



Level 4 Trailblazer

Role Simulation

Exercise

SAMPLE

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 material you have brought. Material may be annotated and flagged.

You may use a calculator.

Instructions

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

Complete every task.

There are 100 marks in total. 25 of these are professional marks for quality of communication.

Present your answers in the answer booklet only, using both sides of the paper and writing clearly in black ballpoint pen only.

Show all workings and state any assumptions.

Start your answer to each Task on a new page and leave the margins blank.

Write your candidate number on every page used.

This exercise is to be completed with reference to the relevant ATT study manuals for sittings in 2018. Where necessary, assume that the rules detailed in these continue to apply in future years.

ADDITIONAL INFORMATION

From: anjali@pau.co.uk
Sent: 07 May 2018 08:08
To: sam@pau.co.uk
Cc: jack@pau.co.uk

Subject: FYI – message from Wendy re investments

Sam

Wendy has come back with this (below).

I do not want to rush a reply but we should consider her suggestions from a tax perspective. These are varied as you will see, and I think would be best discussed in a meeting with Wendy, which I shall schedule.

You will need to be generally familiar with the investments Wendy is considering, and how these are taxed. Jack (ccd) will direct you on this. I believe he is also providing you with several other tasks to complete relating to Spotless.

Then you can join us at the meeting, which I hope will be a good learning experience.

We are also due to redraft the partnership engagement letter. I'd like you to be involved in the section covering clients' responsibilities.

I look forward to meeting you later today.

Regards

Anjali

From: wendy@spotlesspartners.co.uk
Sent: 01 May 2018 17:09
To: anjali@pau.co.uk
Subject: Investment advice please

Hello Anjali

Jack reminded me to have a think about those savings.

I checked my deposit account and there's £31,400 in there.

I'm interested in buying some shares in big UK companies. There seem to be either ordinary shares or preference shares. I want something low risk.

My sister says any dividends I was paid would be tax free, so they wouldn't need to go into my tax calculation – is that right?

Or maybe there are some other investments with no tax to pay on the income?

My other idea would be to start a private pension as I don't have any pension yet. But would I be allowed to pay the whole lot into that in one go?

I'd really like your advice on this – which is cheapest for tax, and the best choice of investment in every way. Especially if I get shares, as I don't know much about the stock market.

Also I double-checked with Fred about the new machinery etc Jack and I looked at. The CO₂ amount for the new Loxhall was actually 152g/km, not 125 – sorry.

Wendy

TASKS

Task 1

Calculate:

- The corrected capital allowances for Spotless Partners for the year ended 31 December 2016, giving brief notes on any changes made
- The effect of this correction on the partners' Income Tax

Calculations must be suitable for use as an appendix to a client letter.

Marks: 17, of which 4 are professional marks

Task 2

Draft a letter from Anjali to the client which explains:

- That a correction is needed to the capital allowances for the year ended 31 December 2016
- Which returns will need to be amended
- The deadlines for these amendments
- Possible penalties for the errors
- Any implications if no action is taken to correct the errors

Note: Your calculations from Task 1 will form an appendix to this letter when both have been reviewed. No explanation of the capital allowances treatments is needed in Task 2.

Marks: 24, of which 6 are professional marks

Task 3

Draft an explanation of the responsibilities of Spotless Partners as client, and PAU as tax agent, regarding partnership income tax returns. Include responsibility for accuracy, checking and authorisation, and identify the nominated partner.

This will form part of an updated engagement letter when it has been reviewed.

Marks: 19, of which 5 are professional marks

Task 4

Draft an email in response to Frank's note of 23 April 2018, including:

- A calculation of the Capital Gains Tax he will pay on the sale of the table
- Reasons that future antique sales will be treated as a trade and subject to Income Tax
- Which tax year the trade starts in
- Records Fred should keep relating to his new trade, including examples and time limits
- An explanation whether Fred may use Spotless Partners' VAT number.

Marks: 24, of which 6 are professional marks

Task 5

Use Wendy's email of 1 May and any other relevant information to answer the following, in a note for your own use:

- a) Identify which type of shares is likely to be more suitable for Wendy, given her attitude to risk: ordinary shares or preference shares.
- b) Explain whether the information Wendy's sister gave her about dividends is correct.
- c) Identify two types of investment which offer tax-free income.
- d) Calculate the tax relief on a single payment of £31,400 by Wendy into a private pension.
- e) Identify one further issue to consider before meeting Wendy.

Marks: 16, of which 4 are professional marks