ATT Paper 2 May 2026 – Business Taxation

Examiner's report

Question 1

Part 1
This adjustment of profits was generally well done with many students scoring maximum marks on that part. The capital allowance computation was less well done with the majority of students claiming a range of allowances (AIA, FYA and WDA) despite it being a cessation period.

Part 2
Most students were able to make a good attempt at this with the most common errors being forgetting to include the property income and personal allowance. The allocation of profits/losses to tax years also caused many students problems. The terminal loss relief aspect was done well by most.

Part 3
Instead of explaining how payments on account can be reduced, many students focussed on explaining how payments on account are calculated and when they are paid. Students who did explain how payments on account can be reduced, generally did very well and only lost marks in the application aspects (i.e. identifying deadlines specific to the scenario)

Part 4
The majority of students scored marks on this part for stating the deadlines and implications of VAT deregistration. Very few applied this to the specific circumstances in the question, i.e. the assets that Ben held at deregistration.

Question 2

Part 1
Students who had either learned, or looked up, the badges of trade did very well in this task. It was unfortunate that the majority of students appeared to have learned an acronym for the badges of trade but did not seem to understand what the words in the acronym meant. For example, students had learned the word 'finance' but most thought this meant 'is cash raised from the sale', similarly students had learned the word 'gap' but instead of considering the ownership period of the item sold, thought that this meant the 'gap between each sale'.

Part2
This was generally well done with the most common error being missing the trading allowance. In part (b), despite the question asking for National Insurance on trading income, a large proportion of students also calculated National Insurance on the salary, time which could have been better spent elsewhere.

Part 3
Students did well in identifying the correct date for notification and in explaining how penalties work. Unfortunately, only a minority of students considered that the disclosure may be prompted and many wasted time explaining the penalties for a careless failure to notify.

Question 3

This question tested candidates' knowledge of Capital Gains Tax and in particular gift relief under s.165 TCGA 1992, Investors Relief and share pool matching for Bitcoin. It also tested candidates' knowledge of the ordering of reliefs, tax rates and margins.

Most candidates were able to spot that s.165 TCGA 1992 applied to the disposal of shares, but a high proportion failed to restrict this for CBA/CA. Easy marks were missed for stating that the relief applied and why.

As this gain also qualified for Investors Relief (IR) some candidates failed to apply gift aid to the gain in priority and only apply IR to the gain after the restriction above.

Whilst candidates were able to spot that IR applied a number could not state all four criteria for this and lost marks as a result.

Some candidates failed to apply any relief and instead taxed the shares as normal gains.
A significant number of candidates failed to apply NGNL to the disposal of the building and then went on to apply gift relief under s.165 TCGA 1992 or BADR which lost easy marks and time.

The matching rules and share pooling for Bitcoin was a mixed bag.

Only a minority of candidates matched correctly and built the share pool correctly.

Others whilst matching correctly then failed to build the pool correctly – the most often seen mistake being the deduction of the sale proceeds of the 2021 disposal from the pool rather than a pro-rated number of shares from the pool multiplied by the then pool value.

Some candidates failed to match correctly but applied the pool correctly and were given follow through marks for this.

Candidates over complicated the calculations by splitting these into two – one for the 4 shares acquired within 30 days and one for the 6 shares from the pool. The analysis was ultimately the same in that the proceeds was apportioned across each gain and the total gain was similarly apportioned. Applying the b/f loss before the annual exemption lost easy marks.

Overall, the question was discriminating but nearly two thirds of candidates still managed to pass this question.

There were relatively few non-attempts for part 1 of this question and a proportionately higher number for part 2.

Question 4

Part 1
Overall this question was very well answered, with candidates using a more narrative format, if they had problems with the Excel functionality. Many candidates got high marks.

Candidate errors included restricting interest and, in some cases depreciation on finance leases, by 15% for high emissions. The calculation of capital allowances did cause difficulties, in particular the treatment of assets on which FYA had been claimed and calculating the SBA on the whole cost. Small Corporation Tax errors included calculating the initial tax on the augmented profits figure and incorrectly calculated marginal relief, however these were few.

Part 2
Some candidates did not answer this requirement, but where answered, answers generally covered the key point. Errors included forgetting the SBA and incorrect application of indexation allowance.

Question 5

Part 1
As has happened in previous exams, sometimes candidates did not answer this question. The model answer was expanded to give credit for mention of other onboarding procedures, such as contacting the previous adviser and sending a letter of engagement.

Although candidates may not have had access to the text book, they would be expected to be alert to the relevant issues in their day to day work.

Part 2
Most candidates, when talking about penalties, mentioned the flat rate penalties due. Candidates sometimes did mention that there was a window for amending the return, but generally went on to say if the return wasn't amended there would be penalties for an incorrect return.

Candidates generally gave fairly comprehensive answers to this requirement.

Question 6

Part 1
Many candidates got full marks on this requirement, although a few used the wrong calculation or figures for the cost.

Part 2
This part of the question provided the most difficulty, although many candidates answered the second part well discussing the availability of BADR for Hugo, they didn't always discuss the issues if Flick sold its assets, with some assuming that Hugo was selling the lease and machinery. Credit was given for any comments about capital allowances.

Part 3
If candidates picked up that Hugo's sale of shares was eligible for BADR, then they also noted that the office building was an associated disposal. Where the office was to be sold in two years, then most followed on to say that BADR wouldn't be available as it was not an associated disposal, so getting some credit, even if they didn't remember the detailed rules.