The Association of Taxation Technicians

May 2021

Examiners' Reports

Paper 1 Examiners' report

PART I

Question 1

The benefit associated with the provision of the car was dealt with better than that the van benefit. A very large number of candidates got the basic van benefit charge wrong. Surprisingly few candidates got full marks on this question.

Question 2

The question was about the differences in the legal and tax treatment of employed and self-employed individuals. Too many candidates focussed instead on the hallmarks of employed/self-employed status.

Question 3

This was poorly answered. Most candidates did not realise that relief through a payroll giving scheme is achieved in a different way from Gift Aid.

Question 4

Many candidates realised that the relief was the lower of the overseas tax and the UK tax. The difficulty was calculating the UK tax. Many overlooked the £500 0% band or miscalculated the balance of the basic rate band remaining.

Question 5

Most candidates did not allocate the annual exempt amount specifically against the asset that did not benefit from Investor's Relief.

Question 6

Good marks were generally obtained here.

Question 7

This question was generally very well answered.

Question 8

Most candidates knew the tax benefits and the annual limit but struggled in relation to the implications of the husband's death for the wife's limits.

Question 9

More candidates than expected wanted to make a deduction for at least some of the mortgage interest. The disallowable expense most commonly allowed was for repairing the hole in the roof.

Question 10

This question was reasonably well answered.

Question 11

Most candidates recognised that Joel was partly caught by the temporary non-resident rules. Not many stated the basic point that there would be no UK tax charge in the year of disposal.

Question 12

This question was generally well answered. Most common error was to state that John was also due to pay Class 4 NICs.

PART II

Question 13

There were some excellent answers by some candidates to this question, working the tax calculation through to the correct answer.

Where candidates struggled, it was with the treatment of the REITs and whether it should be grossed up if so by how much, and which category of income it was. The unit trust income caused similar issues, but in far fewer candidates.

A few candidates forgot to deduct the ISA interest from the total bank interest, thereby losing half a mark. Candidates are also reminded to be specific in explaining the treatment of items, for example just saying “less ISA” is not sufficient to gain that half mark and it should clearly have been labelled “exempt”.

A significant number of candidates did not reduce the personal allowance at all, even though the income was over £100,000.

Another common mistake was deducting the tax at source before the VCT and EIS tax reducers, which again is a reminder that the detail is important as it does affect what the tax liability is for the client.

For the second part of the question, candidates generally were split in two – those that located the correct section in the Professional Responsibilities and Ethics manual and gain most, if not all, of the marks, and those that clearly did not know where to find it (or did not have the manual to hand) which resulted in guessing what the answer must be, without much success.

Question 14

This question involved giving advice re-which property to dispose of to maximise the net cash generated. It required the calculation of the capital gain tax liability arising from each property, one of which qualified for PPR and one that did not. There was also a written part on the new rules relating to the notification and payment of tax on residential property gains.

The vast majority of candidates attempted this question and many scored well. Most were knowledgeable about the new reporting rules and pay dates, but there was confusion over the PPR rules and the new letting relief rules by some in Part 1. However, it was Part 2 that was not tackled well by many students which was disappointing considering similar questions requiring advice on the cash position after tax have been set in the past.

As candidates must type their answers, it is even more important now to plan the approach to a question and present clear well labelled computations and workings.

However, the presentation of computational answers was much improved from the previous sitting and there was evidence of thought going into the best way to tackle the question.

Part 1

This part essentially required two straightforward capital gain computations, the tricky aspect being the calculation of PPR for the Birmingham house. The investment property gain should however have presented easy marks to a well prepared student.

The requirement specifically asked for explanations of why periods of occupation and non-occupation were deemed to be exempt or not. Many candidates failed to give explanations and merely presented the computations, thereby significantly reducing their chances of scoring highly on this part.

Common errors included:

- Incorrect calculation of the number of months relating to each period of occupation/non-occupation
- Inaccurate calculations as some tried to work in years and fractions of years, rather than months
- Applying the fraction of occupation/ownership to the sale proceeds or to the cost of the property rather than to the gain
- Inadequate explanations regarding why periods are exempt or not
- Incorrectly thinking that the two months of redecoration would qualify as deemed occupation and incorrectly deducting the cost of the redecoration in the capital gain computation
- Incorrectly giving letting relief, which is no longer available in the given scenario
- Incorrectly giving PPR on the disposal of the Welshpool cottage
- Forgetting to deduct the legal and professional fees
- Applying the wrong annual exempt amount and the wrong rates of tax to the residential gains
- Some thought that Linda was disposing of both properties, not making a choice of one or the other

Some chose to 'explain' how to do bits of the question and gave large amounts of narrative, rather than presenting a computation.

Part 2

This was either answered well or very poorly/omitted.

Follow through marks were awarded provided the candidate deducted their CGT from the net sale proceeds and came up with a reasoned recommendation based on their results.

A few failed to quantify the net cash difference which was specifically asked for.

Common errors included:

- Deducting the CGT from the gain, or from the gross sale proceeds rather than the net sale proceeds
- Many forgot to deduct the legal and professional fees relating to the sale
- Some tried to deduct the original cost and enhancement costs and factor them into the answer

Part 3

This question required an explanation of when and how residential gains should be reported, a statement that an estimated calculation of the gain and tax payable should be included with the notification, and the due dates of payment of tax on the gain.

Many very good 'text book' answers were given.

Common errors included:

- Stating that the gain should be reported within 30 days, but not specifying the date from which the 30 days starts
- Stating the rule for the notification and payment dates, but then incorrectly applying the rules and giving the wrong actual date, mainly due to not recognising that the disposal will be made in the tax year 2021/22

Question 15

This question involved two couples: one married couple electing to transfer the personal allowance, and one unmarried couple with child benefit which was to be withdrawn.

All but a handful of students attempted this question and on the whole it was answered well.

Part 1 required an explanation of why the transfer of personal allowance was possible. This produced disappointing answers and was not as well answered. However, showing how it was done in the computations in Part 2 was generally good. Part 3 on the child benefit charge was well answered by the majority of candidates.

Part 1

The requirement for this part specifically asked for explanations and no computations were required. Many addressed the issue of how the transfer was to be dealt with, but failed to adequately explain why it was possible for the transfer election to be made in the specific scenario given.

Common errors included:

- Incorrectly stating that the unused amount of personal allowance (£950) could be transferred, or that 'any amount *up to* £1,250' could be transferred
- Not stating that being a married couple was a requirement
- Not mentioning that the married couples' allowance cannot be claimed, and that this was satisfied because they were too young to make a MCA claim
- Incorrectly stating that the transfer was not possible because Gareth was a higher rate taxpayer (forgetting that when his PA is deducted, he is a basic rate taxpayer)

Part 2

This part involved calculating the tax liabilities arising after the transfer of personal allowance had been made. It was either answered perfectly, or very poorly, and demonstrated that there was no understanding of how the transfer worked.

Common errors included:

- Transferring only £950, such that Georgina had no tax liability and Gareth had a tax reducer of £190
- Incorrectly deducting the £1,250 as an extra personal allowance in Gareth's computation, rather than as a tax reducer

Part 3

This question was a straightforward calculation of the child benefit withdrawal amount. This part was answered well.

Common errors included:

- Wasting time doing a full income tax computation, including extending the basic rate band, whereas only the working of the amount of the child benefit withdrawal was required
- Not reading the question carefully enough and grossing up the gift aid (despite being given the gross amount in the question) and not grossing up the personal pension contribution (despite being told it was the cash amount paid into the personal pension scheme)
- Incorrectly deducting either the gift aid or the PPC, but not both
- Not rounding down the withdrawal percentage and either incorrectly applying the percentage calculated to several decimal points, or rounding up
- Wasting time calculating the amount of child benefit received for twins as the amount was given in the question. Some calculated the child benefit incorrectly and used their incorrect figure to calculate the withdrawal amount

Question 16

This question required notes to be handed out in a training session at work. It specifically stated that the audience already knew the basics of the relief and this session was to be directly related to the scenario given. It covered a client who sold some shares after his shareholding had been diluted with a fresh issue of shares. Therefore the question was specifically examining the new rules relating to business asset disposal relief.

Candidates answered it either extremely well or very badly.

There were three key areas to address, and the impressive answers addressed each in turn with sub-headings and presented well thought out, concise, pertinent key points directly applying their knowledge to the client's situation.

The poor answers merely regurgitated the basic BADR rules, in a random order and incoherent manner, ignored the dilution, and did not apply the rules to the case in hand.

Common errors included:

- Missing the point about the dilution of the shareholding
- There were many valid points that could be made drawing from the information in the question, but the poor answers did not score well as they were too brief, and missed the subtlety and importance of all of the information given in the question
- Many candidates presented detailed calculations which carried no marks as the question specifically stated that no calculations were to be produced
- Incorrectly stating that all of the gain arising on the share disposal would qualify for BADR
- Giving the rule for the timing of the elections/claim but then incorrectly applying the rules to the scenario and subsequently giving the wrong election/claim dates, mainly due to incorrectly identifying the tax year of the notional disposal

May 2021

Paper 2 Examiners report

PART I

General comments

As this was an 'open book' exam, the questions were designed as far as possible to avoid the situation where a candidate could copy the answer directly from a text book or study manual. It did however seem to be that the questions that gave a scenario that required application of the rules were the least well attempted. Some candidates found the page in the text book that they needed and just copied it rather than thinking which part was relevant in the given situation.

Question 1

This question was well answered by the majority of candidates. They clearly listed the reasons for an appeal and then went on to give the time limit and the process. There was perhaps a danger to write too much for the 4 marks available going into lengthy detail on the Tribunals and further appeals thereafter.

Question 2

This question tested a less familiar situation covering opening and closing year rules within three tax years. Many made a good attempt at the first tax year but struggled thereafter. There was confusion with 2019/20 as to the period being taxed with many taxing the profits of the tax year rather than the first 12 months of trading. Those that correctly stated the period could not then always correctly count the number of months they should be taxing of the £24,000.

Question 3

Most candidates knew the rule for retaining the records and the penalty that may be charged. Many wasted time explaining the rules for an individual and then went on to say 'if Reece was a sole trader' despite being told this in the question. Many could not correctly work out the dates to which records should be retained with many arriving at a date 12 months early because they could not add 5 to the 31 January date they initially and correctly arrived at. Few went on to state how many years of records were missing and how much the penalty might total.

Question 4

This question was well answered with many scoring full marks. Some did however write a lot about post cessation income despite the question being about post cessation expenses.

Question 5

Candidates were very good at writing out all the penalty rules, some copying the whole table out of the text book. What they failed to do was look at the information provided in the question and go on to state the relevant behaviour and then explain what the penalty would be in that situation. The number for the Corporation Tax liability was provided so they could quantify the penalty. Others who did try to apply the rules would say the behaviour was deliberate and concealed and state the penalties but then go on to say that it might be deliberate but not concealed and state all the penalties if this was instead the case.

Question 6

This question was well answered by the majority. The most common error was to carry back the deficit against total income and gains rather than just the NTLR profit. In this case they could still score 3.5 of the 4 marks available.

Question 7

This question was well answered with many scoring full marks.

Question 8

Candidates did not always use the chattel rules to calculate the gain on the painting and instead computed the gain using proceeds of £4,000. They went on to correctly calculate a net gain and to compute the Corporation Tax liability. A few deducted an annual exempt amount. Many wasted time recreating the gain calculation for the other asset mentioned. Very few correctly calculated the net proceeds available for investment and instead deducted the tax liability from the net gain. Others did not include the proceeds from the painting or included £6,000 rather than £4,000.

Question 9

This question was poorly answered. Some just listed out all the requirements of an invoice rather than applying the rules to the information provided. Few made the distinction that the second invoice had different requirements as it met the criteria as a retailer's invoice. Those that tried to apply the rules sometimes stated that the VAT was recoverable on invoice 1 but went on to state that it is missing the VAT registration number thereby effectively contradicting themselves. Others stated what was missing but then did not conclude as to whether the VAT could be recovered.

Question 10

This was a straight forward question to answer with the majority gaining full marks.

Question 11

This question was reasonably well attempted and many could give examples of each type of difference. The point less frequently made was that for timing differences, over time the same amount would be charged to the accounts and the tax computation. Some candidates gave unnecessary and lengthy explanations of how deferred tax worked.

PART II

Question 12

Most candidates made a good attempt at this question, but some merely listed badges of trade without applying them to the situation. Often the format of the answer was incorrect, missing out on presentation marks. Candidates were quick to recognise the benefit of the cash basis but surprisingly few mentioned the trading allowance. Points on National Insurance were generally well-answered. Many candidates failed to address the ethical issues.

Question 13

The actual adjustment of profits was relatively straightforward but many candidates missed valuable marks by failing to explain their treatment of various items. Some candidates split the accounting period before making adjustments.

Candidates appeared to be confused by the interest cost with many treating it as a receipt of interest.

Most candidates attempted the capital allowances computation but common errors included:

- Using one computation for the whole 16 month period;
- Where two computations were provided, failing to restrict writing down allowances appropriately in the 4-month period; and
- Failing to include items in the computations that had been identified as requiring adding back in the adjustment of profits.

Often only one payment date was given for the corporation tax due.

Most answers to the question on Articles of Association appeared to be copied from manuals or study texts and hence scored well!

Question 14

This was the least popular question. Very few candidates were able to calculate and correctly demonstrate the application of rollover relief. A number of candidates *increased* the gain by the rollover relief. Many candidates overlooked the plant as a possible asset for rollover relief purposes. Calculation of the gain was generally done well although many candidates failed to use the correct cost basis for the indexation allowance.

Part 2 tended to be well-answered or very poorly answered. Some candidates failed to recognise that the two parts of the question related to different entities (Oakshelf Ltd or Mr Bench).

Question 15

Most candidates were able to calculate Dan's share of profits for 2017/18 to 2019/20, but many reduced the loss due to the salaries in 2020/21 instead of increasing it. Other candidates treated the 'salaries' as employment income. The overlap relief was often recognised as part of the terminal loss, but candidates then did not apply the terminal loss relief to the profits they had identified previously.

Part 2 was often poorly answered as candidates misread the question and answered as if it related to Dan rather than to Bob.

May 2021

Paper 3 Examiners' report

General Comment

Candidates did not always apply rules to the facts of the question, and so limited the marks they could achieve.

PART I

Question 1

This was generally well done. Candidates who did not score full marks missed out the claim deadline and failed to calculate the actual amount of the bad debt relief that Peter could claim.

Question 2

In this question, candidates failed to apply knowledge to the scenario set. The approach was to list the advantages of group registration, without reaching a conclusion on which entities could be part of the group. Only a small number identified that Dominic himself could not be part of the VAT group.

Question 3

This question was generally well done. Some candidates did not to round up the recoverable percentage. Others were very confused between the difference of the simplified tests for partial exemption and the de minimis test for the standard method, with the simplified tests often being used as de minimis.

Question 4

Most candidates scored full marks on this question. Some candidates grossed up by the additional rate of income tax whilst others thought that vouchers were exempt. Overall this question was very well done.

Question 5

As IR35 has been tested frequently in the past, again there were some accurate answers produced on this question. Candidates did miss marks however, by not explaining how the income would form part of Patrick Ltd's profit. Candidates were more familiar with the deemed salary payment being deductible for corporation tax.

Question 6

This question was very well done with a high number of candidates scoring full marks. Those that didn't tended to miss out the condition of giving the correct notice.

Question 7

This question asked for the income tax, not just the amount chargeable, but some candidates failed to calculate this. Others tried to apply the rules for a tax-advantaged scheme. Some calculated capital gains tax which was not asked for. A frequent error was to treat the market value on grant as the price paid.

Question 8

Many candidates recognised that this question related to overseas workday relief, giving good answers. Most who attempted the question obtained some marks. This question was occasionally omitted.

Question 9

Most candidates did not appreciate that both partners would suffer a penalty due to the late partnership return and some forgot to consider the individual tax returns too. Others merely listed all late filing penalties for varying degrees of lateness. This did not score as did not apply the rules to the facts in the question. Most candidates knew when enquiry notices can be raised for late returns.

Question 10

There were some very good answers to this new topic. Other answers usually achieved some marks. The main problem was failure to apply the concept of control (and instead considering only ownership by X number of participators). This was despite some candidates quoting the control aspect of the rules. Some candidates lacked the confidence to state the company was not close, contorting otherwise good analysis to get a different result they thought was expected.

Question 11

Round sum allowances were not understood, despite candidates generally understanding which costs were allowable. The taxable amount was frequently stated as the sum of disallowed expenses. This was a 'calculate' requirement, yet candidates frequently wrote very long commentary which yielded no extra marks and wasted valuable time.

Question 12

Answers were usually very good, although the first late event was frequently given a penalty, even where candidates had first written out the rules stating otherwise. This shows they are reproducing information from learning materials without due thought.

Question 13

Answers to this question were generally good but some candidates omitted either the employer contributions, or (more frequently) NIC, and so limited the marks they could score.

PART II

Question 14

Part 1a
This question was very well done with candidates being very familiar with the registration rules. Some candidates did fail to include the zero-rated supplies as part of taxable supplies.

Part 1b
Most candidates scored full marks on this question and some excellent knowledge on the penalty regie was shown.

Part 1c
Again this question was very well answered. Candidates who did not score full marks omitted some of the records and also the date of payment for VAT.

Part 2a
Answers to this part of the question polarised between excellent and poor. Some candidates did not attempt the question at all whilst others merely mentioned the £130 million limit without explaining how the scheme operated. By contrast others produced very detailed answers and were able to discuss with ease the operation and advantages of the scheme.

Part 2b
Those candidates who scored well on part a naturally did very well on part b.

Part 2c
A number of candidates did not attempt this requirement which was surprising as it is a frequently tested area. The omission of this part was influenced by some candidates not doing very well generally in part 2 of the question. There was also some confusion as to whether the closing balance was a creditor or debtor for VAT.

Question 15

Part 1
A significant number of candidates scored full marks on this question, producing completely correct answers. A common error was to deduct £486 as CIS tax as a result of failing to include the fuel for the plant as a qualifying cost. Generally however, this was well done.

Part 2
This was a straightforward requirement with a significant amount of candidates scoring full marks.

Part 3
Surprisingly, this question was problematic for some students. A common error was to state the date of registration for income tax as 31 January following the end of the tax year. This displays a lack of knowledge on some of the straightforward compliance rules. The amount of assessable profits in the second tax year of trade also produced a high number of incorrect answers with candidates often calculating this as £41,500 (1/12 x £36,000 + 11/12 x £42,000).

Question 16

Part 1
It was pleasing that candidates did generally assess employment status factors with reference to the details in the scenario – this was clearly instructed in the requirement. They often scored decent marks.

Part 2
There were some excellent answers by candidates who applied either their knowledge or the information in the learning materials to the taxpayer concerned. They also clearly identified the classes of NIC as instructed. This instruction was to assist candidates with a topic which is not frequently tested. However, some hid behind this, writing extensively about limits and rates on such classes to avoid handling the main element of the requirement.

Part 3
Many candidates could use the law book and gave plenty of items which should appear on a written statement. A few did not think to do this, and treated this as a payslip or omitted this requirement.

Part 4
Most answers given were good enough, but rarely perfect, with candidates forgetting that the

taxpayer was Scottish (or not being aware of the effect of this on tax code). This requirement was occasionally omitted or only answered in part.

Question 17

Part 1a
This should have been fairly straightforward but candidates lost marks for not being specific about the reporting requirements for each separate item, or ignored that aspect of the requirement entirely. Perhaps this was due to this question appearing near the end of the exam.

Cash was frequently treated as a trivial benefit. Those who realised it was taxable, could not give the correct date for reporting (ie on or before payment), often stating the dates of tax payments instead. Many candidates did not realise that if an employee makes good the cost of an item to the employer, a taxable benefit does not arise.

Part 1b
This question was occasionally omitted or answered very briefly, perhaps due to timing. Answers produced were not good, with candidates frequently quoting all rules about free shares and dividend shares without any application to the scenario. It was then difficult to score many marks. Dates of share awards were clearly given in the question information, but these were rarely referred to in answers. Most candidates did not identify that retirement meant there were no charges for one individual. Occasionally candidates did consider PAYE and NIC, although many framed their answer in terms of 'if the shares are readily convertible assets'. They should have deduced from the question that they were.

Part 2
This requirement was not well-answered and was frequently omitted – perhaps due to being the last requirement of the exam. Candidates clearly struggled to apply the fundamental principles – listing them all gained no marks.

May 2021

Paper 4 Examiners' report

PART I

General comments

Overall the candidates did well on this part of the paper with many achieving full marks on lots of questions.

Question 1

This question has been answered well by the majority of candidates with many achieving full marks. Marks were lost by not listing the precise types of change that HMRC would look for but merely stating 'changes in the nature of trade'. Lots of candidates mentioned the rule regarding the trade becoming small and negligible before a revival, but no marks were awarded for this as this was not required by the question. Candidates also did not receive marks for stating what happens if you are caught by this legislation as this was not required. Some candidates mentioned the time limit for other losses however this was not asked for in the question, only trading losses were relevant.

Question 2

This question was mainly answered well. The most common error was calculating the entries for the release of the grant based on the cost of the factory rather than the amount of the grant and candidates lost ½ a mark if that was the case. Candidates didn't always indicate whether it was a balance sheet or profit and loss account entry although marks were not lost regarding this as it was usually obvious what was meant. Where a candidate showed the entry for the fixed asset together with the grant, marks were not lost as long as the figures used were correct. If no figures were used but the description was correct ½ of the available marks were awarded.

Question 3

This question was answered well. Candidates that correctly said that the company had 30 days to register for VAT with HMRC and then said this was 31 January 2021, when it is 30 January 2021 only lost ½ a mark. However if the 30 days wasn't mention and they said 31 January 2021 they received no marks. A few candidates incorrectly said that the future test would apply and these candidates didn't receive any marks.

Question 4

This question was answered well in the main. The most common error was forgetting to do the disposal or using the proceeds rather than the original cost and then a ½ mark was lost. Some candidates ignored the disposal on the basis that the gain was exempt as a chattel, which would be the case for the chargeable gain but is not relevant for capital allowances. Candidates should be careful to ensure they type in the correct figures from the question and check calculations however where errors were made with this a follow through mark was usually obtained and so no marks were lost. There were a number of candidates that explained the capital allowances rather than setting out a calculation in the usual way, marks were given where identifiable but had the answer been set out in the usual format it is possible more would have been awarded.

Question 5

Most candidates made a reasonable attempt at this question. Candidates should ensure that they read the question carefully to ensure their answer is relevant, some candidates talked generally about interest rather than applying it to the scenario in the question or explained about how the instalments were calculated which wasn't necessary. Candidates had the rates of interest in the tax tables so should have been able to correctly quote which one was used in the scenarios. Candidates also talked about how the interest paid or received would be treated for corporation tax purposes which wasn't required.

Question 6

Generally candidates got most of the marks for this question. Marks were lost for not explaining why some of the items were allowable, just saying 'provision allowable' was not enough to get the ½ mark available, they had to state that it was allowable as it was calculated in accordance with FRS12. Follow through marks were given for the tax adjusted trading profit before capital allowances total as long as this was described well and the addition and subtraction was correct. If this was described as TTP there was no mark. An adjustment to add back the profit on disposal of fixed assets rather than deduct it received no marks.

Question 7

This question was really well answered with more information than requested in most cases. A ½ mark was lost if the class wasn't mentioned but the description was clear as to the class in question. ½ marks also lost if it was said that Zohaib paid Class 1A contribution on any benefits received as these are only payable by the employer.

Question 8

This question in general was not answered well. Many candidates described incorporation relief being available and how it works in lots of detail, when it isn't available as Simone wishes to retain the property and not transfer this to the company, the question asked what relief was available not what wasn't.

Question 9

Most candidates answered this question well and received the majority of the available marks. Some candidates talked about the income tax relief for EIS relief and there were no marks available for this as the question was asking for the reinvestment relief. Candidates that didn't fully explain the rules but stated that EIS relief of £32,700 should be claimed to preserve the annual exempt amount still received a mark.

Question 10

Candidates generally did well on this question achieving most of the marks, although not many candidates got full marks. Lots of candidates mentioned that a QCD was deductible but not that it should be allocated to UK income followed by overseas income to maximise the DTR available.

Question 11

Most candidates did well on this question but there were quite a few candidates that didn't take care over the date and lost marks for putting 30 May 2019 or 30 October 2019 when it should have been 31 May 2019 or 31 October 2019. Some candidates split the trading period from 1 November 2019 to 31 March 2021 as a short accounting period first (1 November 2019 – 31 March 2020) when it should be 12 months to 31 October 2020 followed by the short accounting period to 31 March 2021.

Question 12

Most candidates spotted that the loan to purchase the factory was a trading loan relationship, however most did not spot that the repayment of the loan is not a loan relationship and marks were lost here, candidates also treated this as income when it is a payment and therefore lost ½ a mark for that was available for the total. Candidates that didn't state that the result was a deficit but merely totalled the debits and credits lost ½ a mark.

Part II

General comments

The majority of candidates did well on this paper, most attempting all questions and giving good answers. There was no evidence of the candidates being under time pressure.

Question 13

Part 1 Nothing tricky about this and the well-prepared candidate could easily get the full 4 marks. All seemed familiar with the concept of "succession", transfer of capital allowances and losses.

Part 2 Generally answered well, but where candidates did struggle was with the charge arising on the seller of the company leaving the group, and the 6 year limit for the charge

Part 3 There was **p**lenty to go at here; candidates easily scored good marks explaining conflict of interest and how to deal with it.

Part 4 A surprising number of candidates could not explain the key features of the shares. Also candidates should tailor the length of the answer to the marks available – there were only 5 marks here.

Question 14

Parts 1 & 2 As the structures and buildings allowance is relatively new, some candidates had not taken the opportunity to learn all aspects of the rules. As a result few got full marks on this question which tested all aspects.

Part 3 A straightforward requirement in which most candidates did well. The common mistake made was generally in the treatment of the overseas loss (carry forward against overseas profits only)

Part 4 Not unsurprisingly most candidates were familiar with the employment status concept and scored high marks.

Question 15

Too many candidates missed the easy 1 mark for presentation (Requirement "**prepare an email…."**). Candidates should be on the lookout for this as there is one in every paper.

Part 1 In previous Paper 4 exams, the VAT questions have proved difficult for candidates. Not so this one, in which most candidates scored well. Candidates should however stick to the requirement which was to state the relief – issues regarding the VAT status of the debtor were not required, nor the Corporation Tax treatment of a bad debt.

Part 2 The requirement was to explain the penalties re filing. A lot of candidates added "filler" – eg explaining when the return was due; penalties for non payment of Corporation Tax. Few candidates stated that the first penalty was due, even if no tax was payable

Question 16

Part 1 Candidates tackled this well. The requirement asked for the maximum that could be surrendered from **each** company, and so all candidates had to do was apply the rules – eg date of company leaving the group, time apportioning non-coterminous year ends. An ordered, company by company approach to this question scored well. Candidates should be aware that loss relief calculations are "lower of profit in claimant and loss in surrendering" and this calculation is required for full marks. (This is a comment that has been made in previous Examiners' reports). A small minority of candidates believe that an 80% shareholding (Dunlin ltd) only gets 80% of the losses.

Part 2 This question required the candidate to apply the consortium relief rules to a variety of shareholders. Most candidates did this well, the only frequent errors being on the restriction to 21% of the loss for Red, as per its voting rights, and missing the 4% shareholding of Blue.

May 2021

Paper 5 Examiners' report

PART I

GENERAL COMMENTS

Candidates missed marks where they did not apply facts to the question. As the exam is currently open book, no marks were given for rewriting sections of the teaching notes or legislation. Candidates also commonly performed calculations that were not required, such as calculating capital gains tax due, when only the relief calculation was required.

Question 1

This question was answered well where candidates successfully identified the post mortem relief. A large number of candidates did not recognize this and instead discussed Business Property Relief.

Question 2

This answer was answered well by most candidates. The most common mistakes were not correctly restricting the annual exempt amount, and using the incorrect capital gains tax rates.

Question 3

There was a varied standard of answers for this question. Most candidates were able to identify the main requirements for BPR but struggled to apply this to the situations posed in the question.

Question 4

This question was answered well on the whole.

Question 5

This question posed many difficulties for most candidates. The IHT loan interest was often treated incorrectly, and many candidates applied the wrong income tax rates. Some candidates also incorrectly included a personal allowance.

Question 6

This question was answered well on the whole. No candidates identified that interest would be due from 1 February 2021.

Question 7

Candidates often made arithmetical errors when calculating the months of occupation/ non-occupation, but correctly calculated the relief based on their values.

Question 8

This question produced a variety of responses. A large number of candidates correctly discussed the rates applicable to the income. However, many candidates missed marks by not being specific about the allowances available to the beneficiary.

Question 9

This question produced mixed answers. Many candidates were not specific enough to earn any marks with regards to residuary income, although many candidates did earn all marks to do with the expenses.

Question 10

This question was answered well on the whole. Candidates had a strong knowledge of the instalment requirements and applied them well to the question.

Question 11

Those candidates who attempted this question produced good responses. However, a large number of candidates failed to provide answer.

Question 12

This was a well answered question. Where marks were lost, this was often due to not applying the statements to the scenario in the question.

PART II

Question 13

The first two parts of the question were well answered on the whole. However candidates should ensure they include explanations alongside their calculations in order to obtain all the marks available. Most candidates either did not consider the Residence Nil Rate Band in their answers or included the incorrect amount. Many candidates did not attempt part 3, and for those who did the standard was varied. Many did not provide full answers for part 4 and so missed out on marks for stating the basic facts such as it creates a disposal at market value creating a gain or loss. Most candidates achieved at least basic marks in part 5.

Question 14

All parts of this question were answered very well by most candidates. A little more detail in written answers and explanations in calculations would have helped to add extra marks for some candidates.

Question 15

While the basic capital gains computation was well answered, a large number of candidates failed to identify that the disposal qualified for Investors Relief, or did not explain why it applied in the context of the question. Of those who did, quite a few did not then go on to mention how it was impacted in part 2 of the question. The ethics aspect of the question was well answered on the whole.

Question 16

The first four parts of the question were well answered. Slightly more detail was required regarding the effects of a deed of variation in part 3 by some candidates. Candidates should ensure they provide answers in the context of the question. In part 5 most candidates explained a member's options of whether to act for two parties with conflict of interest rather than explaining the actions to take if they have already decided to.

May 2021

Paper 6 Examiners' report

PART I

General comments

Overall, the paper did not appear to give many problems for well-prepared candidates. A general observation is that some candidates missed marks by describing general points rather than addressing the specific scenario set out in the question.

Question 1

This question was well answered by most.

Question 2

Most candidates picked up marks on this question, though marks were lost and time wasted by describing the penalty regime in general rather than considering the specific scenario.

Question 3

This question was also well handled with most candidates being able to set out the three parts of the registration process. The most common error was inclusion of the capital receipt from the sale of the van in the total income.

Question 4

A number of candidates described zero rating for charity construction in general rather than addressing the specifics. This led to many losing a mark for not stating that the construction of the ground floor would be standard rated. The change of use charge appears to be poorly understood and only the best candidates were able to describe this.

Question 5

This question was well answered.

Question 6

This question was well answered.

Question 7

Many struggled with this question. The main error was identifying the wrong period from which the payment on account was calculated.

Question 8

Two fairly easy marks available, which a number of candidates failed to score by describing who might need to declare a scheme rather than the tests applicable to the scheme itself.

Question 9

Mostly well handled, though a number of candidates failed to spot that the first building was no longer within the capital goods adjustment period. A small number of candidates also thought refurbishment work would not create a capital item.

Question 10

Good candidates scored well, but there is still a reasonable proportion of candidates who do not appear to have much insight into the rules for determining the place of supply of services. It is surprising that the need to account for reverse charge was mentioned several times despite the question being about sales income.

Question 11

Nearly every candidate is able to recite the required evidence without breaking sweat.

Question 12

This question proved difficult for many, with the most common error being to calculate the VAT liability by reference to the input tax incurred or by attempting to introduce a partial restriction of input tax. A number of candidates thought that both lucky TV recipients were connected parties and many also resorted to the rules on business gifts despite the existence of consideration.

Part II

General comments

Overall, the paper seemed fair and all questions were well attempted by those who gave it genuine effort. There were obvious cases of papers where there was a limited attempt to answer but mostly this was the case for all question for that candidate rather than any one specific question

Question 13

This was really well answered by most.

Most obvious omission was failure to note that penalties may apply if tax point was wrong.

Lots of mistaken understanding that the admin fee for missing the delivery was compensation and so outside the scope of VAT so ignored altogether!

There were lots of suggestions that the annual maintenance was a continuous supplies of services when it clearly was not, with lots written on that topic but scoring no points.

Question 14

Most candidates picked up good marks on this question, with good summaries of option to tax revocation criteria and TOGC conditions

A number of candidates did not attempt Part 1C

Question 15

This question was generally Quite well handled, although as suspected many candidates noted that if turnover was under £150k then they'd get a help letter first instead of SLN which throws off the order of surcharges!

½ mark was awarded for noting this help letter as the first step instead of SLN and then marking took account of follow through marks accordingly.

Not many candidates totalled their answer, despite the question asking them to do so! And so an easy ½ mark was lost!

Only a few mentioned no surcharge if the nil/repayment returns filed late and VAT paid on time but return late so max 1 mark lost there.

Many candidates specified the end date of the new SLN period extension but lots did not so yet more easy marks lost.

Question 16

This was the least well attempted question in the paper apparently due to the question being on partial exemption.

There were a lot of candidates that did not annualise the income for the PE calculation but of course if they used the monthly figures anyway they got the same percentage so the maximum lost for not annualising income was 1 mark.

The question does specify to compute the recoverable VAT for the year but many stuck to a month - follow through marks were given where possible if it was all done on a monthly basis!

In general the candidate's understanding of attribution of input tax and laying out PE computations is poor – full workings were not always shown so marks were lost!

Lots of candidates missed the newly partially exempt business being able to automatically use a "use based" method – lots of commentary was given about applying to HMRC and forgetting to mentioned the period for which the use based method could apply which meant limited marks were available.

The accounting question was very poor, with many candidates debiting the VAT account rather that crediting. This demonstrated a complete lack of understanding! Many missed this question altogether!