[redacted]

Question 1

1)

Occupational pension scheme for four employees – the amount of the employee's contributions is deducted from gross pay for PAYE tax purposes but not NICS. So the income tax will be calculated on £3,395 (£3500 – 3% of £3500)

For Wenda, as she is making payments to her personal pension scheme, the payments are made net of 20%. For net contributions of £12,000, it will count as £15,000 (12,000 x 100/80). Additionally, Wenda is an additional rate tax payer, and therefore she will be entitled to extra tax relief which is given by extending the basic and higher rate thresholds.

For pension contributions of £12,000, the basic rate limit becomes

= £37,700 + (12,000 * 100/80) = £52,700

2)

Monthly earnings subject to PAYE:

For the four employees on occupational pension scheme:

Income tax is calculated on : £3,395 (£3500 – 3% of £3500)

NIC is calculated on £3,500

3)

VAT treatment:

a) Supply of goods to VAT registered customer in France. – This is considered as UK supply, the transaction is zero rated, Mei needs to include £40,000 on the VAT return but apply 0% rate VAT
b) Business to business transaction (B2B) – the customer in this case is Mei, so the place of supply is UK. No VAT is charged by the business in USA. Mei needs to apply reverse charge. Mei needs to declare £2,400 (20% of £12,000) as output VAT and claim £2,400 as input VAT.
c) Services related to sale of land – the general rule does not apply to land, the place of supply is the country in which the land is situation, i.e Germany. As the

supply is outside UK, it is outside the scope of VAT. Transactions which are outside the scope of VAT are not included on the VAT return.

4)

Peng will be affected by MTD, the implications for him are as follows:

His business will no longer be considered as a hobby, the profits are made for the furtherance of business. Peng will need to register for VAT once either the future test or historic test are passed. For historic test, he needs to review the VAT exclusive taxable turnover in the last 12 months, if £90,000 he will need to register for VAT. Once registered for VAT, he will need to register for MTD assuming the qualifying income exceed the threshold of £50,000, he will be required to register MTD. Under MTD, he will need to file quarterly VAT returns online, due by one and seven days after the VAT period ending. For MTD, the VAT returns need to be filed using a software which is compatible with HMRC's system. The following information must be held digitally: the name and address of the taxable person, taxable person's VAT number, details on the supplies made and received by they business during the period.

Question 2

1)

a)

CG Tech can claim the VAT on the computer equipment as it's within 4 years of the VAT registration and the computer is held by the business when it registered for VAT. CG Tech can claim 6000/6 = £1,000 as input VAT

b)

Basic tax point is 8 August 2025 when the supply of service was completed. Invoice was issued after the 14 days of the basic tax point, therefore the basic tax point is overridden and 10 August becomes the actual tax point.

CG Tech needs to adjust their accounts if the customer takes advantage of the discount. The first method involves issuing a credit note to evidence the reduction in consideration. If CG Tech does not prefer to issue credit notes, the invoice must include the terms of the prompt discount and must refer to the time by which the discounted price must be paid.

c)

For continuing services, there is only payment and invoice, so the earlier of the two will determine the tax point. The tax point in this case will be the 1 September 2025.

For the Q/E 31 October 2025, output VAT is calculated as £12,000*0.2 = £2,400

d)

Items to be included on the VAT invoice:

- Date of supply
- The date when the VAT invoice is being issued
- CG Tech's business name, address, VAT registration number
- Customer name and address
- Description sufficient to identify the goods or services
- The rate of any prompt discount
- VAT rates on the services/good supplied
- Unit/service price
- The total amount being charged

2)

Retainer arrangements should be included in the engagement letter, signed by the client. The arrangement should outline the terms of the retainer and the fees applicable. Regarding the commission, the clients should be informed of the existence of any commissions.

<u>Question 3</u>

1)

Emma:

Emma has cheap loan benefit in kind which will needs to be declared on the self-assessment tax return for 2025/26. The loan is outstanding for 7 months (7/12). The 0.5% is deducted from HMRC's official interest rate of 3.75%

The assessable benefit is calculated as:

(20,000+0)/2 x (3.75-0.5%) x 7/12

Therefore, the assessable benefit amounts to = 20000 * 3.25% * 7/12 = £379.1667 = £379

Employer class 1 NIC: £379 * 15% = £58.85

Because Conifer Ltd is a close company, i.e. Emma is a director and a shareholder, Conifer Ltd has to pay 33.75% tax on the loans provided to Emma (s.455). However, as the loan was repaid in February 2026, there is no additional tax due.

Nick:

Nick's tax position is slightly different. Here s.455 applies

The loan of £40,000 is outstanding on the last day of the accounting period, i.e. 31 March 2026. Conifer Ltd needs to pay £40000 * 33.75 %= £13,500

So Conifer Ltd has to pay £13,500 on 1 January 2027 (normal due date for corporation tax, i.e. 9 months + 1 day)

As Nick is not an employee of the company, the amount of loan provided, i.e. £40,000 is taxed as dividends income. The dividends need to be reported by 31 January 2027. And the amount is calculated

2)

a)

Ellie: Statutory maternity pay - average weekly income is £600. For the first 6 weeks, she will be intitled to 90% of those earnings, e.g. 6* 90% of £600 = 6* £540 = £3,240

For the remaining 33 weeks, she will be entitled to the lower of 90% of her weekly earnings and £187.18. As the £187.18 is the lower amount, she will be entitled to 33 * £187.18 = £6,176.94

Total entitlement = £9,416.94

3)

Employer and employee class 1 NICS for Margaret and Liam for April 2025:

Margaret:

Employee class 1 primary NIC:

(4189-1048) * 8% = £251.28

(6500 – 4189) * 2% = £46.22

Employer class 1 secondary NIC:

(6500-417) * 15% = £912.45

Liam:

Apprentice –

Employee class 1 primary NIC:

(1100-1048) *8% = £4.16

Employer class 1 secondary NIC:

NIL

4)

For Conifer Ltd – both EMI and CSOP would be eligible.

For EMI: the gross assets are less than £30million, which is one of the conditions for EMI. The number of employees are less than 250, so it satisfies another condition of EMI. The value of shares total £50,000 per employee, and EMI allows a maximum of £250,000.

For CSOP, the limit is £60,000 and however the grant of share options is usually limited to certain number of staff/employees.

<u>Question 4</u>

1)

AB Design Partners		Total	Ann	Beck
Y/e 31 December 2025		216000		
For 6 months period 1/04/024-30/09/2025	6/9 * 216000	144000		
Less: Interest on capital	0.05 * 10000 * 6/9	-250		
Remaiing profit (60:40)		143750	86250	57500

For 3 months period				
01/10/2025	3/9 * 216000	72000		
Less salary	3/9 * 80000	-26666		
Less: Interest on capital	0.05 * 10000 * 3/9	-166		
Remaiing profit (50:50)		46168	23084	23084

2)

On 31 December 2025, Beck left the partnership. This means the business is solely run by Ann and therefore the partnership ceases. A compulsory VAT deregistration is required once the business cease or change status. Ann continues to trade as sole trader. HMRC needs to notified within 30 days of 31 December 2025, i.e. 30 January 2025. Deregistration takes effect from the date of the relevant event. VAT must be accounted for the final VAT return and assets forming part the business assets which are on hand (deemed supplies). However, if the VAT amount on all the goods is less than £1,000, then no VAT needs to be repaid to HMRC.

Once deregistered, Ann can apply for a new registration number.

3)

NIC payable by Beck for 2025/26:

4)

Question 5

1)

a)

b)

Kerrin –

Assessable cash equivalent for the car:

25000 less capital contribution limited to £5000 = 20000 (revised listed price)

Relevant % is calculated as (140-75/)/5 + 20 = 33%

So, the assessable cash equivalent is 20000 * 33% = £6,600

Kerin's income is over £100,000, therefore he is not entitled to any personal allowance. So the tax code is calculated as

0 – 6600 = (6600), so the tax code is K660

c)

Blind person allowance is 3,130 and Sean is a higher rate tax payer. The blind person allowance is added to the personal allowance, 12570 + 3130 = 15700

As he has underpaid tax of £1600, this needs to be deducted from the above, 1600 * 100/40 = 4000

So the tax code becomes 15700 – 4000 = 11700, 1170L

2)

3)

If I do as Poalo ask, there will be breach of integrity and professional behaviour. The fundamental principel of integrity requires to be straightforward and honest in all professional and business relationships. Paolo is requiring me to work for his personal tax return during the employment hours, so this is clear a breach of employment contract. During the employment hours, time should not be used to to undertake tasks not related to the employment. Professional behaviours requires the person to comply with relevant laws and regulations etc. In this case, I will be breaching the employment contract/policies if I do as told by Paolo.

Question 6

1)

Corporation tax liability for the Y/E 31 March 2024 = £66,500 * 0.25 = £16,625

Less marginal relief

= 3/200 * (250,000 – 66,500) = 2752.50

So the corporation tax liability is = £13,872

Corporation tax liability for the Y/E 31 March 2026 =

£2,600,000 * 0.25 = £650,000

2)

As the company's augment profits exceed £1.5 million, the company is need to make quarterly payments, the first payment is due 7 months and 14 days, i.e. 14 October 2025. Subsequent payments are due every 3 months, 14 January 2026 and 14 April 2026. The last payment need to be made by 14 July 2026.

4)

The records must be kept for 6 years from the end of the accounting period. As the accounting period ends 31 March 2024, records must be kept until 31 March 2023. The maximum fine for failure to keep records is £3,000.