



Level 4 Trailblazer

Role Simulation Exercise

6 December 2018

TIME ALLOWED – 2 ½ HOURS

Materials

This document consists of this front page, Additional Information and five tasks.

You must have a printed copy of the Advance Information. You may also use any other hard-copy materials you have brought. Materials may be annotated and flagged. Recommended texts are:

- ATT Paper 1 study manual for 2018 (FA 2017)
- ATT Paper 2 study manual for 2018 (FA 2017)
- Professional Responsibilities and Ethics for Tax Practitioners 4th Edition
- Essential Law for Tax Practitioners 4th Edition

You may use a calculator.

Instructions

The Presiding Officer will tell you when you may start the Role Simulation exercise.

Read the Additional Information carefully before you attempt the tasks.

Complete every task.

There are 100 marks in total. 25 of these are professional marks for quality of communication. Marks for each task are shown: allocate your time accordingly.

Present your answers clearly in the answer booklet only, using both sides of the paper and writing in ballpoint pen. Write your candidate number on every page used. Start your answer to each task on a new page and leave the margins blank. State any assumptions and show all workings to the nearest pound or month.

Where necessary, assume that the rules in the recommended texts continue to apply in future.

ADDITIONAL INFORMATION

From: sam@hillanddale.co.uk
Sent: 3 December 2018 21.50
To: alex@hillanddale.co.uk
Subject: Eco & Co Cleaning Ltd

Thanks for staying late this evening and sorry that I kept you waiting. I am summarising the points we covered:

- Please finish the capital allowances calculation for Eco for me to check ready for next week's meeting. Figures are as in Harley's schedule, but Harley has confirmed that general plant expenditure will be £20,000 more than the figure he gave previously. Note that the cars to be sold in February are all in the general capital allowance pool.
- Please continue with the reply for Harley on employee benefits which I would like to send to him before the meeting.
- Jaina will stay on after the main meeting so that we can answer her questions concerning the proposed restaurant business. We have agreed that we shall look at key CGT issues on disposal of the new business after about five years. We also agreed that we would highlight issues surrounding Kareena's status in the business.
- Bettina and I have discussed the ethics around Dirk's situation. We agreed that we cannot advise Dirk on any of the implications of his early retirement – it would be inappropriate. So he will need to seek advice from another firm. However, we could prepare future tax returns if he wants this. Please can you draft a careful letter to Dirk explaining the conflict and our decision. Dirk will be disappointed: the letter needs to show that we understand this.
- Thank you for confirming that Dirk's 2017/18 tax return has already been submitted to HMRC. I wish that more of our clients were as prompt with their information.

I will catch up with you on these points on Monday in advance of our meeting.

Thanks

Sam

TASKS

Task 1

Prepare a capital allowances calculation for Eco & Co Cleaning Ltd for the year to 31 March 2019, using Harley's figures. Include brief notes where appropriate to address the specific points Harley has raised in his email of 12 November, and show any assumptions.

Marks: 22, of which 5 are professional marks

Task 2

Draft an email for Sam to send to Harley responding to his telephone call on 13 November:

- Provide the requested guidance for distribution by Eco's HR team to staff receiving benefits in 2018/19. For each current benefit Harley refers to, indicate whether it is taxable or whether any exemption applies; and what year-end summary the employee will receive. No calculations are required.
- Explain the income tax treatment if Eco & Co Cleaning Ltd pays an employee 15p per mile for 1,000 business miles travelled by bicycle during one tax year.

Marks: 17, of which 4 are professional marks

Task 3

Draft a letter to Dirk from Bettina, explaining why it will not be appropriate for Hill & Dale to advise him on the implications of his retirement from Eco & Co Cleaning Ltd, and including the further points asked for in Sam's email of 3 December.

Marks: 20, of which 6 are professional marks

Task 4

Prepare a note for Sam of the points that need to be explained to Jaina about:

- the capital gains tax (CGT) implications of Jaina's plans to dispose of the restaurant business after five years, including information on claims for beneficial reliefs;
- the CGT implications if Jaina died while still owning the restaurant business;
- the reasons that Kareena is likely to be seen as an employee by HMRC; and
- the type of written document needed to record the terms of Kareena's employment.

Include a recommendation for Jaina to take her solicitor's advice on any legal issues.

No detailed tax calculations are required.

Marks: 23, of which 6 are professional marks

Task 5

Assuming that Jaina's restaurant business goes ahead as planned with Kareena as an employee, prepare notes as follows for your own use during the meeting:

- a) State the income tax treatment of Jaina's drawings and Kareena's employment salary.
- b) Identify the classes of NIC payable by Jaina and by Kareena.
- c) State the VAT treatment of the following supplies:
 - Food served to customers eating in the restaurant;
 - Cold buffet food served by restaurant staff at the office of a local business;
 - Cold food for customers to take away and eat immediately;
 - Ready meals supplied cold to customers to take away and heat at home
- d) Identify any one further point for Jaina to consider before starting her business.

Marks: 18, of which 4 are professional marks