ATT Examiners' Reports November 2021

Paper 1

Part I

Question 1

Most candidates correctly calculated that Paula had an allowable deduction from her employment income, and both Kevin and Georgia had taxable benefits.

However, a few made a comment about the passenger allowance not being applicable as the employer paid nothing to Paula for carrying Peter. Some used the incorrect ITEPA rates for motorcycles and for bicycles.

Question 2

The majority of candidates identified the three situations where living accommodation is deemed to be job-related, but fewer adequately related the facts to the scenario given to conclude whether or not Jessica's accommodation was likely to be deemed to be job-related.

Question 3

Surprisingly knowledge of the treatment of a gift of an asset after having had the use of the asset was not demonstrated well by a large proportion.

Of those who did know the rules, many calculated the wrong number of months for the use of the asset in 2018/19 and 2020/21, and/or used the original cost of the furniture rather than the market value when made available to the employee, and some thought there would have been an assessment in 2017/18.

The gift of the asset was confused in some cases, as the rules were explained correctly but then applied to the scenario incorrectly. Some picked the 'lower of' rather than the 'higher of'.

Question 4

Explanations of how pension relief is given was answered well by the majority.

However, answers were often verbose and resembled the regurgitation of a textbook without amendment and with little thought of the scenario.

Answers could have been paraphrased much more succinctly, and time could have been saved if answers had not included irrelevant content which did not answer the specific question set.

Question 5

Knowledge of the NIC treatment was mixed.

There were many perfect answers, and most candidates knew that Class 1A applies to the private medical insurance and that the mobile phone contract was exempt from NICs.

However, a large proportion did not know the NIC implications for the mileage allowance in excess of 45p and the Christmas party that cost in excess of £150 per head.

Question 6

Candidate's knowledge of the rules for non-wasting chattels was disappointing and a significant number confused the rules for a marginal loss and marginal profit situation.

The first disposal was a marginal loss situation and involved restricting the gross sale proceeds to £6,000. However, a considerable number of candidates did not restrict the sale proceeds at all and used £660. Some restricted the cost to £6,000 instead, or restricted the net sale proceeds to £6,000 and did not then deduct the selling expenses. Some just said the disposal of the painting was exempt.

The second disposal was a marginal gain situation and many candidates either completely forgot the 5/3rds rule or applied it incorrectly, and a considerable number thought the chargeable gain was the 'higher of' (not 'lower of'). Some incorrectly used the cost of the wardrobe to the uncle rather than the probate value as Irina inherited the asset from her uncle.

Question 7

A more challenging question on gift relief was either answered extremely well, or quite poorly.

Only a few mentioned that gift relief was available because it was a sale at undervaluation (rather than an outright gift), and many deferred all of the gain as if it were an outright gift of a qualifying asset.

Some correctly calculated the difference between the actual proceeds and the original cost, but then said this was the amount of gift relief rather than being the chargeable gain arising at the time of the sale at undervaluation.

A significant number talked about the shares being 'personal trading company shares' (which they are not) and the significance of 5%, saying Ben had a shareholding of > 5% when the question clearly says he has 4%. The key point is that, to qualify for gift relief, there is no minimum holding of unquoted trading company shares and no requirement for the individual to work for the company.

Question 8

Many perfect answers received for this question.

The most common errors came from the fact that some tried to shortcut the calculations and did so incorrectly, and/or suggested the shares were disposed of on a FIFO basis rather than at their average cost.

Question 9

The requirement was to give the three fundamental principles of professional ethics that were most threatened by the behaviour of a client.

There were many very good answers to this question, but as question 4, many answers were too verbose and 'textbook speak' without amendment and with little application to the specific scenario given.

Quite a few wrote at length about professional ethics in general but did not mention any of the specific fundamental principles in the Professional Code of Ethics,

Question 10

Many perfect answers were received to this question, however where a candidate fell down was with the treatment of the interest in possession trust income.

A significant number of candidates wasted time and 'hedged their bets' by explaining what happened IF the income was interest income and what happened IF the income was dividends. However the question clearly stated that the income source was dividend income.

Quite a few failed to give the tax credit arising on each source of income.

Question 11

This was a more challenging question on the new payment on account rules for disposals of residential property. Very few got full marks on this question.

Most knew the date of payment was 30 days after the completion date (rather than the exchange date).

However, many different variations on a theme of calculations were received. A significant number just calculated the capital gains tax liability for the whole year on both the residential property and the shares in the quoted company and stated that the residential portion would be paid on the due date.

Clearly this cannot be the case as the loss on the painting would not have been realised until after the payment on account had been made. Some incorrectly used 18% as the appropriate rate of tax despite the question stating that Darren is a higher rate taxpayer.

Question 12

Surprisingly the answers to this question were not good on the whole.

The question just wanted to know what the options were for loss relief, not everything the candidate knew about EIS income tax and capital gains tax relief. Accordingly, many candidates wasted a lot of time writing significant amounts of content that earned no marks at all as it was not relevant to the question asked.

On the subject of loss relief, many referred to ‘the current year’ and ‘the preceding year’ but did not apply to the question and state which tax years they were actually referring to.

Very few correctly stated the due date for claiming loss relief against net income.

Part II

Question 13

Part 1

Generally this question was well answered by a lot of candidates, as anticipated for a fairly straightforward computational question.

The very best candidates scored the marks on some of the more detailed aspects, such as outlining why the cash basis was the default position. Even where the odd half mark was missed, a lot of candidates scored very well by getting significant follow through marks. It is always crucial that candidates show all of their workings in a calculation question.

Candidates are reminded that vague comments like “allowable” are not sufficient to gather marks. A short explanation is required explaining the treatment of items. This was particularly prevalent when explaining the treatment of some of the rental expenses. Weaker candidates often did not make any attempt to explain why they had allowed, or disallowed, certain items.

Weaker candidates missed out on easy marks by not reading the question fully – or forgetting to answer – and did not give a due date for the payment of tax, despite it being clearly requested in the question.

Part 2

In the main this was either answered well, with candidates getting all, or at least the majority, of the marks. If a candidate referred to the Law manual and knew where to look up the relevant part, it was a straightforward question. It was obvious where candidates were guessing at the answer.

Question 14

The answers to this question varied significantly. A surprising number of candidates made no effort to answer it at all, as clearly they were not prepared to answer a CGT question on this topic. Those that did attempt it typically did very well, scoring the majority of the marks, or had little idea how to treat each disposal and ended up with low marks.

The main mistakes with Abetch Ltd was not reducing the capital loss by the Income Tax relief that was not withdrawn, or limiting it to the Income Tax not withdrawn.

Babot Ltd provoked the most mixed answers. The best candidates identified that the gain on the shares themselves were exempt due to them being owned over 3 years and therefore saw that the deferred gain was the only capital gain taxable. Perhaps unsurprisingly, the less well-prepared candidates could not work out the amount of the gain that would have been originally deferred, thinking it would have been £135,000, thereby missing out on that half mark.

Most candidates identified the main issues with Clayside Ltd and that for this disposal the Income Tax relief was clawed back. The very best candidates identified that an assessment would be raised in the tax year in which relief was originally given.

It was a shame some candidates did not identify that the first £37,500 would be subject to CGT at 10% and taxed the net gains at 20%.

Question 15

Surprisingly well answered by many candidates. The most consistent errors tended to revolve around counting the number of years left on the Muon Terrace property incorrectly. The hardest part of this question was in relation to 26 Higgs Avenue but, again, a good number of candidates did well on this.

Question 16

Part 1

Generally reasonably well answered with candidates able to explain the fundamental difference between the two bases of taxation.

Part 2

Almost universally poorly answered largely because only a small minority of candidates had a working understanding of when Overseas Workdays Relief is available, and its consequences, and were able to apply that knowledge to Romeo's and Juliet's circumstances. While most recognised that Romeo had made a remittance by buying the artwork in the UK, only a handful of candidates mentioned that Romeo is a relevant person by reference to Juliet so that the resulting tax liability would be hers. Almost all candidates mentioned the loss of Personal Allowance and Annual Exempt Amount.

Candidates are getting better at securing the mark available for setting out the answer in the correct format.

Paper 2

Part I

Question 1

Most candidates identified the correct filing date, but fewer mentioned that payments on account may have been required. The late filing penalty was identified but late payment penalties were often omitted.

Question 2

Candidates often failed to make it clear that there were two options for claiming tax relief. A significant number of candidates concentrated their answer on capital allowances while omitting to mention any other motoring expenses or the possibility of flat rate expenses. Having said that, many candidates scored well.

Question 3

Most candidates provided the narrative for how to identify the year of change, although a minority merely stated the year of change, ignoring the need for an explanation. Few candidates were able to identify the basis period.

Question 4

Generally well-answered although some candidates were unsure which costs to include. Many candidates failed to realise that SBAs were not available until the building was brought into use.

Question 5

A large number of candidates treated taxable total profits as tax payable, although most identified the payment dates correctly.

Question 6

This was generally well-answered although many candidates failed to realise that an interest charge might attach to the late paid tax.

Question 7

It was disappointing to see how few candidates were able to perform a basic tax computation. Often candidates calculated trading profits rather than total taxable profits.

Question 8

Answers were generally good.

Question 9

This question was poorly answered, mainly because candidates did not recognise that both scenarios represented disposals of assets.

Question 10

Candidates fell into two camps: the first who scored well and the second who either avoided the question or demonstrated that they could not perform a basic capital gains tax computation.

Question 11

Some candidates assumed a sole trader was not a business. Those who recognised it as a business often answered well.

Question 12

Most candidates identified and explained the rules around compulsory deregistration, but answers were not so good regarding voluntary deregistration.

Question 13

Most candidates scored well although many failed to carry forward the loss from 2019/20.

Part II

General comments

Overall the standard of answers was good. However candidates do need to read the questions carefully and apply their knowledge to the situation, rather than recite information. They also need to ensure that they are dealing with a company or a sole trader/partnership.

Question 14

Part 1

In general this part of the question was well answered. The hire purchase car was frequently mistaken for a lease and a 15% disallowance made, although a mark was given if there was a personal use restriction. The pre-trading expenses were quite often added back rather than deducted. Some credit was given if comments were made on the allowability or otherwise of the cost.

Part 2

Basis periods were generally correctly identified, although some candidates attempted to hedge their bets by stating that 12 months were assessable in 2020/21 without specifying which period. Some candidates failed to pick up the treatment of losses included twice.

The second part of this requirement was where candidates needed to read the requirement which asked for the earliest year, rather than a detailed explanation of loss reliefs available.

Question 15

Part 1

The accounting periods to April 2020 and June 2020 were generally identified, however some candidates missed the accounting period to April 2021, which would have included the factory sale.

Part 2

The adjusted loss calculation was generally well done: a consistent error was the disallowance of the gold club subscription. Credit was given where candidates gave a reasonable consideration to the stock write down. Credit was not given when candidates disallowed charitable donations if these were then deducted from the loss.

Part 3

The chargeable gain calculation was generally well done, with many candidates getting full marks.

Part 4

Terminal relief was usually correctly identified. Candidates need to make sure that they considered the situation to ensure that they are considering loss relief available to a company rather than an individual.

Question 16

Part 1

Most candidates were aware of the rules concerning partnership disposals with good marks scored. Some candidates did get confused with the notional gain on Neil, considering whether gift relief would apply.

Part 2

Candidates lost marks in this part by failing to consider all gains. Instead, they focussed only on the sale of Bridge House and not considering her partnership share, the shares or Treasury House. Bridge House was correctly identified as a qualifying disposal for business asset disposal relief. A number considered that Treasury House did not qualify for business asset disposal relief, considering it the just the disposal of an asset.

Question 17

Part 1

For quite a number of candidates, the only marks they got on this part were on the letter format. Where candidates had knowledge of accounting the journals were correctly set out.

Part 2

Legal questions are usually poorly answered. Where candidates attempted this, then they treated it as an ethics question and set out the principles for an ATT adviser. Credit was given where this included a reference to an acceptable level of care and skill.

Part 3

Where this part was answered, the candidates quite often achieved full marks, with a full list of the procedures required.

Paper 3

Part I

General comments

Performance on SFQs was good, although there was possibly an over-reliance on the open book, with too much time spent typing out irrelevant narrative. This largely did not impact performance on the SFQs, although had a knock-on effect on the LFQs with parts omitted, possibly through lack of time.

Question 1

Answers to this question varied. A significant number knew that the stamp collection should not be included in taxable turnover, but others seemed very confused and clearly did not understand the rules. Surprisingly there were also errors made in relation to registration and filing deadlines with some candidates wasting time explaining the conditions for the historic and future tests.

Question 2

This was generally well done. The poorer answers did not remove the capital item from the recoverable percentage calculation and often did not round up, which is one of the basic rules.

Question 3

Candidates were not well prepared for this question. A significant number just copied the statutory residence tests from the open book and showed no knowledge whatsoever of the short-term business visitor conditions, nor the implications of being treated as one. Where candidates did recognise that short term business visitor conditions were in point, they tended to score full marks.

Question 4

As is always the case with basis periods, candidates either fully understood the rules and obtained full marks or made common errors such as in the second tax year, assessing the incorrect amount. There were some odd calculations which displayed a lack of understanding on the topic.

Question 5

This question was really well answered with the majority of candidates scoring full marks. Reverse charge is a topic they are very familiar and comfortable with.

Question 6

Some candidates wasted time in this question by copying out the conditions for gross payment status from the open book instead of answering the question set. Some candidates went into lots of detail on employment status also. This was a very straightforward question and candidates had the opportunity to pick up full marks easily.

Question 7

Good answers concerning tax-free childcare as expected given the information was readily available in the open book. Candidates occasionally failed to address both aspects of the requirement and/or wasted time with other irrelevant narrative.

Question 8

Candidates seemed prepared for this partnership profit question, producing many good answers. Some failed to answer the requirement fully and did not apply the basis period rules to calculate the profits for the tax year itself. Others jumped straight in with this, pro-rating before apportioning profits. They could still score full marks if their calculations were correct but they risked errors – particularly many did not apply the fraction 9/12 consistently to salary and interest calculations.

Question 9

Although some candidates merely listed all penalties and percentages, many candidates did apply their knowledge to the facts of the scenario. However, many incorrectly thought merely not disclosing the amount to HMRC was sufficient to ‘conceal’ the error. A minority of candidates correctly identified that a disclosure made during an HMRC review is classed as prompted. Due credit was given for the ‘correct’ percentages for the candidates’ own conclusions. The question was occasionally omitted.

Question 10

It was pleasing that candidates did take note of the instructions in the requirement and identified the different elements of the payment. There were some impressive answers. Most scored well enough with the main error being failure to separate out an amount for the PENP. Too many candidates wasted time discussing national insurance contributions when this was not required.

It would have assisted marking if candidates had used the ‘ruler’ functionality as many sensibly showed their answers in columns, but which then became distorted without the use of this function. Although care was taken to unravel such answers in the marking process, this approach risks loss of marks if the marker cannot determine to which column an amount has been added.

Question 11

Marks were not as good as expected - there were some convoluted answers to this short question concerning gifts to charity. Some candidates typed out large sections of the open book not relevant to the question, for example, about payroll giving when no such gift was made. Doing this may feel productive, but spending a moment reading the scenario, and then concentrating the answer on the specific elements involved is the only way to score well, and to avoid wasting time. Some answers did not make it clear which gift was being discussed.

Question 12

There were many perfect answers. However, a lack of application skills was exposed here. While many candidates stated the correct rule for the amount chargeable, not all could pick the correct figures from the list given to use in their calculation. A few candidates even suggested that the relevant information was not provided. The provision of four numbers for a calculation involving three was a problem for some. This highlights a lack of genuine understanding of the rule.

However, it was pleasing that most candidates did follow the instructions and showed their full workings.

Question 13

There were good answers to this question distinguishing national insurance contributions for a partner and an employee.

Part II

General comments

Lack of application was more pronounced in the LFQs where candidates did not perform as well as expected on the later questions. The newer topics in the syllabus were not always identified by candidates. Too many parts were omitted, perhaps through time pressure with candidates having spent too long writing too much for the SFQs.

Question 14

Some parts of this question were really well answered whilst other parts were poor.

Part 1

Many candidates scored full marks on this part of the question by wither producing the journal entries needed or the T account. The answers scoring lower marks did not focus on the Vat account and instead recreated sales ledgers and purchase ledgers, often including incorrect figures and failing to include the b/f and c/f VAT position.

Part 2

This part was done exceptionally well with a high number of candidates achieving full marks. Again, this is a familiar topic and candidates are knowledgeable on the basic rules and the override provisions.

Part 3

Answers to this part were very poor overall. Candidates were not well prepared for this question and had clearly not focussed on multiple supplies for VAT in their exam preparation. The most common answer was that the correct VAT figure was £770 being 20% of the standard rated input value. There are worked examples of multiple supplies in the manual so it was surprising how inaccurate answers were. A small number of candidates had revised this topic and obtained full marks as a result, producing very accurate answers.

Part 4

Answers on this part of this question either scored well or were very brief with very little application. As observed generally, there is a tendency for candidates to copy lots of irrelevant information from the open book which shows a lack of application and skill by not focussing on the question.

Question 15

This question produced a mix of answers. Candidates sometimes mixed up the income tax and corporation tax rules which displayed an inability to distinguish between the different taxes.

Candidates scored poorly where their over reliance on the open book produced answers which just restated the thresholds for parts 3 and 4.

Part 1

Answers to this part polarised between being perfect and therefore full marks were awarded or being very confused. The number of candidates who thought that basis periods applied to companies and treated this as a sole trader question was disappointing. There were also a number of candidates who did not realise that an accounting period for corporation tax purposes cannot be more than 12 months long. The candidates who understood the rules offered very detailed explanations on what activities are classed as being “active” for corporation tax purposes and showed excellent knowledge.

Part 2

Where candidates had done well in part 1 of this question, they also then did well in part 2. The follow through of confusion from part 1 with basis periods was also seen here – with candidates stating the due dates of payment under self assessment and the tax years for personal tax.

Part 3

Answers to this part were mixed. Some candidates did not take into account Harry's earnings in December and concluded that no deductions were due. This was also an area where the approach was just to copy the thresholds from the tax tables without actually looking at the scenario set and performing the calculations needed. Again, some candidates failed to get to grips with the basics and did not round down. The candidates who did actually use the information in the question scored very well.

Part 4

The poorer answers again just copied out the rules, the answers scoring full marks had correctly calculated Mia's entitlement.

Question 16

Overall answers were disappointing, particularly for the written elements. The scenario, involving a loan and other benefits to a director who was also a shareholder, should not have been a surprise, given recent changes to the syllabus.

Part 1

This part concerning a PSA was usually well-answered, although some candidates attempted their own grossing up of the benefit figure for income tax despite the relevant amount being given in the question. This indicated they did not understand the reasoning behind the calculations. Many candidates identified the consequences and correctly applied the penalty to the degree of lateness in this scenario (rather than listing all possible penalties).

Credit was given if the candidate gave a letter format, which not all did. Too many candidates spent far too long explaining their calculation (not asked for), sometimes twice, in the body of the letter and in an appendix.

Part 2

Candidates usually scored well enough for this benefits calculation, but there were rarely perfect answers. Many candidates omitted the furniture benefit, thinking this was only charged in the first year of provision, or that it was not taxable as the employer did not own the property. Some confused the loan benefit with the company's s.455 charge (which was to come in part 3). Some excluded the loan benefit calculation here and instead (or in addition) wrote about it at length for part 3 – presumably to have something to say.

Part 3

There were some good answers, but occasionally candidates did not realise that the main issue concerned the tax charge when a loan is made to a participator of a close company. The question stated the company was close, and so this should have immediately prompted candidates to think of the relevance of this. Candidates should be aware that one transaction may involve more than one tax, as this loan did here.

Those who did identify the issue, usually gave decent answers, identifying some of the key elements to the charge.

Part 4

This law element was one of the most frequently omitted parts. Again candidates seemed to fail to identify the issue, here being that a loan was being made to a director. Those who identified the issue, usually gained a few marks but few candidates seemed familiar with this issue from the Law Manual.

Question 17

Many parts were omitted in this final question of the exam, and there were signs of rushing. There were some decent attempts, but some candidates were clearly not aware of the issues being tested.

Part 1

Some candidates made a decent attempt at linking the facts of the question to the conditions for a CSOP, although few considered all relevant conditions. Some claimed conditions were met that were not ascertainable 'from the information available' and/or wrote down a list of conditions from the study manual without applying to the given scenario. Such answers could not score highly.

In part b) of the question many stated that the scheme must be registered with HMRC. In fact, it had been, and identifying this would have gained credit in part a). Although many candidates recognised that an annual return was required in respect of the scheme, few stated what this should report in this case. Many candidates recorded all possible penalties that would apply for this return being late, but again did not apply these to the current position for this company.

Part 2

This ethics element was too frequently omitted, with time pressure probably affecting candidates by this stage. The information was all in the Ethics Manual but candidates did have to select the appropriate fee bases for this client. Of those who answered, too many gave all possibly bases, including inappropriate ones. While they were not specifically penalised for giving these, they penalised themselves as generally gave too little explanation for the correct bases, in an attempt to cover everything.

Part 3

This calculation of deemed employment income should have provided some easy marks with one or two more challenging elements (concerning a benefit, and only 11 months of salary). Most candidates who attempted this scored well enough, but too many had given up or run out of time by this point.

Paper 4

Part I

General comments

Generally candidates did well on this paper. Many achieved full marks on a significant number of the questions and had clear well-presented answers.

Question 1

In the main this question was well answered. Marks were lost on this question for not identifying that the air conditioning system would be eligible for capital allowances in the special rate pool and therefore should be allocated all of the £300,000 AIA. Some candidates didn't read the question well enough and used a figure of £700,000 for the AIA, the question clearly states that £300,000 is allocated to Nesbit Ltd so ½ a mark was lost here, however follow through marks were given.

Question 2

This question was also answered well in general. Candidates used numbers in many cases to explain the effect on the balance sheet of the bonus issue and this was perfectly acceptable and full marks were awarded for this part if the figures were correct. With the accounting entries, ½ a mark was available for getting the correct figure and ½ each for the accounts that needed adjusting therefore a miss calculation only lost ½ a mark.

Question 3

Most candidates did well on this question. Some candidates were not specific enough as to what the NIC was calculated on ie the cash equivalent of the benefit of the car and the cost of the gym membership and therefore lost a half mark. Despite the question saying fuel was reimbursed at HMRC rates, candidates still explained how anything over these rates was liable to NIC which the question didn't ask for.

Question 4

This question was answered less well. As long as candidates mentioned something about UK VAT and registration/liability or where the company was liable to VAT, then no marks were lost in the first part of the question. Candidates that stated the rules for goods arriving or leaving the UK in the first part of the question rather than in the second part still received the marks allocated. Some candidates stated the rules for the supply of services but there were no marks available for this as the question was only asking about goods. Where the rules were not applied to Bumble Ltd's situation, marks were lost.

Question 5

This question was answered well by many candidates. A number of candidates missed the chattels point entirely, however they still received the marks available for calculating the gain in the normal way. Candidates needed to make it clear the gain was restricted to the 5/3 calculation to get that ½ mark, those that calculated both but didn't make it clear the lower gain was used or the gain was restricted lost ½ a mark. Some candidates didn't calculate the gain at all and just used the 5/3 calculation and marks were lost for not comparing this to the gain. Some candidates deducted the auction costs from both gain calculations which was incorrect but they still received the mark available in the calculation of the gain on the painting and no marks were lost for deducting them from both calculations.

Question 6

Most candidates scored well on this question. Many of the candidates listed the rules for groups but the question wanted these rules applied to the scenario therefore marks were only awarded if that was done. Most candidates did move on to apply them but some didn't. Many of the candidates said that Romello GmbH wasn't part of either group as not UK resident however very few mentioned that it would be if it had losses that related to a UK permanent establishment or had an asset that related to a UK trade. Unless that part was mentioned they only got one of the ½ marks available.

Question 7

Candidates did really well on this question. Easy marks were lost by not calculating the tax payable. There were some indexation errors where this was not rounded to 3 decimal places or it was calculated on the incorrect cost figure, but only ½ a mark was lost in that case.

Question 8

Mostly this question was answered well. Some candidates did forget to explain the 'lower of' test and just said the tax was calculated on the amount outstanding nine months and one day after the end of the accounting period, but this wasn't sufficient to gain both ½ marks as the loan could be higher by that point. Where candidates said the s455 tax would be repaid on 1 October 2022 rather than reducing the tax due on that date they were still awarded the ½ mark.

Question 9

Some candidates were caught out with the short accounting period and failed to reduce the limits accordingly, therefore ½ a mark was lost for this. Where errors were made with the payment dates, a follow through mark was obtained if the final payment date was correct but otherwise this was lost. Some candidates incorrectly identified the company as very large and therefore received no marks for the first part of the question but did get follow through marks for the correct instalment dates as long as they stated that they concluded the company was very large. Some candidates didn't specifically state the company was large but treated it as such and where it was clear that was why then they didn't lose a mark.

Question 10

Some candidates didn't mention the effective rate of corporation tax on the IP profits was 10% although they did mention it was a lower rate so ½ a mark was lost. The odd candidate wasn't clear that the calculation of the relief was deducted from the calculation of trade profits. Where candidates showed the calculation using the actual corporation tax rates rather than describing them they still received the marks. Some candidates clearly copied all of the rules including how to calculate the IP profits which wasn't necessary, and no marks were awarded for the unnecessary information. Overall this question was well answered.

Question 11

Candidates also did well on this question. ½ a mark was lost if the trading profits were adjusted for the items listed as that wasn't necessary, but only a few candidates did this. ½ a mark was lost for not indicating that the interest was a NTLRD or deducting it after the income.

Question 12

This question has been answered less well. Candidates seem to have copied the answer from the manuals in many instances and the explanations aren't clear enough. Lots of candidates have said something along the lines of "Total Taxable Profits are found by adding together income and gains and deducting management expenses before any other deductions and reliefs" which only gave them ½ a mark as there wasn't enough information about what management expenses are and no mention of expenses that were specific to a particular source of income.

Part II

General comments

Generally, this part did not seem to pose a time problem to candidates and most found a good range of topics within their knowledge. However a little more “exam technique” would have helped the weaker candidates – eg answering the question actually set ; gaining the presentation mark.

Question 13

Part 1

It was disappointing that a straightforward Corporation Tax calculation proved difficult for a lot of candidates.

Typical errors were:

- Not rounding the indexation allowance to 3 dp
- Offsetting overseas tax against profits (not against tax)
- Not grossing up overseas income
- Confusing the treatment of R&D revenue expenditure and R&D capital expenditure

Part 2

Ethics - For the candidates who saw that this was the tax planning standard, it was answered well Unfortunately a lot of candidates answered this with reference to the five fundamentals of PCRT only.

Part 3

The vast majority of candidates failed to realise that the shareholders were not the client – the company was the client.

Question 14

Part 1

The question was clear that Ahmed was an additional rate taxpayer and had already used his CGT allowance – marks were lost for tax incorrectly calculated as they had ignored these.

Part 2

All candidates knew the conditions for SSE. Well done.

Part 3

VAT is part of the paper 4 syllabus but the VAT question is always answered badly. Candidates should understand the difference between input and output VAT. It is not acceptable at this level to use “no VAT” to mean either zero rated or exempt.

Part 4

Generally answered well

Question 15

Part 1

This was not a difficult loss relief question - however candidates seemed to struggle with the allocation of the deductions allowance and assessing the maximum loss relief that could be obtained.

Part 2

Answered well

Part 3

Answered well – although points were there for a description of the business asset ; and that a joint election is necessary, both of which were often missed.

Question 16

There is always 1 mark available in the LFQs for presentation. This will be in the question requiring " ..an email.." or "….a report". Candidates who do not do this are wasting the easiest mark in the paper.

Part 1

This question clearly asked for the factors taken into consideration re residence. Nothing else. It did not ask for a note on how an overseas company is taxed and if it is better to have a branch. Unfortunately, this is how the vast majority of candidates answered the question.

Part 2

Answered well – transfer pricing as a concept is clear to candidates.

Part 3

Answered well – most candidates identified the extension to the deadline and that HMRC was within this.

Paper 5

Part I

General comments

On the whole the candidates showed a good understanding of the basic points but should ensure they apply their knowledge to the question scenario fully.

Question 1

Well answered on the whole; some candidates did not identify payments on account would be due.

Question 2

Most candidate were able to identify the correct treatment for Giovanni however many also treated Craig as UK domiciled too.

Question 3

Very well answered by most.

Question 4

Although most candidates identified a couple of conditions for Investors' Relief had been met, many did not answer in enough detail in order to attain the full marks available.

Question 5

Quite a variety of answers with many candidates not attempting to calculate the accrued income. However most who answered attained the marks available for calculating the June payment and taxing at the correct rate.

Question 6

Very well answered on the whole.

Question 7

Extremely well answered on the whole. Quite a few candidates calculated the quarters from the creation of the trust rather than from the date Cath turned 18, however this only lost them half a mark. Some candidates incorrectly recalculated the initial value, or grossed up the tax payable on exit which lost marks.

Question 8

Poorly answered. Candidates did not differentiate between the income due to Ivy and the distributions made to Willow, and no candidates identified the dividend tax rate applied to Willow's R185.

Question 9

Fairly well answered. Some candidates calculated the interest based on 21 months, or did not pro-rate it at all. Most identified the interest is taxed on a receipts basis.

Question 10

Well answered. Candidates did not pick up on the single grossing required for the IHT, however they were able to attain most of the marks available without this point. Some candidates did try to deduct annual exemptions.

Question 11

Very varied answers. Most candidates identified the estate would be distributed in accordance with the laws of Intestacy, however a fair number concluded the estate would be directed to Paul.

Question 12

Well answered on the whole, although quite a few candidates stated that the full value of the property should be included in Lyssa's estate when held as tenants in common with Mark.

Part II

General comments

Generally candidates understand the basic concepts, but often failed to give any answers to written parts where marks could have been easily picked up.

Question 13

Part 1

The IHT on the CLT was answered well, but very few candidates picked up on the availability of the spouse nil rate band when the transfer came back into charge on the death estate. The calculation of the death estate was generally done well.

Part 2

No candidate picked up on the separate components of the estate. Most candidates were not clear on how the baseline amount was calculated.

Part 3

Generally answered well.

Question 14

This question was answered well by most candidates, especially the computation aspects.

Question 15

Part 1

Well answered on the whole, although most answers needed more specifics to gain the full marks.

Part 2

Poorly answered. Most candidates discussed the self-assessment tax regime despite the question specifically stating not to.

Part 3

Most candidates focused on the practical role of the accountant, rather than general duties.

Part 4

Well answered.

Question 16

Individual elements of this question were dealt with well, for example the loan secured on the farmhouse and the availability of nil rate bands. Candidates tended to lose marks as they failed to appreciate the process of the PET coming back into charge on death.

Paper 6

Part I

General comments

Really well attempted paper overall with very few instances of non-attempted questions or parts of questions.

Question 1

The question was answered well with most candidates properly explaining the reasoning for cash accounting being available in the context of the question.

Question 2

A large number of candidates attempting this question scored full marks.

Question 3

Surprisingly well done given the types of items listed with main confusion being exemption applying to smoking cessation products.

Question 4

The narrative element of the question was really well tackled, so it is beneficial to split this sort of question into two parts to tease that out. On the computational side, most failings were around application of de minimis and many missed it altogether.

Question 5

Really well done and properly picked up that Pink could not be included in the group as a result of the non-UK establishment.

Only one or two candidates mentioned either the impact on partial exemption or the impact of the voluntary disclosure limit applying to the group as a whole, each worth a ½ mark.

Question 6

Most candidates concluded correct category for penalty being “deliberate but not concealed” and good scoring here. Any taking different route gained follow through marks.

Question 7

Many candidates mentioned C79 but credit was given even if C79 was not mentioned but instead the point was made that import VAT charge was in order and was recoverable via a VAT return.

Question 8

This question had the most non attempts. For those attempting the question, it was a fair split of those who did mention VAT return box numbers and those who didn’t but instead said output VAT was due to be accounted for and input VAT reclaimable. Marks were awarded equally for either approach.

Question 9

Really well done – good to see that many know there is no BTP for continuous supplies of services.

Question 10

Really well done with only a few candidates failing to mention the ability to appeal directly to the Tribunal without initial HMRC review.

Question 11

As is often the case with property questions there was quite a bit of confusion and candidates referring to supplies of the properties themselves rather than the construction services. The main error here was also missing the fact that an extension is standard rated per scenario 2. Explanations were not as full as we would want but where it was clear that the candidate knew the reasons for VAT treatment then credit was given.

Part II

General comments
Candidates who were familiar with the key material scored highly in this part of the exam. They should have been aware of the syllabus for 2021; specifically that the emphasis would be on domestic VAT matters post Brexit and that the exam was in 'open book' format. For that reason, candidates should have fully expected that partial exemption and VAT as it pertains to land and property would be tested in the exam, along with VAT return compliance and associated accounting such as Bad Debt Relief.

Question 12

Part 1

This asked candidates to calculate how much input tax the purchaser should repay/recover on various VAT returns, the purchaser having been late with certain payments and making those payments in the form of lump sums rather than on an invoice-by-invoice basis. This was by far the worst answered question in part II. Only the very strong candidates were able to get high marks with the vast majority failing to score even half the mark allocation. This demonstrated a severe lack of knowledge in the theoretical and practical application of the Bad Debt Relief (BDR) rules as they relate to the purchaser.

Part 2

This part was an improvement as it related to the supplier claiming BDR, with which candidates were more familiar. Nevertheless, quite a few candidates did not think that a BDR claim was possible for both of the mentioned invoices.

Part 3

This was answered very well with most candidates able to pick up the full 3 marks.

Question 13

Part 1

This required the candidate to write an email answering the client's property queries. In the main this was answered well and almost all candidates were able to pick up more than half the mark allocation. 107 Forder Drive proved to be the most difficult for candidates and many did not realise that the sale would be exempt if the purchaser (a developer) confirms in writing that the building is intended to be used as dwellings.

Part 2

Full marks were only achieved by those candidates who realised that the client would be making an exempt supply, and were able to discuss the input VAT consequences of this including reference to the Capital Goods Scheme.

Part 3

Candidates scored well on this part and were obviously familiar with the ATT's Professional Rules and Practice Guidelines.

Question 14

Part 1

The vast majority of candidates were able to score full marks on the journal entries to record income.

Part 2

All candidates were able to describe the standard method formula for calculating residual input tax but many missed the marks for simply stating that, firstly, VAT fully attributable to taxable supplies is recoverable and VAT fully attributable to exempt supplies is non-recoverable (subject to de minimis). Many candidates did not think that share sale and/or Forex income should be included in 'total supplies'.

Part 3

This part relating to special methods and the application process to HMRC was answered well.

Part 4

This part asked candidates to calculate recoverable VAT using a staff numbers special method. Only a couple of candidates knew that special methods cannot be rounded up and must be calculated to 2 decimal places. Nevertheless, most candidates were able to achieve reasonably high marks on this question.

Part 5

This asked whether the candidate met either of the two simplified de minimis tests and the vast majority of candidates scored full marks on this.

Question 15

Part 1

A surprisingly low number of students achieved the full 5 marks on this part. The common mistakes were i) not including the income from the Swiss retailer with many stating this was outside the scope of UK VAT ii) not including the £4k refund to the retailer and, to a lesser extent, iii) including the value of samples given away in turnover.

Part 2

This part was answered extremely well with most candidates scoring the full 5 marks.