

CIOT - ATT

Paper: **ATT Paper 3 Business Compliance**

Part/Module: **Part 1**

Answer-to-Question-_1_

The basic tax point for services is the date the service is performed. This can be overridden if the receipt of payment or invoice is issued on a date before the basic tax point or if the invoice is issued within 14 days after the basic tax point.

The basic tax point here is therefore 18th Feb 2024 as the invoice was raised before the date the service was performed.

-----ANSWER-1-ABOVE-----

-----ANSWER-2-BELOW-----

Answer-to-Question-_2_

$$1,854,113/2,090,468 \times 100 = 89\%$$

$$9,283 \times 89\% = 8,262 \text{ Taxable}$$

$$9,283 \times 11\% = 1,021 \text{ Exempt}$$

$5,328 + 1,021 = 6,349$ This is below the de minimis threshold of £7,500 for the year and therefore all VAT is recoverable.

$$175,670 - 171,437 = 4,233 \text{ recoverable.}$$

-----ANSWER-2-ABOVE-----

-----ANSWER-3-BELOW-----

Answer-to-Question-_3_

Violet is a limited cost trader because her expenditure is 2% or less ($1,200/62,000 \times 100 = 1.9\%$). This means she will need to use the flat rate of 16.5% instead of the 13% she would have should she not have been a limited cost trader.

As her income is going to exceed the £150,000 threshold for the flat rate scheme, she will not be eligible for the scheme in the future.

-----ANSWER-3-ABOVE-----

-----ANSWER-4-BELOW-----

Answer-to-Question-_4_

-----ANSWER-4-ABOVE-----

-----ANSWER-5-BELOW-----

Answer-to-Question-_5_

Labour	720
Less: Materials	(250)
Less: Travel	(65)
Total	1,035

Invoice amount	1,035
Less Deduction	
20%x(720+65)	(157)
Amount paid to Zac	878

VAT is not included on the invoice and will not have to calculate any output tax.

$1,035 \times 20\% = 207$ is to be paid to HMRC by the Tulach Ltd.

-----ANSWER-5-ABOVE-----

-----ANSWER-6-BELOW-----

Answer-to-Question-_6_

Salary	77,000
Less: PA	(12,570)
Total	64,430

$7,000 \times 100 / 80 = 8,750$

New BR Limit: $37,700 + 8,750 = 46,450$

$46,450 @ 20\% = 9,290$

$17,980 @ 40\% = 7,192$

Total 16,482

-----ANSWER-6-ABOVE-----

-----ANSWER-7-BELOW-----

Answer-to-Question-_7_

2022-23	
CYB: Y/e 30/6/22	80,000
2023-24	
Y/E 30/6/23	70,000
4 m/e 30/11/23	25,000
Less: Overlap profit	(10,000)
Total	85,000

-----ANSWER-7-ABOVE-----

-----ANSWER-8-BELOW-----

Answer-to-Question-_8_

An employer payment summary must be submitted to show any recoveries of statutory payments.

Employer must keep records of statutory payment dates and amounts paid, which must be reported on a full payment submission. Amounts paid are recorded separately on the employees P60 as well as in gross pay. records must be kept for at least three years after the end of the tax year in whihc they relate.

-----ANSWER-8-ABOVE-----

-----ANSWER-9-BELOW-----

Answer-to-Question-_9_

$$3,500+500= 4,000$$

$$4,000-2,274= 1,726 \times 9\% = \text{£}155$$

$$4,000-1,750= 2,250 \times 6\% = \text{£}135$$

-----ANSWER-9-ABOVE-----

-----ANSWER-10-BELOW-----

Answer-to-Question-_10_

$$(2,000 \times 12) + 50,000 = 74,000$$

$$(50,270 - 12,570) \times 12\% = 4,524$$

$$(74,000 - 50,270) \times 2\% = 475$$

$$\text{Total} \quad 4,999$$

-----ANSWER-10-ABOVE-----

-----ANSWER-11-BELOW-----

Answer-to-Question-_11_

$30,000 \times 2.25\% = 675$ Interest

$20,000 - 3,630 = 16,370$ Car

Transfer of cars the benefit is the market value less any amount paid by the employee.

These are subject to Class 1A NIC

-----ANSWER-11-ABOVE-----

-----ANSWER-12-BELOW-----

Answer-to-Question-_12_

Relevant engagements	17,000
Less: 5% Deductions	(850)
	16,150
Less: Employers NIC on pay ((17,000-9,100)x13.8%)	(1,090)
Gross deemed payment	15,060
Less: employers NICS 15,060x13.8/113.8)	(1,826)
Net deemed payment	13,234

-----ANSWER-12-ABOVE-----

-----ANSWER-13-BELOW-----

Answer-to-Question-_13_

Debenture:

$200,000 \times 30\% = 60,000$

$60,000 \times 20\% = 12,000$ paid to HMRC

6,000 due by 31st March 2023

6,000 due by 30th September 2023

Patent:

$20,000 \times 20\% = 4,000$ paid to HMRC Due by 30th September
2023

Return and tax is due 14 days following the end of the
return period.

-----ANSWER-13-ABOVE-----

CIOT - ATT

Paper: **ATT Paper 3 Business Compliance**

Part/Module: **Part 2**

-----ANSWER-14-BELOW-----

Answer-to-Question-_14_

1)

All three of Copter Ltd, Heli PLC and Flight Ltd are eligible to form a VAT group as all three are body corporate companies established in the UK and are all under common control of the same person (more than 50%). Exempt companies are eligible to join VAT groups.

The implications to forming a group are that when exempt members are included within the group it makes the group partially exempt and restricts the recovery of input tax. It is also difficult to obtain information to do one group VAT return. If one member becomes insolvent the remaining group is joint and severally liable for the outstanding VAT. Any thresholds apply to the group as a whole rather than each member and late payment results in a larger late payment penalty percentage of the groups late VAT

2)

As the gift of the memory sticks to the 50 customers does not exceed the £50 limit each, they are exempt from deemed supplies, providing they did not provide any other gifts within the 12 month period to push it above the £50 limit.

As the laptop is gifted to a family member of one of the directors, this will be a deemed supply, irrespective of value. As the trader has recovered the input tax on the laptop, the output tax will need to be put on the VAT return and paid to HMRC when the VAT return is submitted.

3)

Within the making tax digital electronic account, you must include the name and address of the taxable person, taxable persons VAT registration number, time of supply, value of supply, rate of VAT charged and amount of input tax for which credit is allowed.

Records that are not required to complete a VAT return are not required on the software. The records are there for: accounting records, copies of VAT invoices issued and

received, documentation of imports and exports, credit and debit notes and VAT account. These must be kept for a minimum of 6 years.

4)

Sales	138,800
Less: Purchases	(58,200)
Less: Bad Debt	(1,200)
Total	79,400

$$79,400 \times 20\% = 15,880$$

Wages are outside the scope of VAT and customer entertaining is ineligible.

-----ANSWER-14-ABOVE-----

-----ANSWER-15-BELOW-----

Answer-to-Question-_15_

1)
April:
Paybill £291,667x0.5% 1,458
Less: Levy Allowance 1/12x£15,000 (1,250)
Total 208

May:
Paybill £592,867x0.5% 2,964
Less: Levy Allowance 2/12x£15,000 (2,500)
Levy payable to date 464
Less: Levy paid to date (208)
Total 256

2)

The employers name, the employees name, job title or description and start date, how often they get paid, hours and days of work, holiday entitlement, location of employment.

3)

(i)

As the option is exercised within 10 years of grant Aaron qualifies for favourable tax treatment. As he had exercised within 3 years from grant he would not have not have had favourable tax treatment if they were CSOPs as you only do if exercised within 3-10 years.

(ii)

No income tax charge on the grant of the shares; As they were not dicounted and exercised within 10 years, no income tax is due on exercise.

The CGT will be as follows:

Sale	22,500
Base Cost	(7,500)
Chargable	15,000

The CGT base cost is the amount paid for the shares

plus any amount charged to income tax on exercise.

4)

Salary	55,000
Termination	
45,490-30,000	15,490
Total	70,490
Less: PA	(12,570)
Total	57,920

37,700@20%	7,540
20,220@40%	8,088
Total	15,628

-----ANSWER-15-ABOVE-----

 -----ANSWER-16-BELOW-----

Answer-to-Question- _16_

1)

	Total	Abe	Brian	Candice
Y/E 31/03/24	240,000			
P/E 30/04/24	20,000			
Salary	(1,000)	1,000		
Int on Capital	(400)	200	200	
Residual Profit	18,600	11,160	7,440	
Total		12,360	7,640	
P/E 31/03/24	220,000			
Salary	Nil			
Int on Capital	Nil			
Residual Profit	220,000	88,000	88,000	44,000
Total		100,360	95,640	44,000

2)

Candice will be due to pay Income Tax, Class 2 National Insurance Contributions and Class 4 National Insurance Contributions. Class 2 NIC will be due by 31st January 2025. She will be due to pay her income tax and Class 4 as well by 31st January 2025, however, as her tax due is likely to be above the £1,000 threshold, she will also be due to make 2 payments on account also. This will be 50% of her liability, minus the Class 2 NIC. These will be due by 31st January 2025 and 31st July 2025.

3)

The return was due on 31st January 2024. There is an

initial £100 late filing penalty when the return is submitted late. As the return is also more than 3 months late, an additional daily penalty of £10 per day up to a maximum of 90 days is charged. This means an additional £900 was charged here also as the 3rd May 2024 exceeds the 90 days. As it was not 6 months late no further penalties are charged, so the total is £1,000.

4)

He should identify where the error came from and was made, ensure he updates the companies procedure to ensure this does not happen again, cover the penalty on the clients behalf, apologise to the client and explain the reason behind the error and reiterate that this will be recified.

-----ANSWER-16-ABOVE-----

 -----ANSWER-17-BELOW-----

Answer-to-Question- 17_

1)
 accounting period starts from the period start date. In this case that would be the 1st october 2015 as this is the date of the acquisition of a source of income (issuing shares). The first period of accounts will therefore be from 1st october 2015 to 31st March 2016. The next period of accounts will then be 1st April 2016 to 31st March 2017.

2)
 Long period of accounts are split between two accounting periods, the first 12 months, so 1st April 2022- 30th march 2023. The second accounting period will be the balance, so 1st April 2023 to 30th June 2023.

Trading profits are apportioned between these periods and seperate computations are required for each. Due date for both returns are the same; These must be reported by the later of 12 months from the end of the period of account. Payment dates will be different, however.

3)

		Y/E 31/03/23	P/E 30/06/23
Tax Adjusted Profit			
300,000x12/15		240,000	
300,000x3/15			60,000

Total		240,000	60,000
-------	--	---------	--------

4)

For Halle, as it is a fixed monthly amount and is for client entertaining, this is charged to income tax. This is collected by a P11D.

As Geraint's news paper is not related to his job role, just to keep up conversation with clients, this will also be

charged to income tax. This is collected by PAYE

For Patshz, this will be allowable as it is irregular and it is inrelation to childcare, as she would not be able to carry out her role if she had a child to take care of too.