Benefit of the House

The taxability of a house is the annual value (£12,000) * 7/12 = £7,000, with the addition of the below

$$(242,000 - 75,000 * 2.25\% * 7/12 = £2,192$$

If there were more than six years from the purchase of the house of the property and the employee moving in, the market value of the property at the date the employee moved in is swapped for cost.

Therefore the total benefit is £9,192, but we need to account for the payment made by Flo, therefore we deduct $7 * 300 = £2,100$, meaning the final taxable benefit of the house is £7,092.

Use of Furniture

$$15,000 * 20\% * 7/12 = £1,750$$

Transfer of furniture

This would normally be chargeable as a taxable benefit, but when an employer lets an employee keep an asset, the benefit is higher of the market value when given i.e. £13,000, or the market value when originally provided i.e. £15,000 less amounts charged for use i.e. £15,000 - £1,750 = £13,250. Therefore the benefit of the transfer is £13,250. This will also include a deduction for the amount of which the individual will pay i.e. £1,000 therefore the taxable benefit will be £12,250.

Employment Income

Benefit of the House	7,092
Use of Furniture	1,750
Transfer of Furniture	12,250
Employment Income	21,092

Calculate the NIC payable by Magcake under the PSA for the annual party.

Basic Rate

Basic Rate TP Cost: £220 * 900 = £198,000

Gross up (BR) : £198,000 * 20/80 = £49,500 (IT DUE)

£247,500

Class 1B NIC @ 13.8% £34,155

Higher Rate

Higher Rate TP Cost: £220 * 170 = £37,400

Gross up (HR) : £37,400 * 40/60 = £24,933 (IT DUE)

£62,333

Class 1B NIC @ 13.8% £6,602

Class 1B NIC Due £40,757

Income Tax Due £74,433

Total PSA PAYMENT (including IT) £115,190

The due date for the PSA will be the 22 July 2026.

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

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

Answer-to-Question- _6_

Explain the extend to which the allowances paid to employees are chargeable to Income Tax and whether PAYE applies.

Relocation allowance will be available for the first £8,000 of Alex's spend, therefore this would not be subject to Income Tax or PAYE, however, this would be required to be reported on the P11D and subject to class 1A NIC payable by the employer at 13.8%. However the remaining £2,000 would be subject to PAYE, and would be chargeable to Income Tax.

The clothing which was spent on suits, would be subject to PAYE (IT) and Class 1 National insurance, Primary and Secondary, as this is a round sum allowance, which does more than reimburse business expenses, as while the suit is maybe used for business it is not a tax free benefit or anything like that, so is taxable as a benefit for the employer to pay.

The general provision provided to Mitchell would all be subject to PAYE in the first instance, as the round sum alllwoance does more than reimburse buisness expenses, therefore all subject to PAYE (IT), however, the amount to which relates to the travel between client sites i.e. £4,000 would be able to claim a deduction in the sA return for the genuine buisness epxnese. No need to report a round sum allowance on P11D.

Explain the movement of money between entities for Grow to receive the gross

donation if Jamal donates:

Under Gift Aid:

Jamal will make a payment net of 20% basic rate tax to Grow, the charity will then claim back the remaining 20% basic rate tax from HMRC directly, hence allowing Jamal to claim tax relief in the first instance without repayments being required. i.e. movement between HMRC and Jamal and HMRC and the charity.

Payroll Deduction Scheme:

The employer enters into an arrangement with an HMRC approved payrolling giving agency, the employee then instructs the employer to deduct a certain amount from their pay each month, which is to be passed ont to the payroll giving agency within 14 days of the end of the income tax month, the Agency in turn must past these onto the charity recieving them within 35 days. Movement between an ageny (middle man) and the charity, and then the individual donating and the employer.

For the individual the amount authorised is deducted from the employee's gross pay for PAYE purposes, but not for NIC.

Calculate each partners trading profit allocation for the year ended 31 March 2025.

	B	C	D
Total period until 31 March 2025		540,000	
1 April 2024 - 30 November 2024 (8/12)	360,000		
PSR (1:1:1)	(360,000)	120,000	120,000
	NIL		

1 December 2024 - 31 March 2025 (4/12) 180,000
Salary (4/12) (28,000) 28,000
PSR (1:2:2) (152,000) 30,400 60,800 60,800
NIL

Taxable Trade Profits for Y/E 31 March 178,400 180,800 180,800

Write a short email to the partners explaining the financial implications for them personally of the enquiry and the amendment to the partnership tax return. Assume the same rules apply in 2022/23 and in 2024/25.

My address:

Partnership Address:

Dear Partners,

I hope you are well, please see my below responses to the enquiry.

I would first like to outline that as a partnership and as you know, you file a partnership return along with individuals tax returns under self-assessment. The adjustment to the partnership return will impact the self-assessment return as you are taxed on your taxable trade profits for the period under this SA return (which has been altered by HMRC's enquiry).

To be clear, not only will you be subject to an increased Income Tax liability of £90,000 * 0.45 = £40,500 or (£13,500) each, you will also be subject to a penalty for an incorrect return being filed.

This depends on the seriousness of the offence, and the penalties are a percentage of potential lost revenue, in this instance it will be £13,500 on each of you.

As it was careless, the maximum penalty for all of you would be $£40,500 * 30\% = £12,150$ or each $£4,050$. Which can be reduced to Nil if you were not prompted or if prompted would be $£4,050 / 2 = £2,025$ as the minimum penalty whilst being careless is 15%.

Therefore you would be subject to pay Income Tax of £13,500 as well as a maximum payment of £17,550, which is the penalty and the increase income tax liability, it would seem as though you were prompted so perhaps HMRC would allow for a penalty of £2,050 with the liability of £13,500 = £15,525.

You will be required to ensure that the re-calculations are correct with your self assessment returns as well, and re-evaluate the total level of tax you will be subject to in 2022/23.

If you have any other queries, please do let me know.

Thanks,

Tax Advisor.

