

# The Association of Taxation Technicians

May 2015

## Examiners' reports

### Paper 1 Personal Taxation

#### Part I

1. Generally reasonably well answered, with the most common error being to miscalculate the number of years between the acquisition of the flat and its provision to the employee and therefore use the value of the flat when made available rather than the initial cost.
2. Surprisingly poorly answered, the main problem being a failure to read the question and realise for which tax year the tax payments were required.
3. Well answered.
4. Generally well answered.
5. Well answered. Some candidates made simple arithmetical errors in calculating the cost of the acquired shares. The vast majority of candidates picked up on the 30 day matching rule.
6. Poorly answered. Most candidates were more concerned as to whether the transferee was a connected person than with whether the assets qualified for holdover relief. The general misunderstanding was that holdover relief was not available unless the transferee was a connected person by reference to the transferor.
7. Adequately answered. A significant number of candidates, whilst recognising that it was presence in the UK at midnight that mattered, then concluded that staying e.g. Christmas Day into Boxing Day meant adding two days to the number of days that Hari was in the UK. Candidates seemed to realise the importance of stating the basics i.e. that UK residence would give rise to a CGT liability whilst non-residence would avoid it. Many candidates referenced the impact of the temporary non-residence rules which are not applicable here as, if Hari is non-resident for 2014/15, the painting was acquired after leaving the UK.
8. Reasonably well answered, with the deadline for claiming the relief being the most elusive mark.
9. Poorly answered, with general confusion apparent as to the interpretation of the facts given and the calculations required.
10. A tiny minority scored any marks for this question. Most candidates made vague references to various Tribunals and Courts without coming close to the answer.
11. Generally well answered with a significant minority of candidates inadvertently overlooking the obvious answer – cash.
12. Poorly answered, with few able to go much beyond demonstrating an understanding of the rates at which interest and dividends are grossed up.
13. Poorly answered; I don't think anyone demonstrably recognised that this question was about losses on loans to traders. Most focussed on whatever loss relief might be available for the equity held rather than the loans made. Many felt, incorrectly, that loss relief would not be available in relation to Compass Ltd due to the level of Rajesh's shareholding.

#### Part II

##### Question 1

1)

Most candidates noted the question requirement for a letter format and gained the available presentation mark. Stronger candidates were able to state some of the main features of ESS and marks were awarded for all relevant points. However, even the most able candidates were unable to obtain maximum marks on this part. It was disappointing to note that a number of candidates appeared to have no knowledge of the existence of ESS and instead took the opportunity to explain everything they knew about all the other share schemes.

2)

Most candidates who answered this part recognised that the market value in excess of £2,000 would be subject to income tax. Also a reasonable number of candidates recognised that if an individual had a material interest the income tax relief would not be available. However, there was confusion as to the percentage of share ownership required for a material interest and the majority of wrong answers stated 30% instead of 25%.

3)

The vast majority of candidates who answered this part obtained full marks. However, one common error was stating that the first £50,000 of chargeable gain was exempt as opposed to the gain arising on shares with an initial value of £50,000.

## Question 2

1)

Generally this question was well attempted by the vast majority of candidates, many of whom obtained at least 75% of the available marks. Generally candidates laid out their computations accurately and separated their workings. However, some candidates still fail to show all their workings, which makes it difficult to award any marks if the numbers are wrong.

Time apportioning seemed to cause some problems, with a few candidates either not time apportioning at all or over the incorrect number of months. Most candidates dealt with the termination payment well, although a number of candidates failed to recognise that the overseas work had an impact on the amount of income subject to tax. A large number of candidates wrongly thought that the war loan and the medical insurance were exempt from tax. The other common error was to deduct the VCT relief or add the higher rate child benefit charge before the taxable income.

2)

Most candidates recognised that the NIC liability was payable by the company and understood that the benefit would be reported on the P11D and accordingly obtained full marks.

3)

Whilst a large number of candidates obtained maximum marks, it was surprising that a number of candidates either failed to mention or were not aware that there was a different submission date for paper returns.

4)

Most candidates mentioned at least four relevant points and accordingly the majority of candidates obtained full marks on this part.

### Question 3

1)

A significant majority of candidates obtained the format mark so, pleasingly, had responded to the requirement of the question.

Overall answers were exceptionally brief on this part of the question, with candidates merely stating that the destruction of an asset was a disposal for CGT purposes and then moving straight onto the part disposal rules for partly damaged assets. This approach meant that a lot of marks were missed. Candidates need to consider the scenario in the question and acknowledge that when writing to a client, the rules need to be explained in detail.

A number of candidates also explained the rules on non-wasting chattels, so credit was awarded. Candidates wasted time by giving proforma computations in their answers with invented numbers to demonstrate how a gain was calculated. The question clearly stated that explanations were required so this was not really relevant.

The candidates who did score well addressed the main areas in terms of how insured and uninsured items, capital losses and negligible value claims would be treated. Candidates often failed to explain that scrap or residual value would be treated as part of sales proceeds. Whilst a significant number of candidates identified that rollover relief would be available if an asset was replaced, there was a distinct lack of explanation of what rollover relief is, how it operates and the time limits for claim.

2)

This part was done slightly better and some good answers were produced. It was clear that candidates were well prepared for this part of the question and the answers on the conditions for receipt of proceeds not being treated as a part disposal were very encouraging.

3)

Some candidates scored full marks in this section, whilst others produced one line answers to the effect that the Data Protection Act exists to "protect data". This was not enough to score the marks allocated.

4)

Answers to this part of the question were extremely disappointing. A high number of candidates simply stated that this was against professional guidelines and there were sanctions as a consequence. Those candidates who clearly understood the rules articulated their answers well and scored full marks. However, all too often when answering ethics and professional guidelines questions, candidates seem to automatically assume that what is suggested in the question is completely prohibited, without thinking the issues through logically.

### Question 4

1)

Flat 1

Most candidates scored full marks on the question and dealt with the calculation correctly. Others tended to mistakenly use £110,000 as the gross premium amount.

#### Flat 2

Very rarely did candidates answer this part well. A common mistake was to compute the capital element of the premium based on 40 years instead of 30 and then to compute allowable cost using the incorrect figures, with some very strange interpretations of how to do the calculation. Quite often the allowable cost was presented as  $£97,000 \times 51-40/50$ . The most common answer was for the capital element of the premium to be calculated based on 40 years, resulting in £75,660 with a resulting allowable cost of £21,505.

#### Sub-lease of Gatehouse

This part of the question posed most problems for candidates. Whilst the lease percentages were identified correctly, a number of candidates used £55,000 as the premium received. They did correctly identify the allowable cost and the capital element of the premium, but tended to deduct the income element of the premium from the gain, creating a capital loss and then using the loss in the capital gains computation to reduce the taxable gain. This showed that candidates can mechanically perform calculations but then fail to apply the rules. A loss could not be created in this situation and only a small number of candidates acknowledged this and consequently scored full marks.

In the calculation of the capital gains tax payable, a number of candidates taxed the gains at 18% and then 28% despite being told in the question that the person was a higher rate taxpayer. Also, it was noted that the previous year's annual exempt amount was sometimes used.

2)

Answers to this part were very mixed. Candidates tended to centre their answers on married couples v civil partnerships and did not identify the key features of the rights of survivorship or differences in ownership share. Some candidates went off on a tangent and recited the rules on PPR and rent a room relief which is not what the question required! Some candidates did, however, score full marks and showed they understood the legal differences of each ownership structure.

General observation – it did appear that candidates had mismanaged their time with a high number either scoring very low marks on questions three or four or omitting one / both altogether.

### Paper 2 Business Taxation & Accounting Principles

#### Part I

In general the majority of candidates made good attempts at this part of the paper and many answers gained full marks. The most common errors and problems were:

Q1

The most common error in the capital allowances computation was to show a balancing charge on the disposal of the silver car.

Q2

This was generally well answered, although some candidates wasted time explaining the dates for submission of the tax return and the penalties for late submission.

Q3

Several candidates described averaging of farmer's profits instead of the herd basis (although still referring to it as the 'herd basis').

Q4

The majority of candidates gave the correct time limits, but some failed to mention the taxpayer's right of appeal.

Q5

Many candidates failed to show the correct basis period for 2013/14 and gave very confusing calculations for overlap relief.

Q6

Although calculating the corporation tax correctly, several candidates failed to show the due date for payment.

Q7

The most common error in this question was to deduct the repair expenditure.

Q8

This question gave no problems to candidates who know the rules for VAT registration.

Q9

The main error in the answers to this question was to state that the dog grooming business was separate and not included in the VAT registration.

Q10

This question was not well answered, with the majority of candidates simply stating that an asset with a life greater than two years is capital and is revenue if its expected life is less than two years.

Q11

This question was generally well answered, although there are still candidates who do not understand whether an asset is a debit or a credit.

## Part II

### Question 1

This question was, in general, well answered, with a number of candidates gaining maximum marks. However, it is important that candidates clearly indicate where an item is not adjusted for in the tax computation, rather than simply omitting it.

A number of candidates having disallowed the loss on disposal of equipment then added it back at the end to reach taxable total profits, possibly thinking it was a gain. As regards the capital allowances, most candidates got full marks.

Other errors included netting the disposal proceeds off the laminator before calculating the Annual Investment Allowance and treating the heating system as eligible for First Year Allowances, when the question had made no reference to the equipment qualifying as energy saving equipment.

Corporation tax computations were mainly correct, although some candidates forgot to split the tax year or thought that the company was small.

### Question 2

Most candidates knew the basics of the loss reliefs available: current year, carry back and carry forward. Some however were confused about the details of the reliefs and the deadlines for the reliefs, in particular when the four year rule applied as opposed to the 22 months from the end of the tax year and when losses were only set against trade profits rather than general income.

The ethical provisions regarding conflict of interest were basically well understood and most candidates earned some marks for this part of the question.

Candidates seemed to find the provisions for the liability of partners after their retirement more difficult. Most candidates knew that partners were jointly and severally liable for the debts of the partnership, but did not go on to discuss the cases where a partner would be liable after retirement.

### Question 3

This was generally well answered, with most candidates getting good marks. Candidates were able to calculate the hire purchase interest charge and to include this in the profit and loss account, many then also included the hire purchase payments in the profit and loss account as well.

The part of the question relating to National Insurance Contributions was relatively straightforward and was well answered.

### Question 4

It was surprising how many candidates did not answer the relatively simple part 1 to this question. It seemed to be assumed that the question was much more complicated than it appeared and rather than set out the basics, candidates launched into a discussion of entrepreneurs' relief. Most of the rules relating to entrepreneurs' relief were understood, with the exception of those relating to the property where many candidates were unaware of the restriction of entrepreneurs' relief where a rent is charged.

The lifetime limit was well known and many candidates also referred to EIS and SEIS reliefs. Some candidates, however, thought that rollover relief would be available.

The last part of the question was in general not well answered, if at all. As the question mirrors the heading of the law manual: "Factors to consider when disposing of a business", then it would appear that the question was clear and should have been answered to earn at least one mark. When considering this question and the partnership retirement question, it may be that candidates spend less time studying law as the number of marks are low relative to the amount of information.

## Paper 3 Business Compliance

### Part I

#### Question 1

Many candidates found this question difficult. Most correctly identified the VAT due to HMRC, however they did not correctly identify the other journal entries required.

#### Question 2

Many candidates scored full marks on this question. Where they did not, the calculation of the employer NIC caused a number of candidates difficulty.

#### Question 3

The majority of candidates correctly identified the value of the employment allowance and that it was available for employer NIC only. However, only a small number of candidates correctly identified the implications for personal service companies, with many stating that the employment allowance was available in respect of the deemed payment.

#### Question 4

Many candidates scored full marks on this question, correctly identifying the tax treatment of the various elements of the payment.

#### Question 5

Many candidates only addressed the income tax implications of payroll giving and did not include the NIC implications or identify the process by which the payments are paid to the charitable body. A number of candidates stated that this was a salary sacrifice arrangement.

#### Question 6

Many candidates scored full marks on this question. The difference between client and staff entertaining caused some candidates difficulty.

#### Question 7

A variety of answers were presented for this question, with many correctly identifying that the UK earnings were subject to UK tax, but not considering the earnings from Middle Earth or how these earnings would be subject to tax. A number of candidates mentioned the Statutory Residence Test and the availability of double tax treaties/foreign tax credits.

#### Question 8

The overwhelming majority of candidates struggled with this question. Whilst the 20% use of asset and deduction for amount made good was correctly identified by many candidates, the calculation of the additional expenses and apportionment was not correctly identified or included in almost all papers.

#### Question 9

The majority of candidates scored highly on this question. However, a significant number of candidates stated that accountancy services were exempt from VAT.

#### Question 10

The majority of candidates scored highly on this question. The NIC treatment of benefits/expenses did cause some candidates confusion, particularly with the classes of NIC which would potentially apply to the benefits/expenses. Some candidates also discussed the application of RTI to the benefits/expenses.

#### Question 11

The majority of candidates considered P11D filing penalties, although a variety of answers were given. Candidates did not, as a whole, consider the P11D(b) late filing position.

#### Question 12

This question was well attempted by many candidates, although a variety of answers were given regarding the date of de-registration.

#### Question 13

The majority of candidates scored highly on this question. However, it is worth noting that many candidates appeared to make hard work of what should have been a straightforward question and calculation. In addition, whilst candidates were not penalised for rounding differences, due to the variety of calculation methodologies used there were some significant differences.

#### Question 14

Only a very small number of candidates correctly identified that private fuel benefit applied, with the majority of candidates applying the tax/NIC rules for business mileage in a privately owned vehicle. A surprising number of candidates calculated the car benefit with reference to the lease cost, and many omitted the diesel surcharge.

### Part II

#### Question 1

Overall this question was answered well and posed no problems for the well prepared candidate. Most candidates demonstrated good subject knowledge. The most common error was to state that to claim SSP an employee had to have earned over £111 per week for the 8 weeks before taking the leave (i.e. to confuse the SSP and SMP earnings requirement).

Many candidates wasted exam time by giving far more detail regarding periods of incapacity for work and how SSP was calculated than could possibly be required to answer a four mark question.

#### Question 2

This question was answered extremely well and many candidates scored very highly.

Again poor exam technique cost several candidates a few marks. For example, having done the correct calculations for part (1) and part (2), many candidates failed to score full marks because they neglected to specifically state how much VAT was recoverable/repayable.

#### Question 3

The CIS parts of question were answered well by most candidates. As with Question 1 many candidates wasted time giving far too much detail for a five mark question. Also many candidates

stated that the due date for a CIS return was the 22<sup>nd</sup> of the month if the return is filed electronically, when in fact the due date for the return is the 19<sup>th</sup> of the month in all cases.

Part 3 of the question asked candidates to calculate the amount payable to a subcontractor. Many candidates who clearly knew the answer were let down by poor presentation/exam technique. In order to get full marks, candidates needed to identify how much the contractor was paid, however many simply calculated the tax deduction. In addition, all of the four elements of the question had to be mentioned; candidates cannot get full credit for simply ignoring the materials and plant hire.

Part 5 of this question was answered badly by nearly all candidates. Candidates simply did not know what a 'worker' is and instead outlined the tests to distinguish self-employment from employment.

#### Question 4

Most candidates demonstrated good knowledge of the key features of the EMI and SAYE schemes.

As with the law element of Q3, part 3 of the question was answered extremely poorly. Very few candidates understood the question.

#### Paper 4 Corporate Taxation

##### Part I

##### Overall

On the whole, there was a wide range of marks. The well prepared candidate will have passed the paper comfortably, but it was evident that candidates did not study all areas of the syllabus with some questions being answered poorly.

The general presentation of many candidates' papers was not good. Candidates should make every effort to present their work in a legible manner which is easy to follow.

##### Question 1

In general, a well answered question. Candidates dealt with the additions and disposals very well and scored heavily.

##### Question 2

A relatively straightforward question, but one that caused problems. It was evident that many candidates did not study this area in any depth. Candidates also failed to read part 1 of the question properly. Many candidates merely stated how monies were drawn from a company rather than the implications of operating as a personal service company.

##### Question 3

A generally well answered question with candidates scoring good marks. Attention should be paid to the question being asked though – the question specifically asked for conditions relating to

Entrepreneurs' Relief on the disposal of shares rather than general conditions for Entrepreneurs' Relief.

#### Question 4

A well answered question which posed few problems for the well prepared candidate.

#### Question 5

Again a generally well answered question, although few candidates could calculate the base cost of shares in the company – this was due to calculating the market value of the assets being transferred incorrectly.

#### Question 6

Most candidates could explain that an LLP was a corporate entity but then went on to say an LLP is subject to corporation tax. This showed a poor understanding of the subject area.

#### Question 7

A poorly answered question with few candidates scoring well. All aspects of the question proved problematic, which questions whether this area of the syllabus was studied in enough depth.

#### Question 8

Candidates seemed to enjoy this question and scored heavily. Those dropping marks did so for reasons such as not calculating actual penalties taking into account the information provided. On the whole though, it was answered well.

#### Question 9

Again a well answered question, with many candidates scoring good, if not, full marks.

#### Question 10

Answers varied greatly on what should have been an easy 2 marks. Many candidates could not give the accounting entries.

#### Question 11

Most candidates scored 1 or 2 marks and answered satisfactorily.

#### Question 12

An unpopular question. Few candidates scored full marks. Many candidates stated how the relief operated, which was not required.

## Part II

### Overall

This part of the paper challenged all candidates, but gave an equal opportunity across the questions to garner marks. There were some excellent answers, but some areas that merit re-examining.

### Question 1

Some quite disappointing results on this first question where often the issue was confusing income tax and corporation tax rules, especially with respect to redundancy payments and the treatment of distributions. Specific issues were:

- Conflating the treatment of Alex and Stephen in parts 1 to 3. Partial credit was given for the 25% charge and for deductions within the correct context.
- Many candidates identified the 25% tax charge and its repayment, but again did not distinguish between Alex and Stephen.
- The corporation tax treatment of a distribution was often confused with the income tax treatment for an individual.
- Candidates confused the income tax and corporation tax treatment of redundancy payments, often citing £30,000 as a restriction on corporation tax deductions.
- Statutory redundancy payments – many candidates talked about three times or four times the payment with regard to the deductible amount for corporation tax purposes. Partial credit was given where possible.
- Part 4 proved challenging for candidates and very few gained marks. A ½ mark was awarded for mentioning distributable reserves. Only a handful of candidates mentioned a permissible capital payment and/or a statement by directors and/or auditors.
- Accounting entries in part 5 - some candidates produced T-accounts, and credit was given if they were correct. The majority of candidates scored full marks here.

### Question 2

The diversity of topics in this question gave many candidates the opportunity to score well across the five parts.

- Part 1a – Treatment of goodwill. Many candidates talked generally about the treatment of goodwill from an accounting perspective, but then the better candidates moved that into the tax treatment of the gain. Good knowledge about the rollover relief opportunity was

demonstrated by almost all candidates. However, candidates who wrote a lot about the basic accounting treatment did not score highly, unless they linked it to the tax treatment.

- Part 1b - some answers were very good. Some candidates started their narrative by talking about “connected companies” rather than transfer pricing, but I gave credit for the gist of adjustment and also the use of market value on occasion as opposed to arm’s length. Only a minority of candidates identified the size of the company as an issue.
- Part 1c - most candidates scored at least half marks here. Any mention of the patent box, as long it was clear the income was taxable, was given equal credit.
- Part 1d – Many excellent answers here. Candidates were given credit for including the £48,000 service fee in their computation. However, if it was not set against the rental income, candidates lost out on the written explanation. Reasonable explanations of management expenses were credited and credit was also given for talking about CAs and the AIA.
- Part 2 - Lots of candidates raised the issue of whether the tax adviser should even be talking to this client, confidentiality etc. This was not a particularly pertinent issue given that the question was for only two marks and there was a huge transfer pricing issue flagged in the question, about which the client was in denial.

### Question 3

- Part 1 – the answers to this part varied. Many candidates were unsettled by the idea of costing from a corporation tax point of view. Very few understood how to deal with the leased car, but some credit was given for 85/15%. Marks were given for correct raw data, such as the Class 1A and Class 1 national insurance, even if their tax effect was not dealt with correctly.
- Some candidates raised the £2,000 employers’ Class 1 NI allowance. It is likely that this had already been used, but full credit was given for their numbers, either way.
- Part 2 – Excellent answers from many candidates identifying the associated company issue, group issues and, from the majority, a good explanation of the substantial shareholding exemption.

### Question 4

- Part 1 – Very well answered. Some candidates didn’t follow through correctly with respect to their balancing charge/allowance in the CA calculation, so lost ½. However, follow through marks were given for any balancing adjustments, if correctly applied.

- Part 2 – A big loss relief question with capital gains. Candidates who set out their answers in columns/proforma tended to score well. Credit was given for candidates who chose to deal with each computation separately, but this approach tended to lead to more errors with regard to the use of losses. Most candidates used the £300 property loss against a variety of types of income, rather than against total income, in priority to the terminal loss relief.
- Whilst it is understandable, many candidates offset the terminal loss against trading profits, confusing income tax and corporation tax. Partial credit was given.
- Very good gains calculations arriving at £143,566 on Coriander House. Rollover relief was often identified, but the inclusion of the mortgage meant that many candidates incorrectly identified £50,000 as the proceeds not re-invested. Those candidates still gained points for rollover relief, based on their figures.
- The gain on the sale of the Cumin Ltd shares was less good, but many candidates arrived at £22,919 for full marks. Most errors involved the calculation of indexation, not just rounding, but how the indexation for the pool should be calculated in stages.
- I was surprised when I saw the next issue the first time, but it recurred in quick succession in a batch of scripts. A handful of candidates presented the loss relief answer in a grid/proforma, as we would expect, but with no narrative next to their numbers. Essentially this was a grid of numbers with no identifying captions. Very few marks were awarded for this approach.
- Part 3 – Most candidates scored 1 mark for comments about cessation.

## Paper 5 Inheritance Tax, Trusts & Estates

### Part I

- Q1 Generally well answered.
- Q2 Poorly answered by many candidates who did not treat Annual Exemptions correctly.
- Q3 Fairly well answered, although many candidates did not identify that property had been added to the trust so different rates applied.
- Q4 Well answered, although some candidates failed to use the trust value at the previous 10 year anniversary as the basis for their calculations.
- Q5 Well answered on the whole, but the majority of candidates who did not set out all their workings failed to calculate the tax correctly and so missed out on method marks. Candidates should be encouraged to set out workings in full.
- Q6 Generally well answered.
- Q7 Fairly well answered, although many candidates failed to treat the loans correctly.
- Q8 Generally well answered.
- Q9 Very varied answers, some very poor while some were excellent.
- Q10 Fairly well answered, but often candidates applied the incorrect rate of Inheritance Tax.
- Q11 Generally very well answered.
- Q12 Poorly answered on the whole; candidates should ensure they apply their knowledge to the specific content of the question.

### Part II

#### Question 1

Parts 1 and 2 were generally well answered. Some easy marks were missed on part 2 by candidates failing to go into detail to justify full marks. The settlor-interested trust parts were generally poorly answered. In part 6 many candidates were confused between a fixed fee arrangement and a fee retainer arrangement.

#### Question 2

This question was generally well answered, with candidates performing strongly on the computational parts. Some candidates failed to identify allowable costs in part 2.

#### Question 3

Parts 1 and 2 were generally well answered. In part 3 some candidates failed to explain why the trustees could claim entrepreneurs' relief and others were confused about the allocation of the

annual exemption. In part 4 most candidates could recognise the main differences between settlements created pre and post 22 March 2006. In part 5 many candidates failed to explain the term remainderman. The majority of candidates had a good understanding of the statutory powers in the Trustee Act regarding the appointment of new trustees for part 6.

## Paper 6 VAT

### Part I

There were a couple of papers which did stand out, but only 3 out of the 46 candidates managed marks in excess of 30, and only 2/3 obtained more than 50% of the marks.

Q1 - Fairly well done, but very few candidates picked up on the need to declare VAT on assets on the final VAT return.

Q2 - Mixed results with this question - lots of confusion with zero rated/exempt/outside the scope. Most candidates got half marks at least.

Q3 - In order to get full marks, candidates needed to clearly indicate that no VAT was recoverable on the car.

Q4 - Really badly done - very few candidates got the point of the question and instead launched into the penalty system and disclosure etc (as per Q6) which gained zero marks. The couple of candidates who did pick up on the loss to HMRC point only managed a mark or two at best.

Q5 - Most candidates' first response to the "watch" part of the question was the input VAT being irrecoverable, with output VAT charge and input VAT recovery a second thought for a handful of candidates.

Q6 - Fairly well done, but quite a lot missed marks for how to get a reduction in penalty.

Q7 - A well done question, but most missed out on full marks by not explaining that customers are still charged 20% VAT and that the fixed rate is calculated on gross turnover. Lots of candidates added VAT to the already gross turnover figure and many missed the 1% reduction for the first year of VAT registration.

Q8 - Most got the 90% recovery marks. All but one candidate mentioned the old Lennartz approach.

Q9 - Very well done - easy marks - most candidates got 3 marks!

Q10 - The computational part of the question was done very well, but some candidates who recognised that the Capital Goods Scheme applied divided by 10 at the initial recovery stage, which lost 1/2 mark. Many candidates failed to pick up on the CCS points altogether.

Q11 - Many candidates mentioned transport being zero rated and interest being exempt so omitted them from the computation of import VAT.

Q12 - Really well done question.

Q13 - Mixed results - most excluded interest from being vatable, but treated debt recovery as subject to VAT.

## Part II

Question 1: Most candidates succeeded in stating four conditions for TOGC treatment. About half the candidates stated the VAT treatment of selling shares and assets correctly, but few picked up additional marks for discussing VAT recovery. Most candidates did poorly in explaining how to deal with a potential conflict of interest, although most identified that caution was needed when acting for businesses on two sides of the same transaction.

Question 2: Answered well by only a small number of candidates. Few candidates answered well on VAT recovery or recognised that services received from outside the UK are still subject to VAT. Most candidates showed they are aware how errors should be dealt with and of the difference between avoidance and evasion.

Question 3: Answered very well by several candidates and reasonably well by most candidates. Most candidates were able to identify the VAT liabilities of the various services and lettings/sales. Many candidates failed to pick up straightforward marks for a full explanation of the option to tax.

Question 4: Answered well by most candidates, with several achieving top marks. Candidates received full marks if referring to services supplied to business customers in other EU member states as being zero-rated, though it is disappointing that few candidates identified them accurately as being outside the scope of UK VAT.