



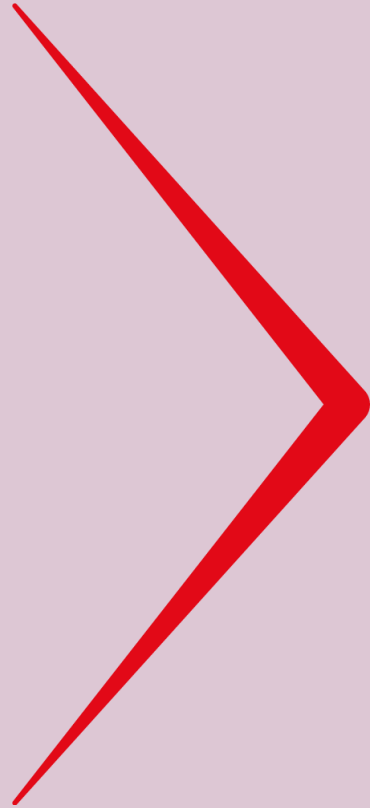
# ***ICAEW Partner in Learning***

ACA TUTOR CONFERENCE 2024

# ***Agenda***

- Generic information
  - Finance Acts for 2024 exams
- Principles of Taxation
  - 2024 exams
  - Tax tables
  - Notes on the LMs
  - Syllabus weightings and Learning Outcomes (LOs)
  - PoT appendices for new tutors (OTQ styles, Plain English, terminology, sample papers, partial marking)
- Tax Compliance
  - Exams & syllabus for 2024 & proposal for 2025
  - New content and presentation in 2024
  - Notes on the LMs
- Ethical and other issues in 2025 exams
- Presentation and approach
- Questions

**1**

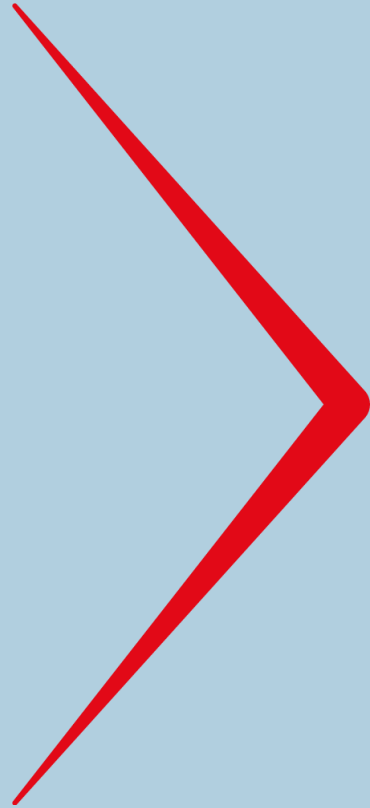


***Generic  
Information***

# ***Finance Acts for 2024 exams***

- ICAEW only examines a Finance Act (not a Finance Bill)
- Learning Materials are always written prior to August of the previous year
- 31 July is a guide (ie not definitive) legislative cut off date
- Exams are mostly written before the LMs go to print
- Exams are based on the LMs  
(subject to any supplementary sheets for TC – see later re NIC rates from 6 Jan 2024)
- For 2024 exams
  - Legislative cut off was 31 July 2023
  - Finance Act 2023 and Finance (No 2) Act 2023

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***Principles of  
Taxation***

# ***2024 exams***

- FA 2023 and F(No2)A 2023 are examinable from 1 January 2024 to 31 December 2024
- Devolved taxes are not examinable
- Format:
  - 1½ hour CBE on demand
  - 2 long-form ten-mark questions as Qs 1 and 2: one IT&NIC, one CT
  - 40 short-form two-mark OTQs as Qs 3-42
  - Syllabus content unchanged (subject to FA changes)

# ***Principles of Taxation – Tax tables***

- Tax tables are as per the LMs and are provided on screen
- Sourced from CCH Hardman's
- In sections as per the syllabus eg the income tax & NIC questions only access data relating to income tax & NIC

# ***Notes on the Learning Materials***

- New content is shaded grey
- Workbook – contains lots of OTQs for practice purposes for IT and CT even though in exam will be tested via scenario questions
- Question Bank – topics are examined exactly as they will be in live exam, IT topics which will be examined via scenario question will only be in the Question Bank as scenario questions



# ***PoT 2024 syllabus weightings***

SYLLABUS AREA	WEIGHTING
Objectives, types of tax & ethics	10%
Administration of taxation	20%
Income tax & NIC	24%
Capital gains tax / gains for companies	10%
Corporation tax	16%
VAT	20%

- Changed versus 2023 exams
- Income tax & NIC – reduced from 26% (because of changes to basis periods)
- Corporation tax – increased from 14% (no new content other than FA changes)

# ***Learning outcomes for 2024***

- Continued delay to MTDfB means still very light touch in 2024 LMs
- No new LOs for 2024
- Amended LOs for 2024:
  - 3g calculate the assessable trading profits for an unincorporated business **which is commencing, continuing or ceasing to trade**
  - 5b recognise the interaction of having one or more **associated** companies with corporation tax payment dates
- Deleted LOs re basis periods – opening year rules, CYB, closing year rules

# ***Learning outcomes tested via scenario questions for 2024***

- IT & NIC scenario question
  - 3a – sources of taxable and non-taxable income
  - 3c – employment income
  - 3e – allowable or disallowable expenditure
  - 3h – total taxable income
- CT scenario question
  - 5b – impact of **associated** companies on payment dates
  - 5c – allowable or disallowable expenditure **& capital allowances** (change for 2024)
  - 5d – taxable total profits
- Will never appear as OTQs

# ***Learning outcomes tested via OTQs for 2024***

- Objective is to test the whole syllabus
- Use the PoT QB Appendix: “Suggested structure for Mock Exams in 2024”
- Each OTQ only tests a single syllabus area (eg admin or CT) so all possible answers must be from the same syllabus area

# ***Learning outcomes tested via OTQs for 2024***

- IT & NIC 7 OTQs – one from each LO = 14%:
    - 3b – calculate PA or MA
    - 3d – badges of trade
    - 3e – capital allowances
    - 3f – partnerships
    - 3g – assessable profits
    - 3h – calculate IT liability
    - 3i – calculate NIC
  - CT – three OTQs = 6%:
    - Either
      - 5a – accounting periods
      - 5d – corporate residence / tax rates / financial years
    - 5c – capital allowances
    - 5d – calculate CT liability
  - Ethics, objectives & types of tax:
    - 3 ethics
    - 1 objectives of tax
    - 1 types of tax
- NB – fewer LOs in 2024 as now one LO not three for assessable profits

# ***Learning outcomes tested via OTQs for 2024***

- Admin 10 OTQs = 20%:
  - 2a – records
  - 2b – PAYE code, PAYE system, NIC system
  - 2c – ITSA & CTSA
  - Two from:
    - 2d – due dates for IT / CT returns and payments
    - 2d – VAT filing and payment dates
    - 2d – employer PAYE & NIC returns and payments
  - Four from – interest and penalties due for:
    - 2e – late notification
    - 2e – IT late submission of returns/payment
    - 2e – CT late submission of returns/payment
    - 2e – VAT late submission of returns/payment
    - 2e – PAYE late submission of returns/payment
    - 2e – incorrect returns
  - 2f – enquiries, compliance check, discovery, determination, appeals
- Gains – any five OTQs = 10%:
  - 4a – exempt / chargeable
  - 4a – date of disposal
  - 4b – calculate gain/loss
  - 4b – chattel rules
  - 4b – chattel rules sets
  - 4b – allowable costs
  - 4c – total gains
  - 4d – CGT liability

# ***Learning outcomes tested via OTQs for 2024***

- VAT 10 OTQs = 20%:
  - 6a – classify supplies (includes deemed supplies)
  - 6b – implications of classification (including recovering input VAT)
  - 6c – VAT registration / deregistration / exemption from registration
  - 6c – applying the future and historic VAT registration tests
  - 6d – tax point
  - 6e – calculate output VAT payable
  - 6e – calculate input VAT recoverable
  - 6e – pre-registration input VAT
  - 6e – discounts
  - 6e – VAT incorrectly not charged
  - 6e – bad debt relief
  - 6f – annual accounting scheme
  - 6f – cash accounting scheme
  - 6f – flat rate scheme

# ***New, deleted & amended content for FA 2023 & F(No2)A 2023***

- External influences – Added OECD Pillar Two as an external influence on UK taxation (chapter 2, section 1.5.2)
- Chargeable and exempt income – extended list of items in each category (chapter 3, sections 1.2-1.3)
- Tax year basis – Entire chapter has been rewritten, see below (chapter 7)
- Capital allowances for companies – 100% FYA (aka “full expensing”) added, see below (chapter 10, section 2.2.2)
- Computation of corporation tax – rewritten to reflect changes in tax rates and related 51% group companies / associated companies, see below (chapter 10, section 3)



# ***Tax Year Basis – what are the new rules?***

- First tax year – start date to 5 April (special rules for start dates between 31 March and 5 April)
- Subsequent tax years – 6 April to 5 April
- Last tax year of trade – 6 April to date of cessation

# ***Tax Year Basis – what will PoT test?***

- No old rules
- No transitional rules (will be tested at TC)
  - For 2023/24 dates will be set in the future to make technically accurate based on required knowledge
- Late accounting date rules
- Practical implications of having a year end which is not 31 March to 5 April especially if year end is late in the tax year (see chapter 13, section 5.6)

# ***Tax Year Basis – how will PoT test TYB in 2024 exams?***

- Commences to trade in 2023/24
  - Commencement to 5 April (unless late accounting date rules apply)
  - Could be nil if start to trade 1-5 April (ie late accounting date rules apply)
- Continuing trades
  - Will have a 31 March year end if set in 2023/24
  - Other year ends will be set into the future (to avoid transitional year rules)
- Ceasing to trade
  - Will cease in 2024/25 (to avoid transitional year rules)

# ***Capital allowances – how will PoT test them in 2024 exams?***

- Capital allowances – AP will start on or after 1 April 2023 so that they know full expensing applies
- Need to know that pre 1 April 2023 full expensing did not apply and no automatic balancing charge on disposal for pre April 2023 assets
- Possible question on next slide. This is as hard as it would get (the date of acquisition of the computer equipment tells them that it cannot have been eligible for full-expensing)
- NB Special rate pool excluded from PoT

# ***Capital allowances – sample question***

Z Ltd prepares accounts for the year ended 31 March 2024. During the year it made the following purchases and disposals:

Purchase of new machinery for £100,000

Purchase of new car with CO<sub>2</sub> emissions of 40g/km for £45,000

Disposal of computer equipment for £15,000

The computer equipment cost £62,000 in January 2020.

On 1 April 2023 the tax written down value brought forward on the main pool was £500,000.

**What is the maximum possible claim for capital allowances for the year ended 31 March 2024?**

£195,400

# ***Corporation tax changes – how will PoT test them in 2024 exams?***

- Computation of CT liability
  - AP will start on or after 1 April 2023 as old rates not examinable
- Associated companies – need to know
  - Corporation tax marginal relief
    - adjust MR limits (£50,000 & £250,000) based on number of associated companies
    - associated if owned at any point in the current AP
  - Quarterly instalment payments (QIPs)
    - adjust the large and very large limits (£1.5m & £20m) and the £10m limit for number of associated companies
    - associated if owned on the last day of the previous AP
- 51% subsidiaries – relevant for purposes of augmented profits (ie to determine ABGH distributions)

# ***Post FA changes – NIC rates***

- Class 1 employee NIC rates changed from 6 January 2024
- For PoT students must use the original rates as given in the LMs and the tax tables in the exam

# ***PoT Appendices – for new tutors***

- OTQ styles
- Plain English
- Terminology
- Sample papers



# ***OTQ styles***

- Only styles of OTQs are those in the LMs – ie if it's not in the LMs it won't be in the real exam
- No drag and drop, no drop down lists – so be careful if you're repurposing OTQs from other qualifications
- No superfluous information

# ***OTQ styles***

- MCQ choose 1 from 4
  - Which of the following statements is true?
  - What is the latest date by which HMRC may make such corrections?
- MRQ choose 2 from 4/5 (or unusually 3 from 5)
  - Which two of the following statements are correct?
  - Which three of the following costs are...
- Matrix MRQ
  - two parts, choose 1 from 2/3 each time (eg Increase, Decrease, No Change as the three options each time)
  - two parts, choose 1 from 2 then choose 1 from 3
  - three parts, choose 1 from 2 each time (eg types of tax – direct/indirect)
  - lists may or may not be the same each time
- Numerical input (eg for input/output VAT or tapered PA)

# ***Plain English***

- Fewer words
- Short sentences
- Positive requirements (unless negative is unavoidable)
- Active sentences
- No homonyms, homographs or homophones – eg “draws up accounts” is now “prepares accounts”
- Use words consistently rather than synonyms – eg just use “prepare” rather than “prepare” as well as “make up” / “draw up” / “produce” / “devise”
- No colloquialisms – eg “ballpark figure”
- Match LMs – ie technical words
- Consider students for whom English is a second language

# ***Plain English – shorter sentences***

Select which one of the following options correctly identifies the amount of VAT that can be reclaimed in respect of the above.

becomes

How much VAT can be reclaimed in respect of the above?

# ***Plain English – positive requirements***

Which one of the following statements does NOT apply to the VAT annual accounting scheme?

becomes

Which one of the following statements is true in relation to the VAT annual accounting scheme?

# ***Plain English – active sentences***

£500 of new machinery was bought in January 2021 by James.

becomes

In January 2021 James paid £500 for new machinery.

# ***Terminology***

- Terminology in LMs is exactly as it will be in the real exam
- If you're writing additional questions, points to consider:
  - “Jasper receives the following amounts during 2023/24”  
(not “Jasper receives the following amounts during *the tax year* 2023/24”)
  - “taxable trading income” (not “trading income assessment”)
  - “trading profits” (not “assessable trading profits”)
  - “What are...” or “Which are...” (not “Which one of the following options represents...”)
  - “...has taxable income (after deducting any personal allowance) in 2023/24 of...”  
(not “...has taxable income in 2023/24 of...”)
  - Use the actual tax year rather than putting “in the current tax year”, we do in the exam, just accept that tax has to be updated every year

# ***Sample papers for 2024 exams***

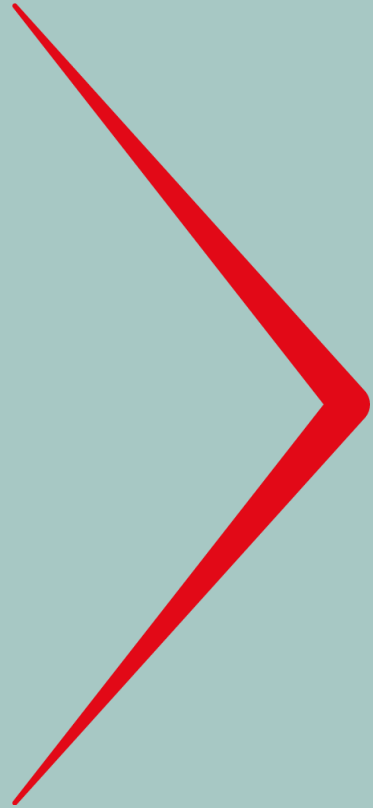
- Q1 – IT & NIC – Elan in Sample Paper 1, Mandy in Sample Paper 2, Mildred in Sample Paper 3
- Q2 – CT – Sigil Ltd in Sample Paper 1, Bryn Ltd in Sample Paper 2, Kennedy in Sample Paper 3
- Sample paper is available from PoT Study Resources within ICAEW Student website:
  - <http://www.icaew.com/en/qualifications-and-programmes/cfab/cfab-students/cfab-study-resources/principles-of-taxation-study-resources>
- Tutor resources are available from PoT Study Resources within ICAEW Tutor website:
  - <http://www.icaew.com/en/learning-and-development/partners-in-learning/resources-and-support/qualification-resources/aca-qualification/principles-of-taxation>



# ***Partial marks***

- Partial marks are available
- Car benefit working might be:
  - ½ mark = fuel %
  - ½ mark = 4% diesel supplement
  - ½ mark = using list price
  - ½ mark = prorating for availability

3



***Tax Compliance***

# ***Format***

- 2½ hour exam delivered via four exam sessions per year
- Exclusively CBE
- CCH Hardman's open book within exam platform
- Five written questions for 100 marks (NB syllabus weightings are different):
  - Q1 Ethics & Law = 7 marks
  - Q2 Indirect taxes = 13 marks
  - Q3 Capital taxes = 25 marks
  - Q4 Corporation tax = 20 marks
  - Q5 Income tax & NIC = 35 marks

# ***TC 2024 syllabus weightings***

SYLLABUS AREA	WEIGHTING
Ethics & law	5-10%
Indirect taxes	10-15%
Capital taxes	20-30%
Corporation tax	15-25%
Income tax & NIC	30-40%

- The five main questions for TC focus mainly on these five areas in the order above
- But NB syllabus weightings and marks allocated to that syllabus area's question are not the same
- So some extra ethics may appear elsewhere, and small elements of interaction between taxes

# ***TC 2025 – proposed syllabus weightings***

SYLLABUS AREA	WEIGHTING
Ethics, law & administration (proposed change versus 2024)	10-20%
Indirect taxes	10-15%
Capital taxes (proposed change versus 2024)	15-25%
Corporation tax	15-25%
Income tax & NIC	30-40%

- The five main questions for TC focus mainly on these five areas in the order above
- But NB syllabus weightings and marks allocated to that syllabus area's question are not the same
- So some extra ethics may appear elsewhere, and small elements of interaction between taxes

# ***Legislation and rules for 2024 exams***

- March, June, Sept & Dec 2024
- Finance Act 2023 and Finance (No 2) Act 2023
- Brexit
  - Relevant indirect tax issues covered in the Workbook
  - Mainly awareness level
- Devolved taxes
  - Students are expected to be aware of the existence of devolved taxes
  - Numerical questions will not be set which test devolved rules
  - Individuals will not be a Scottish or Welsh taxpayer whenever a devolved tax could potentially apply
  - For stamp tax calculations, properties will be located in England

# ***New / amended learning outcomes for 2024***

- 4f. recognise the effect of the following issues on trading profits of the treatment of:
  - provisions
  - capitalized revenue expenditure
  - **intangible assets**;
  
- 4f. recognise the effect of the following issues on corporation tax payable:
  - having a period of account less than or more than 12 months in length
  - having one or more **associated** companies
  - being a member of a group;
  
- 5e. calculate the assessable trading profits or losses for an unincorporated business **which is commencing, continuing or ceasing to trade**;

# ***New, deleted & amended content for FA 2023 and F(No2)A 2023***

- Ethics – Economic Crime Plan 2 is new (chapter 1, section 8.1)
- Transitional rules for taxation of trading profits – Transitional rules are examinable, see below (inserted into chapter 2, section 1.5 & chapter 6, section 3.5 & chapter 8, section 1)
- Pensions – New section on automatic enrolment (chapter 4, section 1.1.1)
- Trading profits basis of assessment – Entire section rewritten, see below (chapter 6, section 3)
- Additional FYAs for companies – Rewritten to include full expensing, see below (chapter 18, section 2.2)
- Computation of corporation tax – Rewritten, see below (chapter 18, section 3)



# ***Tax Year Basis – what will TC test?***

- Old rules – for businesses ceasing in 2023/24 (and if considering 2022/23)
- New rules – for businesses starting in 2023/24 (and if considering 2024/25)
- Transitional rules – for businesses continuing through 2023/24
  - But not how trade losses incurred in the transitional period are relieved
- Late accounting date rules

# ***Corporation tax changes – how will TC test them in 2024 exams?***

- Computation of CT liability
  - Old rates
  - New rates
  - Financial year straddle
- Associated companies – need to know
  - Corporation tax marginal relief
    - adjust MR limits (£50,000 & £250,000) based on number of associated companies
    - associated if owned at any point in the current AP
  - Quarterly instalment payments (QIPs)
    - adjust the large and very large limits (£1.5m & £20m) and the £10m limit for number of associated companies
    - associated if owned on the last day of the previous AP
- 51% subsidiaries – relevant for purposes of augmented profits (ie to determine ABGH distributions)

# ***Additional FYAs for companies – what will TC test?***

- For corporation tax purposes (not income tax), enhanced capital allowances apply for expenditure incurred as follows:
  - From 1 April 2021 to 31 March 2023 expenditure on most new and unused plant and machinery that would otherwise have qualified for the 18% main rate of capital allowances qualified for a “super-deduction” of 130%
  - From 1 April 2023 expenditure on most new and unused main pool plant and machinery, qualifies for “full expensing” at 100%
  - From 1 April 2021 expenditure on special rate pool assets that would otherwise have qualified for allowances at the lower rate of 6% (including integral features and long-life assets), qualifies for a 50% “SRP allowance” or first-year allowance
- Balancing charges on disposal of assets on which these FYAs were claimed
- Errata sheet here:
  - <https://www.icaew.com/for-current-aca-students/exam-resources/professional-level/tax-compliance-module-study-resources>

# ***Post FA changes – NIC rates***

- Class 1 employee NIC rates changed from 6 January 2024
- The following approach will be adopted in TC exams during 2024:
  - All students will be expected to answer 2024 exam questions based on the information in the 2024 learning materials
  - In the Tax Compliance exam students may be told what assumptions they are to make on exam day. Any instruction of this sort within the exam itself takes precedence over anything previously published or announced
  - However, for Tax Compliance and Business Planning: Taxation, if students choose, contrary to instructions on exam day or in conflict with the LMs, to answer based on real-life rates, allowances and rules where these differ by the date of the sitting, then as far as possible they will not be penalised in marking

# ***NIC rates – website statement***

## **Important information for exams 2024**

**Following the Chancellor's announcements relating to Class 1 primary National Insurance Contributions in the Autumn Statement (23 November 2023), we can update you as follows in relation to learning materials and the approach for ICAEW Tax exams during 2024.**

All students will be expected to answer exam questions based on the information in the 2024 learning materials.

**See:**

**<https://www.icaew.com/for-current-aca-students/exam-resources/professional-level/tax-compliance-module-study-resources>**

# ***Tax tables – fuel scale charges***

- The tax tables do not include the latest fuel scale charges.
- Where relevant in an exam there will be a note below the requirements that includes figures for:

<b>VAT fuel scale charge, 3-month period £</b>	<b>VAT on 3-month charge £</b>	<b>VAT exclusive 3-month charge £</b>
------------------------------------------------------------	----------------------------------------	-----------------------------------------------

- This may include the relevant figures for more than one CO<sub>2</sub> band.
- This may be given for a 1-month or 12-month period where relevant.

# ***Notes on the Learning Materials***

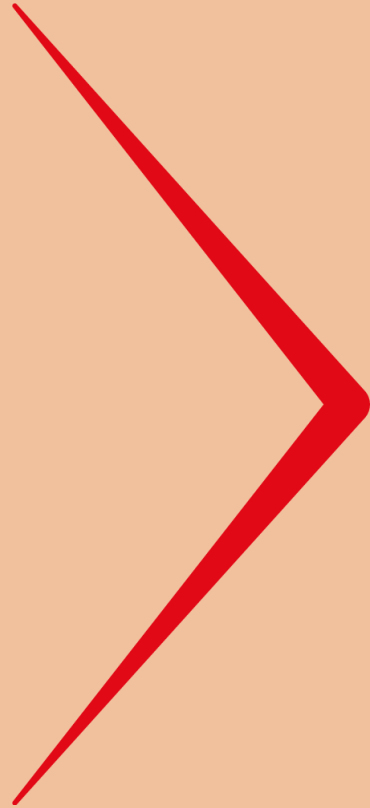
- New content is shaded grey
- Administration – we have held off with MTD for income tax and so has HMRC!

# ***Module resources***

- Past exam papers (not updated for FA changes) and other resources are available from TC Study Resources within ICAEW Tutor website:
  - <http://www.icaew.com/en/learning-and-development/partners-in-learning/resources-and-support/qualification-resources/aca-qualification/tax-compliance>




**4**




***Ethical and  
Other Issues in  
2023 Exams***

# ***Ethical issues – lying is not avoidance***


2. Jackson is committing tax avoidance as he is lying about where the income came from. As such, we should advise Jackson to report the proceeds properly.


If he does agree to this then that is fine. If not, we should warn him of the risks to his reputation, as well as the possible penalties and imprisonment that could occur for him if he is found out. 

If he does not agree we should also report this to HMRC, the Money Laundering Report Officer at our firm as well. We should avoid tipping off Jackson. 

# ***Ethical issues – lying is not avoidance***

1.2


Inform Jackson that it needs to be accounted for as capital gains tax rather than inheritance tax, and that he needs to update his tax return / inform HMRC. 


Check the engagement letter to see whether you have the right to inform HMRC of the change in tax rate on the sale. 

If not, inform Jackson he needs to inform HMRC / update his accounts to show for CGT rather than IHT.

If he does not agree to do this consider resigning for Jackson as a client. 

Although Jackson lied about the sale being inheritance this would be considered as tax avoidance which isn't illegal but must be dealt with to ensure HMRC are informed and the correct adjustments are made.

If Jackson does not agree could potentially report to MLRO in company of suspicion of money laundering due to Jackson potentially trying to claim reliefs on this inheritance tax and pay less tax. 

The impact this will have on future explanations provided by Jackson will mean I will check bank statements and the detail of transactions in more detail. 

Inform Jackson if any other transactions do not seem correct.

# ***Ethical issues – lying is not avoidance***

## **2. Jackson**

- Jackson's action indicates that he has lied about his capital gain from the proceed of his holiday home and not an inheritance because both of the tax have different treatments.
- This is considered as tax avoidance and in the future, the tax advisor will be more skeptical about Jackson's future explanations.
- Furthermore, the tax advisor will ask more follow up questions regarding Jackson's explanation to ensure we have the correct answer from Jackson.

# ***Ethical issues – good and bad***

Good – students are generally good at **identifying**:

- fundamental principles
- threats and safeguards
- money laundering

Challenges – students generally find the following challenging:

- Explaining why the above are relevant in a given scenario
- Standards for tax planning – correct identification and explanation
- Failure to prevent the facilitation of tax evasion

# ***Other weaker areas***

## Overall

- Generally writing words – some students take the approach of **numbers** only

## Q2 – VAT

- VAT – partial exemption/ CGS
- VAT – international aspects (Dec 2023 – example below)

## Q3 – Capital taxes

- CGT and IHT reliefs – these continue to be very important at BP:T so should be embedded well at TC

## Q4 – Corporation tax

- Some improvement but there are still difficulties in all areas (losses and groups are particularly challenging)

## Q5 – Income tax & NIC

- Some slip in employment income (loans / accommodation)
- NIC – when to apply class 1 versus class 4 (Dec 2023 – example below)

# June 2023

## Q3 – Independent taxation?

The amount of capital gains tax on chargeable gains accruing to a married woman in a year of assessment shall be assessed and charged on the husband [s.45(1) CGTA 1979]

Repealed 6 March 1992

### Requirements

1. Using each of the automatic UK residence tests, explain why Bella and Zain are UK resident for tax purposes for the whole of 2022/23. **(4 marks)**
2. Calculate the capital gains tax payable for 2022/23 by Bella and by Zain. **(13 marks)**
3. Calculate the inheritance tax due on Zain's current estate, showing your treatment of each asset. Assume that Zain remains non-UK domiciled for inheritance tax purposes and dies on 7 June 2023. **(8 marks)**

Many students prepared one computation to cover both individuals

# December 2023

## VAT – International aspects (1)

The following transactions occurred in the quarter ended 31 March 2023:

Sales:	£
GB customers	156,000
Individuals in France	28,200

**Note:** Sales are stated exclusive of VAT.

Purchases and expenses:	Notes	£
GB suppliers	(1)	73,200
Canadian supplier	(2)	40,000

**Notes:**

(1) £73,200 includes £7,200 of zero-rated purchases and £3,600 of rent which is exempt. The balance is inclusive of VAT at the standard rate.

(2) The customs declaration included Carthy Ltd's VAT registration number and showed that the amount paid to the Canadian supplier was £40,000.

**Requirement**

Calculate the VAT payable by Carthy Ltd for the quarter ended 31 March 2023. Explain what would have happened if Carthy Ltd had not included its VAT registration number on the customs declaration for goods purchased from the Canadian supplier. (6 marks)



# December 2023

## VAT – International aspects – typical answer (2)

Output VAT				
	£	@20%		
GB	156,000	31,200		=156000*0.2
France	28,200	5,640		=28200*0.2
Canada				
		<b>36,840</b>		=SUM(D69:D71)
Input VAT				
	£	INCL. vat	VAT	
GB	73,200		11,600	=(73200-3600)/6
Canada	40,000		<b>6,667</b>	=40000/6
			<b>18,267</b>	=SUM(D76:D78)
<b>VAT payable</b>			(18,573)	=18267-36840
<p>If the VAT registration number was not on the customs declaration for the goods then they <b>would not</b> be able to reclaim the input VAT on the canadian purchases.</p>				

# December 2023

## VAT – International aspects – another answer (3)

If Carthy Ltd had not included its VAT registration number on the customs declaration form, it would be considered evasion of VAT due on imports and she would be penalised the full amount of import VAT evaded, ie £6,667. If she refused, she may even be imprisoned, and there may be further penalties.

Not a typical answer but another version of “make something up if I don’t know it”.

Many just did not do the written element re postponed VAT accounting (PVA)

Actual answer for the written element was worth 3.5 marks:

If Carthy Ltd had not included its VAT registration number on the customs declaration	0.5
postponed VAT accounting would not be available.	
Carthy Ltd would then need to pay the VAT at the point of entry into GB and then recover the	2 x 0.5
input tax via the VAT return	0.5
This can create delays or cash flow issues.	2 x 0.5

# December 2023

## NIC – Class 1 versus Class 4

Some students struggle with when to apply Class 1 and when to apply class 4 (especially in a partnership).

### Year ended 31 December 2023 – new partner

On 1 January 2023 Chad joined AlBi LLP as a new partner. From that date the partnership agreement was amended so that, after allocating a salary to Chad of £25,000 pa, profits are shared between Alexis, Biff and Chad in the ratio 3:3:2.

- c. Calculate the allocation of trading profits for the partners for the year ending 31 December 2023. **(2 marks)**
- d. State Chad's basis period for 2022/23. Calculate his national insurance contributions payable for 2022/23. **(3 marks)**

# December 2023

## NIC – Class 1 v Class 4

d)	
Chads basis period for 2022/2023	
Opening year rules - first basis period: 1 January 2023 to 5 April 2023 <input checked="" type="checkbox"/> <sup>1</sup> / <sub>2</sub>	
NIC's payable - <b>Class 1 Primary</b>	
Income for basis period 4/12	18,733.33
<b>PT monthly from 6 July 2022</b>	<b>1048</b>
<b>4 month basis period</b>	<b>4192</b>
NIC's 18,733-4,192*13.25%	1,926.73
NICs Payable	1,926.73

He will be taxed under National Insurance on his salary which will involve Class 1 contributions using a directors only primary threshold of between £11,908 and £25,000 at 13.25%

5.2.d.							
Class 1 primary on earnings (employee pays on earnings)			<input checked="" type="checkbox"/> <sup>1</sup> / <sub>2</sub>				
	Salary	25000	Primary	11908			
	Profit	31200	UEL	50270			
	Total	56200				38362	=50270-11908
				5,083	=38362*13.25%		
				193	=(56200-50270)*3.25%		
			Total NIC	5,276			

# 5



## ***Presentation and Approach***

Using the exam platform to students'  
best advantage to get the results  
they are capable of

# Presentation and Approach

NRB:

	for 2016 ✓ <sub>1/3</sub>	for 2020 ✓ <sub>1/3</sub>	for 2021 ✓ <sub>1/3</sub>
NRB	325000 ✓ <sub>1/3</sub>	325000 ✓ <sub>1/3</sub>	325000 ✓ <sub>1/3</sub>
Less	315000	(11000 + 315000)	(14592 + 11000)
remaining	10000 ✓ <sub>1/3</sub>	- ✓ <sub>1/3</sub>	299408 ✓ <sub>1/3</sub>

Death estate:  $48000 - 2400 - 750000 - 65000 + 56800 - 900 - 15000 = 771500$  **G**

Expenses for overseas shares restricted to  $48000 \times 0.05 = 2400$

Shares: lower of:  $0.5(12 + 13.28) = 12.64$

$12.2 + 0.25(13 - 12.2) = 12.4$  **X**

At death:  $0.5(13.85 + 12.25) = 13.05$  **X**

$12.6 + 0.25(13.68 - 12.6) = 12.87$  - use this price

$10000 \times 12.87 = 128700$  **ET**

- Vertical workings
- Labelled workings
- Markers work without calculators

# Presentation and Approach

Stage 1- transfers			w1 NGE	w2
Transfer		22,000.00	20,266.67	813,460.00 NGE
Exemptions partent of marriage	✓	(5,000.00)		
PY AE	✓	(3,000)	(3,000.00)	
CY AE	✓	(3,000)	(3,000.00)	
		11000	14266.67	813,460
Stage 2 - lifetime tax				
Transfer			14,266.67	813,460.00
NRB remaining (325,000 - 315000)			(10,000.00)	
Total			4,266.67	
Life time tax '@ 25%			3,566.67	
Gross chargeable (14,096 + 3,524)			17,833.33	813,460.00
Stage 3 - death tax				
Gross chargeable		11,000	17,833.33	813,460.00
Less lifetime tax			(3,566.67)	
Less fall in value	w3		(794.66)	
Less remaining NRB			(10,000.00)	
325000-315000	✓	(10,000)	(10,000.00)	
325000-17,833.33	✓			(307,166.67)
		1000	3,472.01	506,293.33
@ 40%	✓	400	1,388.80	202,517.33 ✓

No taper releif as not more than 3 years  
 PET's become gross chargebale <7 years of death

*Changed part of this answer last minute so some figures might not have updated*

- What happens in the spreadsheet stays in the spreadsheet
- Unless it's copied and pasted across

Spreadsheet area - copy any data from this area to the Word Processing area for marking:

# *Presentation and Approach*

1.

5 standards for PCRT:

- \* client specific
- \* keep copies
- \* integrity
- \*disclose everything to HMRC
- \*no loopholes

According to Standards for Tax Planning, accountants working in tax must not interpret the tax legislation aggressively - that means they must interpret the way Parliament intended it to be interpreted and they are not making 'loopholes'. The standards require accountants to be honest and act with integrity - by telling the clients that it is not guaranteed to be successful and explaining all risks, they are acting with integrity. The standards require accountants to be transparent and disclose everything to HMRC. They are doing this by providing all relevant details to HMRC.

According to the standards, accountants must keep a copy of all advice that they give to their clients - therefore they are breaking this standard. The standards also require the planning to be client specific, however this is not, as they offer the same planning scheme to all clients.

- Be specific  
because...







# Presentation and Approach

1.

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- Specific points  
get specific  
marks

# Presentation and Approach

Word Processing area - only data in this area will be marked.

2.1)

Output VAT:	
Supplies to Nen (20% x 90) (W2)	18
Other supplies (20% x 264)	52.8
Input VAT:	
Raw materials (78 x 20%)	-15.6
Postal services (1.74 x 20%) (W1)	-0.348
Accountancy services (1.08 x 20%)	-0.216
Car (blocked input VAT)	0
Fuel (20% x 0.402)	-0.0804
VAT payable	54.5556

- Think about alignment
- Try to avoid recurring decimals...

# Presentation and Approach

Question 4	NS	S	D		
Trading income	53306.6666666667				
Rental income less exp	2500			=10000-7500	rent a room relief
Lottery winning - exempt					
Dividends			3700		
Net income	55806.6666666667	0.00	3,700.00	59506.6666666667	
Less PA	-12570				
Taxable income	43236.6666666667	0.00%	3,700.00		
NS @ 20% W3	39500	20.00%	7900		
NS @ 40%	3736.6666666667	40.00%	1494.66666666668		
D 2000 exempt	2000	0.00%	0		
D HR 33.75%	1700	33.75%	573.75		
Total income tax liability			9968.41666666668		
W3 Personal pension					
Extend BRB	37700				
	1800	=1440*(100/80)			
	39500				

- Especially like these

# Presentation and Approach

<b>1) Trading income</b>		
Client invoices (bank transfer)	38.6	
Client invoices (cash)	0.4	
Less ICO fee	-0.04	
Less books	-0.039	
Less stationary	-0.236	
Less video conferencing subscription	-0.12	
Less phone/broadband (0.72 x 75%)	-0.54	
Less car bills (fixed rate = 2k x 45p) =	-0.9	
Less utility bills (1 x 0.010 + 11 x 0.026)	-0.296	
Less computer (0.845 @ 100% AIA)	-0.845	
Less entertaining clients (disallowed)	0	
Less transfer into savings (disallowed)	0	
Less transfer into personal pension (disallowed)	0	
Less parking fine (allowed if during work)	-0.08	
Less postage	-0.095	
	35.809	
<b>2) Property income</b>		
Rent from tenants (whole amount paid in the year)		27.3

- Rare to need to work in thousands

# Presentation and Approach

Q3.2

	10%	20%
CGT Computation	BADR	Non-BADR
Gain on disp of commercial land	74,681	
Gain on disposal of toilet paper = exempt		0
Gain on disp. of shares		1,400
	74,681	1,400
Less: PA	(10,900)	(1,400)
	63,781	0
Less: loss from sale of car = not usable	0	
Less: B/f loss	(1,900)	
Less: loss from trading (15000-34000)	(19,000)	
	42,881	0
W1 - Disposal of commercial land		
Proceeds	87,300	
Less: Cost	(10,000)	
	77,300	
Less: Fee	(2,619)	
Gain	74,681	

- Not red please because...

# Presentation and Approach

Q3.2

	10%	20%
CGT Computation	BADR	Non-BADR
Gain on disp of commercial land	74,681	
Gain on disposal of toilet paper = exempt		0
Gain on disp. of shares		1,400
	74,681	1,400
Less: PA	(10,900)	(1,400)
	63,781	0
Less: loss from sale of car = not usable	0	
Less: B/f loss	(1,900)	
Less: loss from trading (15000-34000)	(19,000)	
	42,881	0
W1 - Disposal of commercial land		
Proceeds	87,300	
Less: Cost	(10,000)	
	77,300	
Less: Fee	(2,619)	
Gain	74,681	

- This

# Presentation and Approach

<b>Factory</b>						
Taxable gain			<b>540000</b>			
<b>CGT liability</b>						
		<b>Shares</b>	<b>Land</b>	<b>Factory</b>		
Taxable gain		45960	50487	540000		
-cap losses in CY		0	0	0		
Chargeable gain		<b>45960</b>	<b>50487</b>	<b>540000</b>		
- AEA		-12300				
		33660	50487	540000		
Combined income of			162500	Therefore additional rate		
Tax:						
Shares BR @10%		33660	x	10%	=	3366
Land BR @ 10%		4040	x	10%	=	404
Land BR @ 20%		46447	x	20%	=	9289.4
Factory (W2)					=	27000
<b>Tota CGT due</b>						<b>40059.4</b>

- The spreadsheet is your ally...





# Presentation and Approach

Star Cottage				
Annual Rent (accrual basis)	8160	<150k so cash basis can be used		
Cash Basis				
Rent received (680 x 11)	7480			
Repairs	-250			
Bed replacement (400-20)	-380			
	6850			

- Stand back...
- Take a moment...
- ...just to think

Taken from Dec 2023 exam – accrued rent given in the Q needed to be adjusted to the cash basis

# ***Presentation and Approach***

Actual sales proceeds	495200
0 - 125000 x 0%	0
125000 - 250000 x 2%	2000
495200 - 250000 x 5%	12260
<b>Stamp duty land tax payable</b>	<b>14260</b>

- Student calculated SDLT on a disposal of shares

# *Presentation and Approach*

b)

The stamp duty should have been paid 30 days after the 1 November 2022 which would be the 1 October 2022

It is 6 months late and so the penalty will be £300

The interest payable will be calculated as follows:

29 February is not a thing

Tax is due to be paid on 31<sup>st</sup> November 2023

- Gregorian calendar is assumed knowledge
- Students should know the months of the year, the order they come in, how many days are in each, and the existence of leap years

# Presentation and Approach

Word Processing area - only data in this area will be marked:

1.

Penny is evading VAT with the usage of cash as cash transactions are not automatically applied with VAT. For VAT to be applied to a cash transaction the employer needs to report this in their VAT report each quarter.

As Nuri is an employee to Actu LLP, Actu owes a duty of care on the actions committed by their employees. With their act, Actu has failed in its part to prevent tax evasion therefore will be subject to an investigation for failing to preventing. The transaction occurred with the use of employer's bank card too, therefore Actu should of have the neccessary precautions and training in place to prevent this from occurring.

Under HMRC guidance, the sex guiding principles are:

The employee acted on their own beliefs, knowing it was not legal.

Annual/monthly training is supplied to all employees to prevent fraud

Firm has appropriate safeguards in place to deter and prevent fraud.

Firm has no prior convictions, investigations, knowledge of any tax fraud occurring.

- New guidance from HMRC!?!
- Never hurts to entertain the markers

# ***Presentation and Approach***



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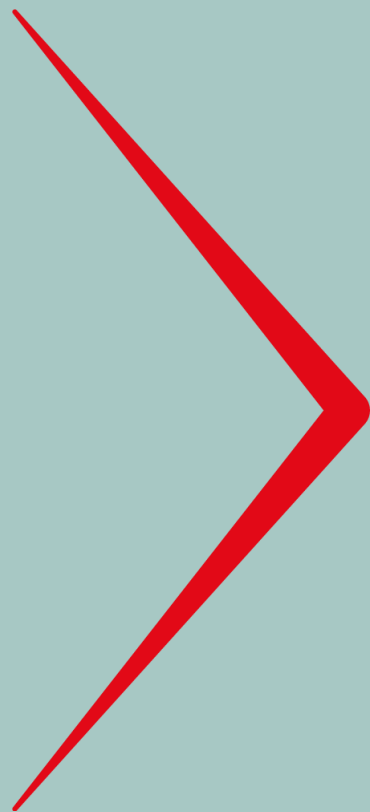
## **Tax Compliance**

**Workbook**

For exams in 2024

- Use the right year's book
- Practise with the right Hardman's

6



***Marking***

# ***Help the Markers***

- Positive marking
- We can only mark what we can see
- Follow-through marking
- Markers do not use calculators
- Students don't always apply the exam technique that they have been taught



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