

Part I

General comments

The majority of candidates answered this section of the paper well.

All questions required application of knowledge. There were some challenging questions for good students to demonstrate their ability, but there were ample straightforward questions to provide some reasonably easy marks for all.

However, candidates need to be aware that it is the application of knowledge to the specific scenario given in the question which is the key to success. Very few marks are given for answers which give generic facts on a topic which were not applied to the specific scenario given. A scattergun approach to give all the knowledge on a topic in the vague hope that some of it may be relevant will not score highly.

It is also important to appreciate that where a question asks for explanations, there are very few marks available if all that is presented is calculations. The requirement is to produce a formal explanation that a client would understand. Similarly, if calculations are asked for, formal calculations that you would be happy to send to a client are required. A narrative description of how something is calculated, or the other extreme of just providing a list of numbers with no words/labelling of the work performed, earns little credit.

There has been a noticeable increase in 'lack of attention to detail' type errors in this sitting as candidates incorrectly lift numbers given in the question into their answers, and transposition errors within their answers were disappointingly plentiful in this sitting.

Question 1

This question on the beneficial loan benefit rules was surprisingly one of the worst answered questions on the paper. There were some perfect answers, however quite a few candidates did not attempt it at all, and many who did attempt it managed to clearly demonstrate that they did not know how to calculate the beneficial loan benefit in the four different situations.

Common errors included:

- calculating a benefit for Jane and Joseph (where there was no benefit to calculate)
- not calculating a benefit for John and Julie (where there was a benefit to calculate)
- using incorrect interest rates (incorrect official rate and/or picking up incorrect rate from question)
- unnecessarily calculating benefits using both the average method and strict basis and coming up with different numbers in the two calculations (despite there being no need to do both calculations as there were no repayments or top ups during the tax year, and both calculations should have given the same result)
- inaccurately calculating the average method and/or the strict basis
- forgetting to time apportion the benefit (John and Julie's loans were not available for the whole tax year) or time apportioning by the wrong number of months.

Some candidates confused the beneficial loan benefit rules with the qualifying loan interest paid rules.

Question 2

This question on NICs was answered well in most cases, however the lack of clarity and detail in many answers lost relatively easy marks.

Stating that Class 1 NICs are payable on salaries was not sufficient. However, the level of detail expected was to explain that the employee pays Class 1 primary contributions and employers pay Class

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1 secondary contributions, and explain the rates and limits, and realising that (given the level of salaries in the question) the 2% rate did not apply to Tariq but did apply to Mahmoud.

Note that the requirement asked for *explanations* of how the two individuals and the employer are assessed to NICs, and it specifically stated that calculations were not required. Despite this, many erroneously decided that just providing calculations was all they needed to do.

Many missed that Tariq was aged 21 and therefore Class 1 secondary NICs were not payable by the employer given the level of his salary. Explaining how to treat the two benefits (one taxable and one exempt) was poorly answered by quite a few candidates.

Question 3

This question required the calculation of double taxation relief and was answered quite well by the majority.

Common errors included:

- forgetting to gross up the overseas dividend received, or not grossing up correctly by 100/78
- calculating the overseas tax suffered incorrectly (should be 22/78 of net or 22% of gross)
- calculating the UK tax on the overseas dividend incorrectly by forgetting the dividend allowance of £1,000 and/or using the wrong rate of tax on the excess amount (should be 33.75% as a higher rate taxpayer, not 8.75%, 39.35%, 20%, 40% or 45%, all of which were used)
- selecting the 'higher of' rather than the 'lower of' the overseas or UK tax, or interestingly working out the difference between the two amounts and stating this was the DTR
- presenting a full income tax computation using the restricted information in the question, rather than just looking at the DTR calculation.

Question 4

On the whole this question on the part disposal of land was answered well by the majority, however quite a few made some basic/classic mistakes.

Common errors included:

- incorrect treatment of selling expenses
- incorrectly deducting the acquisition expenses relating to the whole 20 acre plot in full
- deducting the acquisition expenses from the original cost (rather than adding them) to get the total cost to apportion
- not using the $A/A + B$ formula for the deemed cost calculation (using 6/20ths instead) or applying the formula to the wrong total cost
- not deducting the acquisition expenses in the gain computation at all, or not allowing a portion ($A/A + B$) of either the stamp duty land tax or legal fees on acquisition
- incorrectly using the net sale proceeds as 'A' in the formula rather than the gross sale proceeds.

Question 5

Most candidates did well in this question which required an explanation of why a LISA would suit Greta's plans. However, too many chose to give all the information they could find on LISAs and did not attempt to apply their knowledge to the specific scenario, and therefore lost some easy marks.

For example, many stated that

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- to open a LISA the individual must be aged 18 to 40, and the maximum savings in a LISA is £4,000 p.a. up to the individual's 50th birthday

but too few went on to state that

- Greta is 25 and is therefore eligible, and she plans to save £3,600 p.a. which is below £4,000 p.a. and therefore the proposed amount is acceptable, and she plans to save for 10 years by which time she will be aged 35 (i.e. under 50) and is therefore eligible.

When explaining the benefits of a LISA, no marks were given for general benefits of a general ISA. The specific benefits of a LISA were required.

An explanation of the tax disadvantages of an early withdrawal of the funds from a LISA to go travelling was often ignored. For those that addressed the problem, many gave a perfect response.

However, some amusing gave general life lessons on the benefit of buying a house and being a home owner versus 'wasting' money on travelling, or expressing the worry that house prices may increase and she wouldn't be able to afford a house when she comes back, or conversely the merits of travelling while young and how you can always buy a house later! Unfortunately no marks were available for such comments.

Question 6

A question on the classic disposal of a non-wasting chattel should have provided some straightforward marks, but surprisingly there were a number of common mistakes which too many fell for.

Common errors included:

- using the £6,000 rule incorrectly and comparing the cost and net sale proceeds (not gross sale proceeds) to £6,000 and incorrectly concluding that the gain was exempt
- incorrectly calculating the gross sale proceeds as $£5,690 \times 100/80$ (instead of $£5,960 \times 100/80 = £7,450$), or $£5,960 \times 1.20$
- calculating the gross sale proceeds correctly but then taking £7540 (not £7,450) into the calculation of the normal chargeable gain and 5/3rds rule
- forgetting to deduct the commission in the normal chargeable gain computation
- just calculating the 5/3 rds rule and ignoring the normal chargeable gain (unfortunate mistake as the normal chargeable gain was the actual chargeable gain to be taxed)
- selecting the 'higher of' rather than 'lower of' the two calculations.

Question 7

Another question on an employment benefit which was attempted by most and answered quite well, but some common errors occurred. The laptop was used for part of the tax year 2022/23 and then gifted part way through 2023/24, so there were two benefits to calculate: the use of the asset in 2023/24, and the benefit of the gift.

Common errors included:

- calculating the use of asset benefit based on the MV at the date of the gift rather than the original MV and/or forgetting to calculate 20% to the value
- not time apportioning the use of asset benefits in 2022/23 and in 2023/24
- deducting the use of asset benefits from the MV of the laptop at the date of the gift rather than the original MV
- selecting the 'lower of' rather than 'higher of' the two calculations
- not showing the total benefits assessed in the tax year 2023/24.

Question 8

This question tested the application of the pension rules on retirement.

It was an excellent test of understanding how the taxation of a lump sum withdrawal works in practice, how pension income is taxed and the optimum withdrawal calculation to avoid paying higher rate tax.

It was a demanding question and there were some candidates who did not attempt it, however, it was answered by the majority of candidates and those that attempted it scored very highly, with many perfect answers.

Common errors included:

- forgetting that on the withdrawal of a lump sum amount on retirement, there is a maximum tax free lump sum amount of £268,275
- realising there is a maximum tax free amount but incorrectly used £268,725 (instead of £268,275) as the maximum amount
- not remembering that Shaun is already an additional rate taxpayer (based on his other income in 2023/24) and therefore they calculated the tax on the taxable lump sum amount incorrectly (e.g. some deducted a PA, others calculated the tax at 20% or 40% rather than 45%)
- correctly calculated the taxable lump sum and the tax thereon, but then forgetting to go on to work out the 'after tax cash' Shaun will receive
- some incorrectly included the annuity in the calculation of the tax on the lump sum withdrawal, but he retired on 5 April 2024 and the annuity would not be received until 2024/25
- some calculated the tax on the annuity in 2024/25 incorrectly as Shaun is now a basic rate taxpayer (only receiving the annuity) and is entitled to a full PA to against the annuity.

Question 9

This question on the receipt of insurance proceeds following the loss of a necklace was not answered well. Many demonstrated their lack of knowledge or confusion re-what relief is available if some of the proceeds are used to buy Crypto currency.

The question required explanations which were related to the specific scenario, not computations, however a significant number mistakenly believed that a simple calculation of the chargeable gain would suffice. Many others just wrote generic rules re-the loss of an asset with little, if any, application and thereby gaining little, if any, marks.

Many thought that rollover relief would not be available due to the replacement asset being Crypto currency, showing that they did not realise that reinvestment in any chargeable asset is acceptable (and that Crypto currency is a chargeable asset). Justifications for not allowing rollover relief were that the asset had to be another necklace, that Crypto currency is not a chargeable asset or the replacement had to be a qualifying asset for standard rollover relief (e.g. land and buildings, fixed plant and machinery, hovercraft, space stations etc).

Quite a few calculated the chargeable gain after rollover relief incorrectly as £5,000 by comparing the chargeable gain before relief to the amount reinvested (rather than £15,000 being the sale proceeds not reinvested in a chargeable asset within 12 months).

A few ignored the requirement to give the deadline dates for reinvestment and for claiming the relief. Others gave the wrong rules and/or applied the rules incorrectly.

Some thought that part (2) required an explanation of the future capital gains tax consequences of investing in Crypto currency for capital gains tax purposes rather than explaining the effect of the investment on the gain arising now on the lost necklace.

Question 10

Another question which produced far too many generic comments on the receipt of dividends by an individual from a REIT. Many gave little to no application in their answers, or tried to apply the rules and blatantly demonstrated a lack of understanding as to how it works. Overall the answers to this question were not good.

Common errors included:

- not recognising the implications of only 75% of the dividends being qualifying REIT dividends, the rest being normal dividends, and therefore that there is different treatment for 75%/25% of the dividends received
- not realising that there is a difference in the consequences of the rules if the dividends were Arjun's only income or if he were an additional rate taxpayer
- not applying the rules to the specific numbers given in the question
- some commented on how income is taxed within a REIT rather than the income tax effect on the recipient of the income.

Question 11

There were two key elements to this question: how to treat the receipt of discretionary trust income and the consequences of the trust being set up by the parent of the recipient.

Many could adequately explain the treatment of discretionary trust income in the hands of the recipient, however quite a few failed to realise that the parental disposition rules meant that the income would be taxed on the parent rather than the child.

Common errors included:

- incorrectly grossing up the discretionary trust income using 100/80 or 100/60 or 100/45 (instead of 100/55) or starting the calculation with £7,840 (instead of £7,480)
- taxing the income in the hands of Ammanda (i.e. giving a PA against the income and calculating the tax at 20%)
- not fully stating the parental disposition rules (e.g. not mentioning the £100 de minimis limit).

Part II

Question 12

Overall this was a well answered question by a majority of candidates, with some very good answers scoring the majority of the marks.

The better candidates got the trickier aspects, such as reducing the amount of council tax/mortgage interest that was allowable due to the whole amount not being wholly and exclusively for rental business. Whilst a lot of candidates did not get the actual amount of the personal allowance correct due to missing something for the total income, they got all the follow through marks. This is a reminder that you can score very well on a calculation question, even if you have not always got the exact right answer.

The most common problems were calculating the amount of rental income for the year and not knowing how to treat the mortgage interest, plus not treating the gift aid correctly. A significant number of candidates still do not remember to extend the basic rate band.

With the EIS shares, the weaker candidates either calculated the amount incorrectly or put it in the wrong place for the calculation, usually reducing it from the income in the year. A few confused it with SEIS, which is a reminder to always read the question carefully.

A number of candidates added on the PAYE to the employment income – this is a basic concept and should be such an easy mark to obtain on a question like this.

Candidates are reminded to not make vague statements, such as “The Unit trust interest is taxed as normal savings income”. What is “normal”? They may well have known it was received gross already, but without stating it the examiner cannot award any marks.

Some candidates lost marks for getting the wrong rate of tax for the Savings and Dividend income. Others forgot that the first £1,000 dividends are taxed at 0% due to the Dividend Allowance being available or were not aware it had been reduced from £2,000 the year before. That is a reminder you always need to keep your knowledge up to date.

Question 13

There were a relatively high number of non-attempts at this question (9%) with half that number again scoring zero marks.

That said there were some very high and even perfect scores on this question which appears to have been a differentiating question in the paper with scores at both ends of the scale.

The poorest candidates clearly didn't read the question requirement and spent their time talking about SEIS and VCT income reliefs which gained them no marks. Candidates who simply wrote everything they knew about the subject, again failed to score highly on this question.

Better candidates applied their knowledge to the scenario presented and approached the question both logically and chronologically scoring well.

These candidates were able to calculate the reinvestment relief for both the Begin and Startup investments whilst the majority of candidates only attempted a calculation of reinvestment relief for the Startup investment.

A high number of candidates spotted that the VCT loss was not allowable, yet others failed to spot this and went down the route of offsetting this loss against the SEIS gains.

Some candidates tried to charge the Begin sale to CGT despite it having been sold after 3 years of the initial investment.

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A surprising number of candidates got the rate of CGT wrong either charging to CGT at 10%, 18% or 28% respectively. Similarly, a number of candidates gave the annual exempt amount as £12,300 for the 2023/24 tax year. Others got the date of payment wrong. This lost them easy marks.

Question 14

Many candidates were determined that Greta's gifted shares and granted share options should be part of some tax-advantaged scheme. This therefore set them off down the wrong path. The element of the question re the option over the £1 B Ordinary shares was only about the exercise of the option, but many candidates wanted to write about the sale of the shares acquired.

Most candidates dealt well with the EMI options granted to Greta's husband.

When answering a client's question as to whether she/he will have to pay tax on something, the client will always want to know both the amount that will be subject to tax and the rate of tax that will apply. Candidates generally focussed on the former and missed the marks available for the latter; only a few candidates mentioned the CGT AEA.

NICs were overlooked by most candidates.

The vast majority knew the types and values of SIP shares that could be acquired.

Question 15

Part 1a

While it was encouraging that almost everybody said that Jeremy should disclose the 2020/21 understatement, not enough support for that view was generally provided in terms of the powers that HMRC retained to raise assessments even after their 12-month window to raise an enquiry had passed. As penalties are so influenced by behaviours it was important that candidates picked up on the fact stated in the question that Jeremy had made no attempt to conceal his understatement; this drove the correct analysis of the penalties at stake, albeit follow-on marks were given if candidates did not pick up on the "deliberate but not concealed" scenario.

Candidates tended to focus on the penalties and overlooked interest.

Part 1b

Everyone who attempted this part mentioned the £100 penalty and most referenced the £10/day penalty once the tax return was three months late. However, only a small minority got the calculation of the £10/day penalty right, with most just saying it was the maximum £900.

There was some confusion between the 5% penalties for late filing and the 5% penalties for late payment – in this case only the latter was relevant. Few candidates recognised that the late payment 5% penalty does not apply to the PoA but that the interest does. Too many got the interest rate wrong.

Part 2

This was generally reasonably well answered although a significant minority said that they would report their client to HMRC.

Part I

General comments

Performance was good overall. Candidates continue to write too much when answering earlier questions at the risk of not finishing the exam. A more careful reading of the requirement asked would have helped focus responses.

Question 1

This question on recoverable input VAT was occasionally omitted. Those who answered usually scored well, the most common error being to recover VAT on the car, or the business portion of this.

Question 2

Answers varied. Most candidates scored enough marks while rarely giving fully comprehensive answers, too frequently omitting the interest receivable on the early instalment. Candidates who wrote generally about instalments and did not perform calculations could not score. Candidates often wrote far too much including discussing earlier instalments which were not asked about.

As an aside, candidates are instructed at the start of the exam to work to the nearest pound. Failing to do this is not penalised, other than in the wasted time of calculating and typing out answers to the nearest pence.

Question 3

This was a straightforward question but caused some candidates problems as it exposed their lack of understanding of the construction of the taxable total profits computation. There was much discussion about whether each expense was deductible but there were no marks for this as such - the question asked against **which** category of income or gains the expense was deductible. The instruction was to 'state' – candidates wrote far too much, giving lengthy explanations which were sometimes contradictory. Candidates who answered the question asked, usually scored well. The treatment of the interest payment (against interest income/non-trade loan relationship income) was an occasional area of error.

Candidates also occasionally referred to personal taxes, despite this being a question about a company.

Question 4

There were many perfect answers to this corporation tax computation involving marginal relief. Errors involved application of a single rate of tax (19% or 25%), taxing augmented profits, or trying to use rates 19% (up the lower limit) and 26.5% (beyond). This last approach could still gain some marks but the existence of dividends received meant this calculation could not give a correct answer.

Question 5

This question on losses was occasionally omitted. Candidates often scored enough but rarely gave perfect (or concise) answers. Candidates often wrote far too much. They often said how the overseas property loss could **not** be relieved. They gave all available options for the deficit, while not applying the company policy stated – this could not score full marks and wasted lots of time that could have been used elsewhere. Candidates need to think before they copy large volumes of text from the learning material.

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Question 6

Answers to this question on investors' relief were often very good, with many candidates covering all, or nearly all, of the conditions and assessing whether these were met in the scenario. Few candidates stated the correct date by which a claim should be made – frequently this was a year early.

Question 7

This gains calculation on the grant of a lease was probably the best-answered of the SFQs with most candidates scoring full marks.

Question 8

A generally well answered question. Most candidates identified that Deej and Elsa had an immediate gain whilst Faisal had a notional gain. Fewer candidates went on to explain the effects for Faisal on his subsequent disposal.

Question 9

A generally well answered question. A large number of candidates gained the full marks available.

Question 10

Most candidates answered this question well, giving good details in their answers.

Question 11

A very well answered question. The most common error was failing to pro-rate the salary.

Question 12

Most candidates answered this question well, although a number of candidates used this question to talk about the trading allowance which wasn't relevant.

Question 13

A generally well answered question, although where candidates failed to lay out their answer in an organised fashion they lost marks by missing key elements.

Part II

Question 14

As a standard adjustment to the profit for a sole trader, the first part of this question was well answered. Errors included the incorrect add back for Alice's clothing: using cost instead of retail value. The calculation of both the lease restriction and the private use for Alice's car did cause some problems and some candidates only adjusted for the lease restriction and not the private use. The pre-trading costs were not always included or were incorrectly adjusted.

The second part of the question was reasonably well answered, with candidates knowing the basic rules, even though many times getting the year wrong. The scenario based questions are constructed so the candidate can demonstrate their understanding of the topic ie apply their knowledge. This means marks will not be given where the answer is generic. For example, where a table of penalties is given.

Many candidates picked up that Alice was both employed and self-employed in 2022/23 and therefore liable to Classes 1, 2 and 4. Candidates didn't always note that she also had a liability for her employee in 2023/24.

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Question 15

Most candidates were aware of the requirement to prepare an email and provided the correct format.

Most picked up all the relevant points for the structures and buildings allowance. Of the other assets the main points missed were the split of the claim on the central heating system, due to the extended credit period and that there was no restriction for the private use by an employee of the van.

Some candidates need to remember that the first year allowances given to companies for the purchase of plant and machinery do not apply to sole traders and also that second hand goods are eligible for annual investment allowance although not first year allowance.

Question 16

Many candidates managed the calculations required by the first part of this question. The main issues were the failure to include the structures and buildings allowance in either the adjustment to profit calculation or the capital gain calculation, or calculating the allowance incorrectly.

However, candidates encountered problems calculating the corporation tax liability. The reason for this was the inclusion of the trading loss for the year and therefore concluding that there was no liability to Corporation Tax. This is despite answering in the next part of the question that one of the potential loss reliefs was against current year profits.

Loss reliefs were well understood, although candidates again need to avoid a generic approach: losses couldn't be carried forward against profits from the same trade.

The journals recording the tax adjustments were either very well answered or not answered at all depending on the candidate's knowledge of accounting.

Question 17

This question was also well answered with candidates spotting that gift relief applied. However, even failing to make a claim for gift relief candidates could still pass mark by applying other principles. Some candidates did forget that a claim for business asset disposal relief uses up all the basic rate band.

The principles around VAT de-registration were also well understood. Candidates need to remember the scenario to ensure that their understanding is demonstrated e.g. by giving specific dates.

The law question was most problematic. If candidates had remembered the law manual, then they were able to give a good answer, although some candidates also managed to suggest that there would be an issue with employees.

Ethics was another area where candidates were able to give good answers if they had remembered the material.

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Paper 3: Business Compliance

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Part I

General comments

Performance was good. However, we continue to see marks lost for not answering requirements properly, particularly not stating actual dates. This is crucial for success at Business Compliance.

Question 1

Generally well done although candidates often omitted the 14-day rule and the relevant basic points dates from the question.

Question 2

There was a surprising number of candidates who appeared confused between the difference of simplified tests 1 and 2 and the de minimis test for standard partial exemption. There were some slightly odd calculations of the recoverable percentage also which led to some very strange percentages. This is a basic area and the standard was quite poor.

Question 3

Whilst candidates could describe the characteristics of a limited cost trader, there was a lack of application to the question, particularly in the acknowledgement of what goods were relevant and the date for leaving the flat rate scheme.

Question 4

Candidates often only produced the output and input tax journals without considering the sales / purchases or ban elements. Therefore marks were lost.

Question 5

On the whole, attempts to this were very poor. There was lots of confusion around the VAT elements with many including the VAT inclusive amounts as a basis for their calculation. There was a failure to deduct the cost of materials in calculating the CIS amount and also deductions of travel and subsistence

Question 6

Candidates did really well on this question. The weaker candidates did not gross up the pension contributions or incorrectly treated it under the net pay arrangements.

Question 7

Candidates frequently lost ½ mark for not stating the dates of the basis period as requested. Many correctly calculated assessable trading profits, although some only included the results of the most recent period of account or tried to apply tax year basis rules. Almost all knew to deduct overlap profits.

Question 8

Most candidates could identify the reporting forms required. However, many did not apply their knowledge to state actual dates as the question required, sometimes giving paragraphs of unnecessary information about such payments at the expense of this. The question was occasionally omitted despite this really being an extension of the usual rules surrounding reporting of a payment made to an employee.

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Question 9

There were many perfect answers for the student loan deductions. A minority of candidates wasted time calculating deductions for other months of the year which were not asked for.

Question 10

There were many perfect answers. Some candidates wasted significant time calculating the amounts payable per month on a cumulative basis which the question did not require. They could score full marks but frequently made an error to reach the final answer. Other candidates failed to apply the annual basis – they could still gain most of the marks, but also lost some time.

Question 11

Performance was disappointing. Many answers scored enough to pass, without being very good. The benefit on the transfer of a car was widely misunderstood and there was often confusion with the loan benefit, particularly the interest paid.

Question 12

This was a discriminating question on off-payroll working (OPW) to test candidates' understanding of the flow of payments in the arrangement. It was the most omitted SFQ and the lowest scoring, showing a reluctance by candidates to think about what was being asked. Of those who answered, many candidates filled their time copying narrative from the study manual on a range of OPW matters, which did not score any marks. A few performed a calculation of deemed salary, applying the 'small client' rules. Those candidates who did attempt to address the requirement, naming the entities between which payments were made, and, crucially, giving the actual amounts rather than a narrative description, often scored well, even with some minor errors.

Question 13

Performance was not strong on this question accounting for income tax by companies. Many candidates could calculate the income tax on the debenture interest, fewer considered the income tax on the patent royalty or correctly calculated this, and dates – if stated at all – were almost always incorrect.

Part II

General comments

Performance overall was very good. Some candidates omitted later parts suggesting time-pressure, possibly because they had spent too long giving unnecessary information in earlier answers.

Question 14

Part 1

Whilst the implications of forming a VAT group were very well done, there was a lack of application which it came to dealing with the facts from the scenario. Many candidates did not consider that inclusion of Flight Ltd would lead to the group being partially exempt. Candidates often failed to mention the conditions required for a group to be formed in the first place.

Part 2

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This part overall was quite poorly done. There was lots of confusion with candidates believing that neither the memory stick or laptops were deemed supplies. Where candidates did acknowledge that there were deemed supplies then then went on to calculate output tax on both the the memory sticks and laptops. There was some basic knowledge shown on what constituted furtherance of business and some candidates did correctly identify that there would be no output tax due on the memory sticks but there would on the laptop. Answers were very brief.

Part 3

Many candidates adopted the approach of explaining how the bridging software operated. The question clearly stated that an explanation of the records which must be kept digitally was required. Some candidates just stated "business records" which was not good enough.

Part 4

Whilst a lot of candidates gained full marks on this section, there were some candidates who made very basic mistakes such as multiplying the sales, purchases and bad debts by 1/6. Candidates need to read and understand the question set so they do not make fundamental mistakes.

Question 15

Part 1

Candidates did well in this part. Some candidates however failed to deduct the levy of £208 already paid in their calculations for the second month of the tax year, whilst others annualised the paybills.

Part 2

Where candidates understood the question, they scored well. However, a number of them interpreted the question incorrectly and instead explained that an employer would need to verify employees identity and they would need a tax code and details of earnings from previous employers. This was irrelevant.

Part 3

This question was done very well. The weaker answers did get mixed up between the IT and CGT implications, but knowledge and application to the scenario was of a high standard.

Part 4

Candidates also coped well with this question, a high number obtaining full marks. The poorer scoring answers failed to distinguish between exempt, partially exempt and taxable elements of the package.

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Question 16

Part 1

There were many perfect answers to this partnership profit allocation calculation, with usually only minor errors in other answers.

Part 2

Candidates often scored enough marks for the payments due on 31 January 2025 from a new partner, without covering all elements. Many thought that payments on account were required for 2023/24 despite the taxpayer having no taxable income in the previous year – evidence of not applying the facts of the question. The same candidates often then forgot payments on account for 2024/25. Many answers were too lengthy and did not focus sufficiently on the question asked, for example, some gave calculations which the requirement specifically instructed against, others did not specify the tax year for each payment as requested.

Part 3

Answers for penalties for a late partnership return were generally good, although not all candidates appreciated these would apply to each partner. Many did not restrict the daily penalties to the days the payment was outstanding.

Part 4

There were some excellent answers to this ethics question regarding complaints, although it was occasionally omitted. However, some candidates started too early in the process – the question made clear that the complaint was justified. Answers that advised to 'take appropriate action if the complaint is justified', missed the point that the question was asking for these appropriate actions.

Question 17

Part 1

Answers were generally good with candidates understanding when the first accounting period started. However, there were some nonsensical answers with accounting periods ending before they began, and accounting periods overlapping in time. This was possibly exam-fatigue at this stage in the exam. Too many candidates still do not know how many days are in each month eg a date of 31 November 2015 scores no marks.

Part 2

Candidates were well-prepared for compliance relating to a long period of account and there were some very good answers.

Part 3

There were some omissions by this stage in the exam however there were some good attempts for the CT calculations for the two accounting periods. Frequent errors included using FY2023 rates for the earlier period in FY2022, which wasted some time. Many candidates gave a decent attempt at calculations of marginal relief and augmented profits, with one or two errors.

Part 4

Answers were rarely very good and were often quite confused. Candidates did not always answer the question, ie they did not state whether the amount was taxable, and then whether PAYE was due. Frequently two contradictory answers were given for the same expense, which approach scored no marks. There was much mention of NIC which was not asked about.

Part I

General comments

Candidates should always apply the scenario to their answer to ensure that they receive all marks. Candidates need to take care with dates, for example nine months and one day after 30 November 2023 is 1 September 2024 not 31 August 2024.

Question 1

This question was answered reasonably well. In order to gain the first $\frac{1}{2}$ mark candidates needed to indicate that only the tax paid on 31 March 2024 was subject to interest, lots of candidates weren't specific enough to pick up this mark. Candidates lost marks for not saying the interest should be paid within 30 days of the interest demand being raised.

Question 2

This question was well answered. Some candidates calculated the super deduction rate incorrectly, however this only lost $\frac{1}{2}$ a mark unless they said the 130% applied as this is incorrect. Where a candidate claimed 100% FYA on the manufacturing equipment this lost $\frac{1}{2}$ a mark, even though the overall allowances claimed was correct as it is more beneficial to claim AIA. Candidates should always try and use a table to ensure that their answers are clear. Follow through marks were given where the additions were treated incorrectly except where they claimed 130% super deduction.

Question 3

Most candidates did well on this question. Candidates needed to make it clear that Nicola and Sidgwick plc pay different types of NIC on the salary and the shares to gain both $\frac{1}{2}$ marks for that part of the question. A $\frac{1}{2}$ mark was lost where a candidate didn't say that the pension contributions were exempt for NIC purposes.

Question 4

Some candidates found this question tricky. Candidates gained some marks if they had the correct headings for the debit and credit but had the wrong figures. In order to make their answers clear candidates should include BS or P&L in their descriptions.

Question 5

Some candidates found this question difficult. It is important that candidates answer the question being asked. In this case we wanted the Income Tax treatment of the car and many candidates talked about the deductibility in the company or the NIC implications which wasn't relevant. A number of candidates just assumed Leanna was an employee and received very few of the available marks.

Question 6

Candidates did reasonably well on this question. Candidates that used market value as the cost to Riverside Ltd lost marks although follow through marks were given where applicable. Some candidates didn't round indexation to 3dp and therefore a $\frac{1}{2}$ mark on each indexation calculation, others didn't work out the base cost to Riverside Ltd and just did one indexation calculation, which didn't quite give the right answer therefore they lost two $\frac{1}{2}$ marks.

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Paper 4: Corporate Taxation

Examiners' report

Question 7

This question has been answered well. The odd candidate didn't mention that the consideration needed to be wholly or partly in shares but still received most of the marks.

Question 8

On the whole there were some good answers to this question, however mistakes were made by not dividing the limits or including the dividends in the calculation of augmented profits. Some follow through marks were still given in these cases. Candidates need to make sure they state their conclusion for example that the augmented profits do not exceed £750,000, therefore the company is not large, to ensure that they receive all the available marks. No marks were awarded for calculating the tax due.

Question 9

Candidates didn't do as well on this question in general. Some candidates talked about the s455 provisions for directors loans, however this was a loan from a Director and so s455 isn't relevant. When stating that the company was close, many candidates didn't explain why, which lost some ½ marks. A good number of candidates just said the interest was deducted as it was under the accruals basis and therefore received no marks.

Question 10

Candidates did well on this question, however some candidates forgot to divide the upper and lower limit by the number of associated companies and lost marks, however a follow through ½ mark was awarded where they calculated the tax correctly based on the wrong limits, this had to be on TTP, if they used augmented profits, the follow through mark was lost. Candidates that calculated the tax based on augmented profits lost that ½ a mark, even if it was at the correct rate. The marginal relief calculation marks were awarded if they were based on the incorrect augmented profits as follow through marks.

Question 11

Most candidates did well on this question, but candidates should remember to draw a proper conclusion about which method would give the best result for Brandon Ltd, although I was reasonably generous when awarding marks for this. Most candidates knew the options and so gained the majority of the available marks.

Question 12

Candidates did well on this question. Errors were made by thinking the company started trading on 22 March 2022 and therefore getting the accounting periods wrong. Candidates sometimes stated that the return should be submitted three months after receipt of the filing notice but said that was 30 April 2024 and therefore lost the final ½ mark. Where candidates didn't specify the accounting periods but said that there were two accounting periods I awarded one of the ½ marks.

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Paper 4: Corporate Taxation

Examiners' report

Part II

General comments

The well-prepared candidate with good exam technique, who dealt with the specific requirements, and applied the scenarios in the questions, did well in this part of the paper .

Question 13

Part 1

Common errors were candidates -

- Missing the restriction of the deductions allowance - for both short AP and the 798% the proportion going to Aldborough Ltd.
- missing the C/Y offset of the property loss

Part 2

Most candidates either mentioned the deductions allowance statement or the CT return but few dealt with both. The requirement also asked for relevant dates - , which was not difficult but often missed.

Part 3

The requirement was for four breaches - more than that gained no extra marks. It was an “explain” requirement so to get the full marks there needed to be an explanation if the breach, not just a list of directors' duties.

Question 14

Part 1

- (i) The vast majority of candidates answered this well
- (ii) There is a clear requirement to state the base cost - this was often missed.

Part 2

A lot of marks available for this but few candidates gained full marks. Many candidates went straight to ceasing to act without stating what they would ask/encourage the client to do.

Question 15

The required format is for an email – some candidates missed this. Candidates should not (and this is a general point) that there are 2 marks available for presentation

Part 1

The requirement is for the capital allowances and trading loss consequences only – any other issues mentioned wasted time and gained no other marks

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Paper 4: Corporate Taxation

Examiners' report

Part 2

It was necessary to explain that Geoff was a participator – some candidates missed this.

Part 3

Unfortunately a lot of candidates missed the degrouping charge. Most identified that SSE was not available as Street Ltd is not a trading company. Some failed to round the indexation allowance.

Part 4

Very well answered - the vast majority of candidates recognised Bad Debt Relief for VAT and the requirements for obtaining it.

Question 16

Part 1

Also very well answered, with candidates identifying the capital treatment requirement. No marks available for stating the Inheritance Tax condition – we are informed in the scenario that Maria is using the money to retire, not to pay IHT

Part 2

Less well answered was applying the scenario to the tax calculations– we know that Maria has no annual exemptions and that she is a higher rate payer. We don't know the BADR potential and that can be included in the answer.

Part 3

Badly answered. The requirement only asks for when Redbird Aldovia Inc will be subject to UK CT. The scenario states that it will not trade in the UK nor have UK property – therefore no points for stating the effect of a UK trade or property.

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Paper 5: Inheritance Tax, Trusts & Estates

Examiners' report

Part I

General comments

Scripts were of wide-ranging quality. A large number of candidates failed to attempt whole questions losing some of the easiest marks on the paper.

Question 1

Generally well answered. A handful of candidates failed to discuss the residency status of the trust and only discussed each individual trustee.

Question 2

Generally well answered – the majority of candidates identified the key requirements for relief and applied this to the situation.

Question 3

Most candidates scored pass marks on this question, but the majority did not correctly show the annuity within the tax calculation.

Question 4

In general candidates were able to identify the effect on Inheritance Tax, but the majority of candidates failed to explain the forms of ownership in detail and lost marks.

Question 5

A lot of candidates identified the settlor-interested trust and the fact that gift relief was not available. In general, candidates answered this question well.

Question 6

Very candidates correctly calculated the instalment interest as the instalments were not identified as interest-bearing.

Question 7

A well answered question, although a surprising number of candidates stated that the cash was not liable to IHT as it was for personal use!

Question 8

Most candidates did not use a standard proforma for this question, meaning that steps were missed, losing marks.

Question 9

A generally well answered question.

Question 10

Most candidates answered this question well, applying the PCRT to the scenario.

Question 11

A very well answered question by most candidates.

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Paper 5: Inheritance Tax, Trusts & Estates

Examiners' report

Question 12

Generally, candidates answered this question well.

Question 13

A very well answered question by most candidates.

Part II

General comments

A wide variation in abilities. Most candidates attempted parts of all the questions and achieved the basic marks available.

Question 14

Part 1

Well answered, particularly the Income Tax element.

Part 2

Some candidates failed to calculate and deduct the costs of obtaining probate under SP 2/04, but well answered on the whole.

Part 3

Few candidates identified that the question asked for the chargeable value of the estate, rather than the tax payable. Only a small number picked up on the accrued income to be included.

Part 4

Most candidates were able to set out the conditions for making informal payments and the majority applied this knowledge to Jakub's estate specifically.

Question 15

Part 1

Many candidates did not apply APR and BPR correctly, however most correctly included the initial value of the related trust, made deductions for CLTs and trust capital distributions from the nil rate band, and applied the correct basic 10 year charge calculation. Fairly well answered on the whole.

Part 2

Most candidates obtained basic marks by referring to anti-money laundering, professional clearance and engagement letters. Further marks could have been obtained by most by applying the guidance to the facts of the question and extending their answers.

Part 3

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Paper 5: Inheritance Tax, Trusts & Estates

Examiners' report

Whilst most candidates stated that it would not be possible to give investment advice, a high percentage did not identify that it would be a criminal offence to do so or explain what advice could be given.

Question 16

Part 1

Very well answered on the whole. The vast majority of candidates identified that the GWROB rules applied to the car and house.

Part 2

Although very few candidates fully applied the double charges rules to the calculations correctly, the majority achieved the basic marks available.

Question 17

Part 1

While most candidates achieved the marks available for the IHT implications, many did not go into enough detail to obtain the full CGT marks.

Part 2

The IHT element of this question was well answered on the whole, however many candidates either did not comment on the Income Tax position, or were not able to correctly identify the Income Tax treatment.

Part 3

Very poorly answered on the whole with very few candidates explaining the legal consequences.

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Paper 6: VAT

Examiners' report

Part I

This part of the paper tested a wide range of VAT topics including some of the trickier areas which distinguished the more able candidates. Overall, the quality of answers was good and candidates applied themselves to the specifics of the scenarios.

Question 1

This was very well answered with no candidate scoring less than 3 of the 4 marks available.

Question 2

The more able candidates were able to deal with this question, but it was clearly challenging for some with the most difficult area being the incorporation of a part into exported goods. This would qualify for zero rating subject to evidence of export. In sympathy (and generosity), a part mark was given for those who stated that the ultimate export of the machinery would qualify even if they thought that the part itself would not.

Question 3

This question challenged many candidates as it explored some of the less well known aspects of the cash accounting regime, but well prepared candidates were still able to score well. It was disappointing that many candidates failed to identify that as this was the first VAT return under cash accounting, an adjustment would need to be made for cash receipts which related to invoices from earlier periods.

Question 4

This was answered well and candidates were mostly aware of the new approach adopted by HMRC as to how non-business activity should be assessed. A small number of candidates thought that this was a question about VAT registration which was puzzling.

Question 5

Again well answered compared to capital goods scheme questions in previous sittings. The most common errors were a failure to identify that one of the assets was below the threshold and some lost an easy half mark by failing to add up the total adjustment.

Question 6

Another trickier question on the application of VAT grouping rules which most handled well. Some candidates quoted the rules without applying them to the scenarios. Whilst it is good to be able say what the rules are, there were no points available for this unless the answer then goes on to say how those rules apply to the question. Some candidates missed Imap as a potential group member and

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Paper 6: VAT

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some were not able to think through how partial exemption would then impact the group. A small number of candidates appeared to assume that all the input tax incurred by the group would then be subject to partial exemption apportionment. The concept of fully attributable input tax still exists in a VAT group!

Question 7

Most answered well. The question asked for an explanation as to what the place of supply would be, so those who simply stated the country without an explanation only scored half of the available points.

Question 8

Most candidates identified that the domestic reverse charge was relevant here. A number of people did not get full marks because they assumed that the reverse charge would apply rather than stating that that would need to be established. Some candidates spotted that it was reverse charge supply but then appeared to have no idea how that would work in practice stating that the supplier rather than the customer would need to account for the reverse charge.

Question 9

Generally well answered. The most common error being on the last part of the question where candidates thought that the intention to change the nature of the trade would have more relevance to TOGC than the immediate intention to continue the trade.

Question 10

Candidates were very good at identifying the rules which apply to the gift of goods, but many struggled with the free services aspect with only a few reaching the correct conclusion.

Part II

General comments

This part of the paper also tested a range of VAT topics, and clearly separated out the more able candidates. Overall, the quality of answers was good, and candidates managed to apply their knowledge well. The most disappointing aspect was the very low scores on the PCRT, accounting and law elements of the paper.

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Question 11

Part 1

Although the question contained a lot of information to process, except for a small number of candidates who were unaware of the new penalty regime, candidates handled the calculation aspects of this question well. The calculations for penalty points and flat penalties were mainly accurate, although some candidates didn't differentiate between the quarterly and monthly regime. Some students struggled with the calculations of interest element of the penalty on late payments, and some candidates missed out on marks by failing to state clearly when no penalties were due. Most candidates gave their answers in a narrative format– very few used a table to summarise their workings which would have saved time.

Parts 2 and 3

The responses to part 2 were good, however, the answers to part 3, where candidates were expected to apply the PRCT were generally very disappointing, with many candidates failing to score any marks. Some did not attempt the question, and several merely copied out a section from their manuals, including elements around money laundering, without any application. Some also focussed on the possible actions to be taken in respect of the previous error. No candidates suggested going back to the client for further evidence which in this case would be something readily available, and good practice, to reach clarity.

Question 12

Part 1

This first part of this question covering VAT registration thresholds was handled reasonably well, with most candidates laying their answer out well, and identifying the need to exclude the sale of van and the grant income. Very few candidates identified the need to include the reverse charge. Follow through marks were given for extrapolating the dates for notification and registration. A small number of candidates used the new threshold of £90k to determine registration.

Part 2

The second part of the question, with the exception of the reverse charge element on the supply received from the US, was answered well.

Part 3

The final part of the question asking for the bookkeeping double entry proved unexpectedly challenging for many candidates given that most will already have sat the CBE on accounting.

Question 13

Part 1

Most candidates were able to state the conditions for bad debt relief, but many missed an easy mark for stating how the bad debt relief is claimed (in box 4 of the VAT return).

Part 2

Most candidates were able to correctly allocate the payments to the respective invoices and identify where invoices were not yet eligible for relief. The mix of standard and zero rated invoices proved quite challenging with only a few candidates getting full marks on this part of the question. Many candidates missed an easy mark to summarise the relief due.

Part 3

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Most candidates were able to correctly identify that relief was due as the supplier had not been paid.

Question 14

A small number of candidates put in a lot more work than required on this question by commenting on the liability of construction services supplied which was not required.

Part 1

When looking at the liability of supplies in the first part of this question, most students correctly identified that the holiday cottages were standard rated and the house exempt. A very small number of students picked up the points in full for the swimming pool. A lot of students failed to comment on the liability of the maintenance element of the office rental.

Part 2

This part was also answered well, although some candidates missed out on marks by failing to state explicitly that the option would not impact on the liability of the residential property.

Part 3 and 4

These were answered very well with most candidates clearly stating the benefits and downsides of opting to tax, and conditions for revocation.

Part 5

Many candidates stated that if the lease was more than 21 years then this was a zero rated supply, however they did not state explicitly the position if the lease was for less than 21 years, and so missed out on these marks.

The answers to the final part of this question were again disappointing with many candidates failing to score any marks.