

Institution **CIOT - ATT**  
Course **ATT Paper 3 Business Compliance**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID

Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 1	<b>36</b>	<b>181</b>	<b>212</b>
Section 2	<b>151</b>	<b>680</b>	<b>825</b>
Section 3	<b>103</b>	<b>415</b>	<b>515</b>
Section 4	<b>129</b>	<b>475</b>	<b>591</b>
Section 5	<b>56</b>	<b>176</b>	<b>225</b>
Section 6	<b>105</b>	<b>449</b>	<b>552</b>
Section 7	<b>63</b>	<b>235</b>	<b>292</b>
Section 8	<b>39</b>	<b>186</b>	<b>221</b>
Section 9	<b>91</b>	<b>336</b>	<b>419</b>
Section 10	<b>27</b>	<b>124</b>	<b>150</b>
Section 11	<b>40</b>	<b>215</b>	<b>250</b>
Section 12	<b>33</b>	<b>104</b>	<b>135</b>
Section 13	<b>77</b>	<b>307</b>	<b>383</b>

Answer-to-Question- 1

work on:

a residential building is zero rated = 0%

converting non-residential building into flats is reduced rated =5%

services on:

joinery work is standard rated - 20%

instaling mobility aids no VAT Charged - exempt

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-----ANSWER-1-ABOVE-----  
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-----ANSWER-2-BELOW-----  
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Answer-to-Question- 2

FOR GERARD, THE DEBT FROM THE QUARTER TO 30 SEPTEMBER 2023 HAS BEEN OUTSTANDING FOR MORE THAN 6 MONTHS FROM THE DUE DATE. THE PAYMENT RECEIVED IS ALLOCATED TO THE EARLIEST SUPPLY FIRST AND SO THE FOLLOWING AMOUNT OF BAD DEBT RELIEF CAN BE CLAIMED AS FOLLOWS:

TOTAL VALUE OF SUPPLIES -  $1,200+1,020+600+400 = 3,220$   
PAYMENT RECEIVED -  $(1,800)$   
DEBT OUTSTANDING -  $1,420$

THE AMOUNT OUTSTANDING IN RELATION TO THE DEBT IS £1,420 AND SO THE BAD DEBT RELIEF USING VAT FRACTION IS  $(1,420 \times 1/6) = 237$

WHICH HE WILL BE ALLOWED TO CLAIM AS DEBT HAS BEEN OUTSTANDING FOR MORE THAN 6 MONTHS. (9 MONTHS IN THIS CASE).

THE DEBT MUST HAVE BEEN WRITTEN OFF IN THE BOOKS. THE CASH PAID IS ALLOCATED AGAINST THE OLDER INVOICE FIRST. THEREFORE THE INVOICE FOR 8 AUGUST 2023 FOR 1,200 HAS BEEN PAID IN FULL AND THE INVOICE FOR 1,020 STILL HAS 420 UNPAID.

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-----ANSWER-2-ABOVE-----  
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-----ANSWER-3-BELOW-----  
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Answer-to-Question- 3

31 MARCH 2023 - SUBMITTED LATE BY 8 DAYS - ONE PENALTY POINT  
30 JUNE 2023 - SUBMITTED ON TIME  
30 SEPT 2023 - SUBMITTED LATE BY 11 DAYS - 2ND PENALTY POINT  
31 DEC 2023 - SUBMITTED 2 DAYS LATE - 3RD PENALTY POINT  
31 MARCH 2024 - SUBMITTED LATE BY 25 DAYS - 4TH PENALTY POINT AND  
FINCNCIAL PENALTY OF £200  
30 JUNE 2024 - SUBMITTED LATE BY 15 DAYS - FINCIAL PENALTY OF £200  
(NO PENALTY POINT)  
20 SEPT 2024 - SUBMITTED 1 DAYS LATE - ESTIMATED £200 FINANCIAL  
PENALTY (NO PENALTY POINT)

PENALTIES MUST BE PAID WITHIN 30 DAYS.

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-----ANSWER-3-ABOVE-----  
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-----ANSWER-4-BELOW-----  
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Answer-to-Question- 4

AMIRA:2 DAYS A WEEK  
PIW = 14 DAYS  
NORMAL WORK DAYS = 4 DAYS  
EXCLUDE WAITING DAYS = (3 DAYS)  
= SSP FOR REMAINING DAYS = 1 DAY  
 $109.40/2 \times 1 \text{ DAY} = \text{£}55$

BINGER: TUESDAY TO FRIDAY - 4 DAYS

- 1.TUESDAY 5TH -W
- 2.WED 6TH -W
- 3.THURS 7TH -W
- 4.FRI 8TH -W
- 5.SAT 9TH
- 6.SUN 10TH
- 7.MON 11TH
- 8.TUES 12TH -W
- 9.WED 13 TH -W
- 10.THRUS 14TH -W

PIW = 10 DAYS  
NORMAL WORK DAYS = 7 DAYS  
EXCLUDE WAITING DAYS = (3 DAYS)  
=SSP FOR REMAING DAYS = 4 DAYS  
 $109.40/4 \times 4\text{DAYS} = 109.40$

THE AMOUNTS PAID MUST BE REPORTED ON A FULL PAYMNET  
SUBMISSION BY OWL PLC AS SSP IS PART OF GROSS EARNINGS FOR PAYE  
AND NIC AND ON THE P60 AT THE END YEAR.

-----ANSWER-4-ABOVE-----  
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-----ANSWER-5-BELOW-----  
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Answer-to-Question- 5

PSA:

TAX DUE=

BASIC RATE =  $235 \times 30 = 7,050 \times 20/80 = 1,763$

HIGHER RATE=  $235 \times 40 = 9,400 \times 40/60 = 6,267$

ADDITIONAL RATE =  $235 \times 10 = 2,350 \times 45/55 = 1,923$

TOTAL INCOME TAX DUE = 9,953

NIC'S DUE =  $235 \times 80 = 18,800 \times 13.8\% = 2,594$

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-----ANSWER-5-ABOVE-----  
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-----ANSWER-6-BELOW-----  
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Answer-to-Question- 6

NOTIFY HMRC BY 6 JULY 2024 WHICH IS THE FOLLOWING TAX YEAR. AN ANNUAL RETURN NEEDS TO BE FILED WITH HMRC FOR ALL TAX ADVANTAGED AND NON-TAX ADVANTAGE SCHEMES. FARRELL PLC WILL NEED TO REGISTER ONLINE WITH HMRC.

THERE IS A £100 AUTOMATIC PENALTY FOR LATE FILING. A FRUTHER PENALTY OF £300 IS LEVIED IF THE RETURN IS MORE THAN 3 MONTHS LATE. A FURHTER PENALTY OF £300 IS LEVIED IF THE RETURN IS MORE THAN 6 MONTHS LATE. IF THE RETURN IS MORE THAN 9 MONTHS LATE, DAILY PENALTIES ARE LEVIED. A PENALTY OF UP TO £5,000 CAN BE LEVIED FOR AN INACCURATE RETURN.

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-----ANSWER-6-ABOVE-----  
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-----ANSWER-7-BELOW-----  
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Answer-to-Question- 7

$$3,200 - 1,834 = 1,366$$

$$1,366 \times 9\% = 122.94 \text{ ROUND DOWN TO } \pounds 122$$

$$\text{PAY} = 3,200$$

$$\text{LESS: FREE PAY } (1/12 \times 12570) = (1,048)$$

$$\text{SUBJECT TO PAYE} = 2,152$$

$$1/12 \times 37,700 = 3,142 - \text{BASIC RATE ATED AT } 20\%$$

$$2,152 \times 20\% = 430$$

THEREOFRE INCOME TAX OF  $\pounds 430$  AND STUDENT LOAN OF  $\pounds 122$  SHOULD BE DEDUCTED TO GIVE NET PAY OF  $\pounds 2,648$

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-----ANSWER-7-ABOVE-----  
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-----ANSWER-8-BELOW-----  
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Answer-to-Question- 8

TOTAL EXPENSES REIMBURSED = 11,700  
ALLOWABLE BUSINESS EXPENSES:  
FLIGHTS TO AND FROM NORWAY = (1,200)  
HOTEL ACCOM IN NORWAT = (8,000)  
FLIGHT FOR DAUGHER OVER 18 - NIL  
COAT - NIL  
TOTAL EXPENSES CHARGEBALE TO INCOME TAX = 2,500

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-----ANSWER-8-ABOVE-----  
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-----ANSWER-9-BELOW-----  
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Answer-to-Question- 9

$1.5 + 4.3 + 5.9 + 8.0 = 19,700,000$  PAID TO HMRC

OVERPAID BY  $19.7 - 8 = 11,700,000$

LATER OF NORMAL DUE DATE OF PAYEMNT =  $8\text{MILL} \times 3/12 = 2\text{ MILL}$

DUE DATE = 1 OCTOBER 2024

$3\% \times 5\text{ MILL} \times 15\text{ MONTHS} = 150,000 + 37,500 = (187,500)$

$3\% \times 2.3\text{ MILL} \times 11/12 = 63,250$

$3\% \times 1.9\text{ MILL} \times 7/12 = 33,250$

$3\% \times 6\text{ MILL} \times 5/12 = 75,000$

TOTAL INTEREST PAID TO HMRC = (16,000)

PAYMENTS DUE:

14TH JULY 2023

14TH NOVEMBER 2023

14TH FEBUARY 2024

14TH APRIL 2024

-----ANSWER-9-ABOVE-----  
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-----ANSWER-10-BELOW-----  
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Answer-to-Question- 10

$$60,000 + 50,000/2 \times 2.25\% = 1238$$

1238 X 13.5% = 171 CLASS 1 SECONDARY NICS PAYABLE ON 22 JULY IF  
PAYMENTS ARE MADE ELECTONICALLY OR 19TH JULY OTHERWISE.

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-----ANSWER-10-ABOVE-----  
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-----ANSWER-11-BELOW-----  
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Answer-to-Question- \_11\_

TTP = 7,400,000

DIVIDENDS = 200,000

AUGMENTED PROFITS = 7,600,000

LARGE COMPANY THRESHOLD = EXCEED 1,500,000

Y/E 30 JUNE 2023 = 1,300,000

THRESHOLD 1,500,000 X 3/12 = 375,000

THEREFORE WILL NEED TO PAY IN INSTALLMENTS AS PROFITS EXCEED  
THRESHOLDS AMOUNTS

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-----ANSWER-11-ABOVE-----  
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-----ANSWER-12-BELOW-----  
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Answer-to-Question- 12

$$50,270 - 12,570 = 37,700 \times 9\% = 3,393$$

$$75,000 - 50,270 = 24,730 \times 2\% = 495$$

$$\text{TOTAL CLASS 4 NICS} = 3,888$$

$$\text{CLASS 2 NICS} = 3.45 \times 40 \text{ WEEKS} = 138$$

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-----ANSWER-12-ABOVE-----  
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-----ANSWER-13-BELOW-----  
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Answer-to-Question- 13

FIRST POA DUE ON 31 JANUARY 2023 - LATE BY 1 MONTH AND 10 DAYS  
2ND POA DUE ON 31 JULY 2023 - OAID ON TIME  
BALANCING PAYMENT DUE ON 31 JANUARY 2024 -2 MONTHS AND 19  
DAYS

NO PENALTIES AS ARE ACCREUD ON PAYMENTS ON ACCOUNT AND  
PENALTY FOR BALANCING PAYMENT AS IT WAS MORE THAN 30 DAYS  
LATE WAS  $5\% \times 3,000 = 150$

INTEREST IS ALSO ACCREUD FOR PAYMORENTS ON ACCOUNT AND  
BALANCING PAYMENTS.

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-----ANSWER-13-ABOVE-----  
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Section 14	<b>127</b>	<b>598</b>	<b>697</b>
Section 15	<b>317</b>	<b>1524</b>	<b>1829</b>
Section 16	<b>364</b>	<b>1751</b>	<b>2095</b>
Section 17	<b>216</b>	<b>999</b>	<b>1202</b>

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-----ANSWER-14-BELOW-----  
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Answer-to-Question- \_14\_

IMTIAZ:

IMPORTS:

15,000 - NOT UK PLACE OF SUPPLY -  $15,000 \times 20\% = 3,000$

30,000 - NOT A UK PLAC EOF SUPPLY -  $20\% = 30,000 \times 20\% = 6,000$

EXPORTS:

2,100 - ZERO RATED

5,400 - UK PLACE OF SUPPLY - ZERO RATED

OUTPUTS:

NIL

INPUTS:

(3,000)

(6,000)

TOTAL VAT RECLAIMED = (9,000)

HARPER'S VAT PAYBALE:



	TAXABLE SUPPLIES	EXEMPT SUPPLIES	TOTAL SUPPLIES		
STANDAR D RATE	58,000				
EXEMPT SUPPLIES		23,500			
	58,000	23,500	81,500		
NON ATTRIBU TAL					
TAXABLE SUPPLIES	3080 X 71% =2187				
EXEMPT SUPPLIES		2500 X 29% = 725			

RECOVERABLE AMOUNT =  $58,000/81500 = 71\%$   
 $24,225/3 = 8075$  - TEST NOT MET

WYATT:  
 $58,000/58,000+33,000 = 149,000$   
 $149,000 \times 1/6 = 24,833$

CR BANK 22,800  
 DR DIRECTORS CAR 22,800

CR BANK  
 DR EXPENSES ENTERAINTING 2,160

CR BANK 1,500  
 DR REPAIRS 1,500

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 -----ANSWER-14-ABOVE-----  
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-----ANSWER-15-BELOW-----  
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Answer-to-Question- 15

WHERE PERMITTED BY LAW A TAX FIRM MAY PAY A FEE, COMMISSION OR OTHER REWARD TO A THIRD PARTY IN RETURN FOR THE INTRODUCTION OF A NEW CLIENT PROVIDED THAT A TAX ADVISOR HAS NO REASON TO BELIEVE THAT UNDUE PRESSURE WAS EXERTED ON SANDPIPER LTD AND BEFORE ACCOMMODATING INSTRUCTIONS, THE TAX ADVISOR SHOULD HAVE DISCLOSED TO SANDPIPER IN WRITING THE AMOUNT AND NATURE OF THE FEE. TAX ADVISOR SHOULD NOT ACCEPT NEW CLIENT IF THERE IS A CONFLICT OF INTEREST IN ACCEPTING THE CLIENT, IF TAX FIRM HAS NOT HAVE THE SKILLS OR COMPETENCE TO SERVICE THE CLIENTS OR POTENTIAL CLIENT IS NOT ACCEPTABLE CLIENT IN TERMS OF THE RISKS WHICH MAY ARISE.

SANDPIPER TOTAL AMOUNT OF SALARY SHOULD BE REPORTED ON P60 AND COMPANY WILL PROVIDE THE EMPLOYEE WITH A DESCRIPTION THE THE BENEFIT AND THE CASH EQUIVALENT VALUE BY 31 MAY FOLLOWING THE END OF THE TAX YEAR. THE BENEFITS WILL BE REPORTED ON A FORM P11D. COMPANY WILL GIVE EMPLOYEE MONTH PAYSLEIPS TO SHOULD NET PAY AND AMOUNTS DEDUCTED FROM GROSS SALARY.

EMPLOYMENT INCOME =  
SALARY:  $67,000 \times 10/12 = 55,833$

BENEFITS:  
REMOVAL EXPENSES = 1,000  
FLAT:  $10,781 + 6,200 = 16,981$   
TOTAL BENEFITS = 17,981

VOLUNTARY PAYROLLING IS NOT ELIGIBLE FOR JERMIMA AS BENEFITS RELATED TO HER ACCOMMODATION WHICH IS NOT ALLOED IN PAYROLLED BENEFITS.

REMOVAL EXPENSES UP TO 8,000 EXEMPT =  $9,000 - 8,000 - 1,000$

FLAT: 9 YEARS BETWEEN PURCHASE OF PROPERTY:  
 $(650,000 - 75,000) \times 2.25\% = 12937 \times 10/12 = 10,781$

ACCOMODATION IS NOT JOB RELATED SO WILL GIVE RISE TO  
EMPLOYMENT BENEFIT:

IN ORDER TO VERIFY SUBCONTRACOR, SANDPIPER LTD WILL NEED THE  
SUBCONTRACTORS:

- UTR
- NATIONAL INSURANCE NUMBER IF THEY ARE A SOLE TRADER
- COMPANY NAME, COMPANY UTR AND REGISTRATION NUMBER IF THEY  
ARE A LIMITED COMPNAY
- NOMINATED PARTNER DEATILS AND PARTNERSHIP URT IF THEY ARE A  
PARTNERSHIP

SANDPIPER LTD WILL ALSO NEED ITS OWN UTR AND EMPLOYER  
REFERENCE NUMBER

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-----ANSWER-15-ABOVE-----  
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-----ANSWER-16-BELOW-----  
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Answer-to-Question- 16

MO'S REDUNDANCY:

TAXED AS NORMAL EARNINGS -  
DECEMBER - 2,500  
PILON - NIL  
FULLY TAXABLE = 2,500

TAXED UNDER S.401  
STATUTORY REDUNDANCY = 1,800  
EX GRATIA PAYMENT = 32,000  
PARTIALLY TAXABLE = 33,800  
LESS EXEPTION = (30,000)  
TAXABLE AMOUNT = 3,800

MONTHLY PAY IS 2,500  
PENP NOTICE IS 2 MONTHS  
CONTRACTUAL PILON IS 5,000  
THEREFORE PENP IS  $(2,500 \times 2) / 1 - 5,000 = \text{NIL}$

JANINA'S TRADING PROFITS:

2022/23 - STANDARD YEAR BASIS  
TRADING PROFITS FOR 30 SEPT 22 = 120,000

2023/24 - TRANSITIONAL YEAR BASIS  
TRADING PROFITS FOR 30 SEPT 23 = 90,000  
3 MONTHS TO 31 DEC 23 PROFITS = 40,000  
TOTAL TRADING INCOME = 130,000  
LESS OVERLAP PROFITS = (4,900)  
TAXABLE TRADING PROFITS = 125,100

DEEMED EMPLOYEE:

SKILZUP LTD MADE THE DECISION SHE WAS A DEEMED EMPLOYEE OF  
ALTY UNI.

OFF PAYROLL RULES APPLY , AS JANINA WOULD BE AN EMPLOYEE OF SKILZUP LTD. SKILZ UP WILL CALCULATE A DEEMED DIRECT PAYMENT WHICH WILL BE SUBJECT TO PAYE AND NICS. THE INCOME FROM RELEVANT ENAGEMENTS THAT EXCEEDS ACTUAL SALARY PAID OUT AND VARIOUS OTHER DEDUCTIONS IS DEEMED TO BE A SALARY RECEIVED ON 5 APRIL. THE DEEMED SALARY PAYMENT IS CALCULATED. PAYE AND NICS ARE DUE BY 22 APRIL.

JANINA CAN PROVIDE ANY EVIDENCE SHE FEELS SUPPORTS THE REASON FOR HER DISAGREEMENT, SHE WILL NEED TO WRITE TO SKILZUP LTD TO GIVE REASONS WHY SHE DISAGREES. THEY SHOULD INCLUDE DETAILS OF THE EMPLOYMENT STATUS AND DETERMINATION THEY DISAGREE WITH.

REPORT ON SA1:

THE DEEMED SALARY PAYMENT WILL BE INCLUDED AS EMPLOYMENT INCOME ON THE JANINA'S SELF ASSESSMENT TAX RETURN AND THEY WILL RECEIVE CREDIT FOR THE PAYE DEDUCTED. DIVIDENDS RECEIVED BY SKILZUP LTD ARE TAX FREE UP TO THE LEVEL OF THE DEEMED DIRECT PAYMENT AND DO NOT NEED TO BE REPORTED ON JANINA'S SELF ASSESSMENT.

JANINA'S LIABILITY:

AS A SOLE TRADER SHE WOULD HAVE UNLIMITED PERSONAL LIABILITY FOR HER BUSINESS DEBTS, THIS MEANS THAT IF THE BUSINESS FAILS OR HAS DEBT, JANINA'S PERSONAL ASSETS ARE AT RISK. AS A LIABILITY THROUGH AS COMPANY, THE COMPANY HAS ITS OWN PERSONAL LIABILITY FOR ITS BUSINESS DEBTS, WHICH IS SEPARATE FROM AN INDIVIDUAL. SHAREHOLDERS WILL ONLY BE LIABLY FOR THE COMPANY'S DEBT UP TO THEIR VALUE OF SHARES.

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-----ANSWER-16-ABOVE-----  
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-----ANSWER-17-BELOW-----  
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Answer-to-Question- 17

CAR:

$20,000 \times 0.50 = 10,000$

$10,000 \times 0.45 = (4,500)$

$10,000 \times 0.25 = (2,500)$

TOTAL BENEFIT = 3,000 - CLASS 1A NICS FOR ASSOCIATES

LIST PRICE = 40,000

LESS CONTRIBUCTIONS (MAX 5,000) = (5,000)

REVISED LIST PRICE = 35,000

% =  $5\% \times 35,000 = 1,750$  - CLASS 1A NICS FOR EMPLOYEES

SIP:

OPERATIONS DIRECTOR - ALL EMPLOYEES SHOULD BE OFFERED SHARES ON SIMILAR TERMS AND ALL FULL-TIME EMPLOYEES. THEREFORE EMPLOYEE WHO WORK ON WEEKENDS SHOULD BE ALLOWABLE UNDER SIP RULES AND OPERATIONS DIRECTOR SUGGESTION IS ALLOWABLE.

HR DIRECTOR - ALL EMPLOYEES MUST BE OFFERED THE SHARES, ALTHOUGH THOSE WITH LESS THAN 18 MONTH OF SERVICE COULD BE EXCLUDED. THEREFORE SUGGESTION IS NOT ALLOWABLE

MANAGING DIRECTOR - SUGGESTION IS NOT ALLOWED, EMPLOYEES SHOULD HAVE A CHOICE WHEN THEY WITHDRAW SHARES DEPENDING IF IT IS LESS THAN 3 YEARS OR MORE THAN 5 YEARS.

FINANCE DIRECOR - SUGGESTION IS NOT ALLOWANCE AS ALL EMPLOYEES MUST BE OFFERED THE SHARES ON SIMILAR TERMS, AS THIS WONT BE ON SIMILAR TERMS THIS IS NOT ALLOWABLE.

CTSA:

AMEND AN OBVIOUS ERROR BY HMRC: BY 9 MONTHS FROM THE DATE OF RECIEPT I.E 28 FEBURARY 2025

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OPEN AN ENQUIRY - AS RETURN WAS FILED LATE, 12 MONTHS FROM THE  
NEXT QUARTER DAY FOLLOWING LATE FILING I.E 31 JULY 2025.