

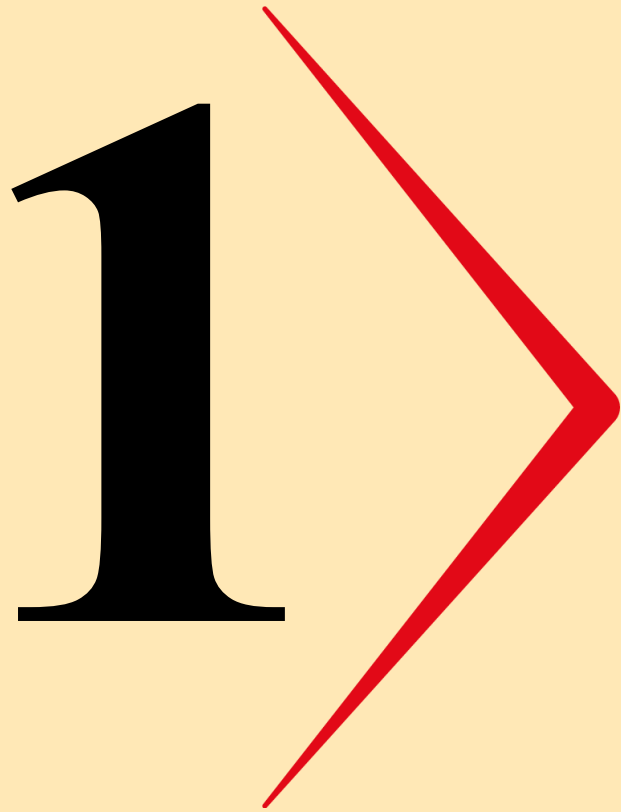


ICAEW Partner in Learning

ACA TUTOR CONFERENCE 2018

Agenda

- Principles of Taxation
 - 2018 exams
 - Syllabus
 - Tax tables
 - Notes on the LMs
- Tax Compliance
 - 2018 exams & syllabus
 - Notes on the LMs
 - New content for F(No1)A 2017
 - How we mark – December 2017
 - The good, the bad and the ugly
 - How do tutors teach key topics?



Principles of Taxation

2018 exams

- Finance (No.1) Act 2017 is examinable from 1 January 2018
- 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

PoT 2016, 2017 & 2018 syllabus weightings

SYLLABUS AREA	WEIGHTING
Objectives, types of tax & ethics	10%
Administration of taxation	20%
Income tax & NIC	26%
Capital gains tax / gains for companies	10%
Corporation tax	14%
VAT	20%

New learning outcomes

- 1a identify the objectives of digitisation of tax
- New LO but delay to MTDfB means still very light touch in LMs

Learning outcomes tested via scenario questions

- IT & NIC scenario question
 - 3a – sources of taxable and non-taxable income
 - 3c – employment income
 - 3e – allowable or disallowable expenditure
 - 3j – total taxable income

- CT scenario question
 - 5b – impact of related 51% group companies on payment dates
 - 5c – allowable or disallowable expenditure & capital allowances
 - 5d – taxable total profits

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
- Administration – for a number of years we have tested ‘new’ penalty rules only regardless of HMRC’s implementation to date, however VAT surcharge rules and CT late filing penalties were reinstated in 2017
- Study text – 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

Sample paper for 2018 exams

- Q1 – IT & NIC – Mildred
- Q2 – CT – Kennedy Ltd

- 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>

- Other 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>

During 2017/18, Mildred received interest income of £100 on a loan she made to her friend, Dot.

Mildred has been employed part-time by ABC Ltd since 2008. She received the following remuneration package in 2017/18:

- salary £15,000 per year;
- free meals offered to all staff in the work canteen, which cost the company £560 for Mildred;
- childcare vouchers of £45 per week (ie £2,340 pa) which have been provided since 2008; and
- use of a diesel company car since 1 July 2017 with CO2 emissions of 143g/km. ABC Ltd paid £16,000 for the car although it has a list price of £18,000. Mildred pays for all her private fuel.

Mildred received £18,900 of dividends in January 2018 from a UK company.

Mildred has also run her own business as a sole trader for many years. Mildred has calculated her taxable trading profits for 2017/18 to be £30,700. In arriving at her taxable trading profits, Mildred deducted the following amounts:

- £2,000 for legal and professional fees relating to the acquisition of a new five-year lease of business premises;
- £170 accountancy fees for preparation of annual accounts;
- Mildred's class 2 national insurance liability of £148; and
- £150 of irrecoverable VAT relating to the purchase of stock for which Mildred has lost the VAT invoice.

Using the standard format below, compute Mildred's taxable income for 2017/18. You should enter a number in each relevant box. If an amount is not taxable enter a zero into the relevant box.

	Non-savings income £	Savings income £	Dividend income £
Trading Income (W1)	<input type="text"/>		
Employment income (W2)	<input type="text"/>		
Interest from loan to Dot		<input type="text"/>	
Dividends			<input type="text"/>
Net income	<input type="text"/>	<input type="text"/>	<input type="text"/>
Personal allowance	<input type="text"/>	<input type="text"/>	<input type="text"/>
Taxable income	<input type="text"/>	<input type="text"/>	<input type="text"/>
W1 - Trading income			£
Trading profits			<input type="text"/>
Legal & professional fees			<input type="text"/>
Accountancy fees			<input type="text"/>
Class 2 NIC			<input type="text"/>

business premises;

- £170 accountancy fees for preparation of annual accounts;
- Mildred's class 2 national insurance liability of £148; and
- £150 of irrecoverable VAT relating to the purchase of stock for which Mildred has lost the VAT invoice.

W1 - Trading income

Trading profits

Legal &
professional fees

Accountancy fees

Class 2 NIC

VAT re stock
purchase

**Tax-adjusted trading
profits**

W2 - Employment income

Salary

Free meals

Childcare
vouchers

Car

**Total employment
income**

£

£

Kennedy Ltd, an unquoted trading company, prepares accounts to 31 December and has no related 51% group companies. The draft accounting profits for the year ended 31 December 2017 are £1,595,000. The following items have been added or deducted in arriving at the draft accounting profit:

	Note	£
Depreciation		202,400
Loan interest payable	1	1,000
Qualifying donation	2	6,000
Exempt dividends received	3	18,000
Bank interest receivable		3,000

Notes.

- Interest payable on a loan to buy an investment property.
- The qualifying donation of £6,000 in the accounts comprises £3,800 paid during the accounting period and an accrual of £2,200 that the company had agreed to pay but was not paid until 10 January 2018.
- Exempt dividends received from unrelated UK companies.

In addition, the following items have not yet been included in the accounts:

- Car leasing charges of £4,200 were incurred for a car used by the managing director. The car has emissions of 165g/km and is used 20% for private purposes.
- The company purchased computer equipment during the year ended 31 December 2017 costing £110,000. The tax written down value on the main pool at 1 January 2017 was £0.

Using the standard format below, compute Kennedy Ltd's taxable total profits for the year ended 31 December 2017. You should enter a number in the relevant box. If an amount is not taxable or no adjustment is required you must enter a zero into the relevant box.

	£
Trading Income (W1)	<input type="text"/>
Non-trading loans	<input type="text"/>
Dividends	<input type="text"/>
Qualifying donation	<input type="text"/>
Taxable total profits	<input type="text"/>

W1 - Trading income	£
Draft accounting profits	<input type="text"/>
Depreciation	<input type="text"/>
Loan interest payable	<input type="text"/>
Qualifying donation	<input type="text"/>
Exempt dividends received	<input type="text"/>

Exempt dividends received

Bank interest receivable

Car leasing charges

Capital allowances

Trading income

In the year ended 31 December 2018 Kennedy Ltd expects taxable total profits of £1,490,000 and is expected to receive exempt dividends of £20,000 from unrelated UK companies and £5,000 of exempt dividends from an unrelated French company.

Complete all the boxes below and state the first date by which any corporation tax should be paid in relation to the year ended 31 December 2018. The date should be in the format DD/MM/YYYY (eg 03/04/2018 for 3 April 2018).

£

Taxable total profits

Exempt ABGH distributions

Augmented profits

Corporation tax due date

Partial marks

- Partial marks are available eg:
 - Car benefit in Q1 of sample paper:
 - ½ mark = petrol %
 - ½ mark = 3% diesel supplement
 - ½ mark = using list price
 - ½ mark = prorating for availability
 - Capital allowances working might be:
 - ½ mark = allocating FYA to addition
 - ½ mark = allocating FYA in full – so not prorating for short AP
 - ½ mark = using WDA @ 18% for main pool
 - ½ mark = prorating main pool WDA for short AP



Tax Compliance

Finance acts and devolved taxes

- March, June, Sept & Dec 2018 = Finance (No.1) Act 2017
- March, June, Sept & Dec 2019 = Finance (No.2) Act 2017 and Finance Act 2018
- 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

Format

- 2½ hour exam delivered via four exam sessions per year
- Has been exclusively CBE from March 2017
- CCH Hardman's open book edition 1
- 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 = 15 marks
 - Q5 Income tax & NIC

TC 2016, 2017 & 2018 syllabus weightings

SYLLABUS AREA	WEIGHTING
Ethics & law	5-10%
Indirect taxes	10-15%
Capital taxes	20-30%
Corporation tax	15-20%
Income tax & NIC	35-45%

- NB syllabus weightings and marks allocated to that syllabus area's question are not the same
- EG – Ethics as Q1 is only 7 marks, but as syllabus weighting is up to 10%, could have up to 3 marks on ethics in other questions

New / amended learning outcomes

- 1a. identify the five fundamental principles and guidance given in the IESBA Code of Ethics for Professional Accountants and the ICAEW Code of Ethics as well as other relevant guidance, **including Professional Conduct in Relation to Taxation (PCRT)**
- 1b. identify the law and the guidance in the ICAEW Code of Ethics as well as other relevant guidance, **including Professional Conduct in Relation to Taxation (PCRT)**
- 1c. identify legal and ethical issues arising from tax work undertaken, explain the significance of these issues, **and suggest appropriate actions or responses**
- 1d. **Identify the role of data analytics in reducing the tax gap.**

New content for F(No.1)A 2017

- PCRT (this is VERY, VERY examinable)
- The tax gap and data analytics
- Finance costs for residential property letting
- Salary sacrifice (optional remuneration arrangements)
- Cash basis limit now £150,000
- Residence nil rate band
- Corporation tax rates for straddling years
- RDEC
- VAT flat rate scheme limited cost trader

Notes on the Learning Materials

- New content is shaded grey
- Administration – for a number of years we have tested ‘new’ penalty rules only regardless of HMRC’s implementation to date, however VAT surcharge rules and CT late filing penalties were reinstated in 2017

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>



How we mark – December 2017

WRITTEN QUESTION

December 2017 – Question 1

1. Sherazi LLP, a firm of ICAEW Chartered Accountants, recently tendered for tax compliance and advisory work for Javadi Ltd, a marketing company.

Sherazi LLP has received notice that the tender was successful. The partners in the firm are pleased as they already have another marketing company, Higgins Ltd, as a client and the firm intends to become specialists in this business sector.

Requirements

- 1.1 Identify the fundamental principles that are threatened if Sherazi LLP accepts Javadi Ltd as a client, and set out the safeguards that can be put in place to manage the threats to those fundamental principles. **(4 marks)**
- 1.2 Assuming the threats are sufficiently reduced, explain any other steps Sherazi LLP should take before accepting Javadi Ltd as a client. **(3 marks)**

Total: 7 marks

WRITTEN QUESTION

December 2017 – Answer 1

1.1	Marks
<p>The fundamental principles threatened by <u>Sherazi LLP</u> accepting <u>Javadi Ltd</u> as a client are objectivity and confidentiality. <i>(if see other fps then ok unless all are listed then 0)</i></p> <p><u>Sherazi LLP</u> should:</p> <ul style="list-style-type: none"> • <u>Notify (both)</u> <u>Higgins Ltd</u> and <u>Javadi Ltd</u> of the potential conflict in acting for them both. 0.5 • Obtain <u>consent</u> from each party to act for both. 0.5* • If consent is <u>not obtained then Sherazi LLP</u> should not accept <u>Javadi Ltd</u> as a client. <i>(then not accept or don't work for both or resign)</i> 0.5* • Assuming consent is obtained, use <u>separate engagement teams</u> for each client. 0.5 • Apply procedures to <u>prevent access to information</u> (physical separation of teams, secure data filing). <i>(Chinese walls) 1/2 can be for an example of preventing access eg passwords</i> 0.5 • Issue clear <u>guidelines</u> to the engagement teams/ provide <u>training</u> on issues of security and confidentiality. 0.5 • Use <u>confidentiality agreements</u> for employees and partners. 0.5 • Arrange a regular review of safeguards by a senior <u>individual not involved</u> in either engagement. <i>(second partner review/ external review)</i> 0.5 	2 x 0.5
*If simply state if no consent then don't accept – gets these 2 x 1/2	
Total possible marks	5
Maximum full marks	4

- Markers meeting
– discuss each half mark in detail
- Additional guidance given in this markers' version of the mark plan
- Standardisation scripts help us to clarify any confusing issues
- Emails and phone calls to resolve any other points

WRITTEN QUESTION

December 2017 – Student answer A

	A	B	C	D	E	F	G	H	I	J	K
1	<p>1.1 Fundamental principles: Integrity Objectivity Professional behaviours Professional competence and due care Confidentiality</p> <p>Safeguards procedures: Buying PII for employee professional behaviours is necessary. If some suspensions are arisen, claim to the MLRO. Data protection measures and different team diversification will be applied.</p>										
2	<p>1.2 First, take a thorough detection about the proposed client. Then, buy the PII for all employees joined. Then, claim all the probability of threats to HMRC and FRC. Finally, take necessary safeguards such as data protection and double-cross-checking.</p>										
3											
4											

WRITTEN QUESTION

December 2017 – Student answer B

	A	B	C	D	E	F	G	H	I	J	K
1	The fundamental principles threatened are objectivity and confidentiality.										
2	Safeguards: <ul style="list-style-type: none">-notify both clients about the situation-obtain written consent to act from both-if consent is obtained, the firm can act for both with safeguards ie:<ul style="list-style-type: none">-use separate teams and partners-physical separation teams-establish information barriers-confidentiality agreements should be signed by team members-instructions should be given to staff to prevent information being leaked from one team to the other and to confirm that they understand that they have to respect the confidentiality of the information acquired as a result of business relationships-secure data filing-regular review of safeguards in place by an independent senior person not involved in the engagements-if consent is not obtained from both, the firm should not act for both.										
3											
4	Further procedures: <ul style="list-style-type: none">-discuss with management to assess whether they appear to have integrity-perform client due diligence procedures to comply with Money Laundering Regulations and to verify that management is who they say they are-obtain consent from client and contact the previous* auditors. They may provide information about the client ie in respect of unlawful acts by the client or disagreements between management and auditors.-this may give evidence regarding management's integrity-review prior years' audited financial statements and previous auditors' report-search on the internet and press to find about adverse media comments-perform searches on the Companies House for directors' disqualifications										
5											

WRITTEN QUESTION

December 2017 – Student answer C

	A	B	C	D	E	F	G	H	I	J	K	
1	1.1											
2												
3	One of the fundamental principles that is threatened is the principle of objectivity as people within the firm will have knowledge on both of the companies which may then affect any of the work they do for one of the clients or the											
4	advice given due to the information they have in relation to the other company.											
5												
6												
7	Confidentiality is also threatened as people in the firm may unintentionally when giving advice to one of the clients let information slip about the other company they act for in the same sector.											
8												
9												
10												
11												
12	Safeguards that can be put in place to manage these threats are:-											
13	1) to assign a different partner in the firm to each of the clients											
14	2) Assign different members of staff to each client ensuring that no member of staff works for both clients if possible if not ensure that no information is used in decision making.											
15												
16	3) Keep working papers and records for each client separate and protected to ensure only have access to the information relating to the client they work for.											
17												

COMPUTATIONAL QUESTION

December 2017 – Question 4.1

4.1 Mathison Ltd is a trading company with one wholly owned subsidiary, Galvez Ltd, an investment company.

For the year ended 31 March 2017, Mathison Ltd had a tax-adjusted trading profit of £980,000. In addition the company had interest receivable on debentures of £20,000 which included £3,000 received on 3 April 2017.

On 1 November 2016 the company paid both a donation of £2,600 to a UK-political party and a qualifying donation of £4,500 to a UK-registered charity.

At 1 April 2016 the company had a trading loss brought forward of £37,200.

Capital disposal

On 10 January 2017 Mathison Ltd sold the entire holding of shares in Galvez Ltd for £400,000.

Mathison Ltd purchased the shares for £150,000 in August 2008.

The sale of the shares does not qualify for the substantial shareholding exemption.

At the date of the share sale, Galvez Ltd owned an investment property that it purchased from Mathison Ltd in April 2014 for £200,000, when the market value of the property was £340,000. Mathison Ltd purchased the property for £60,000 in June 1990.

Requirements

- (a) Calculate the degrouping charge arising as a result of transactions relating to Galvez Ltd. **(2 marks)**
- (b) Calculate Mathison Ltd's corporation tax payable for the year ended 31 March 2017. **(7 marks)**

Notes: RPI for January 2017 is 265.5.
Ignore VAT and stamp taxes.

COMPUTATIONAL QUESTION

December 2017 – Answer 4.1a

4.1a		Marks
	£	
<u>Degrouping charge</u>		
Sale proceeds (market value at transfer)	340,000	0.5
Less cost	(60,000)	0.5
Less indexation allowance	$\frac{255.7 - 126.7}{126.7} = 1.018 \times \text{£}60,000$	1*
	218,920	
<p>*1 mark for £61,080 or ½ for £61,089 (ie. unrounded) AON</p> <p>If any additional indexation then lose this 1 mark</p>		
Total possible marks		2
Maximum full marks		2

COMPUTATIONAL QUESTION

December 2017 – Answer 4.1b

⊕

4.1b	£	Marks
Tax-adjusted trading profit	980,000	0.5
Less trading loss brought forward	(37,200)	0.5
	<u>942,800</u>	
Non-trading loan relationship	20,000	1
Chargeable gains (W)	435,564	0.5*
Less QCD (1/2 for not including deduction of £2,600 re political party)	(4,500)	0.5 + 0.5
Taxable total profits	<u>1,393,864</u>	
Corporation tax payable @ 20%	<u>278,773</u>	0.5
WORKING		
Gain on sale of Galvez Ltd	£	
Sale proceeds	400,000	0.5
Add degrouping charge (a)	218,920	1
	<u>618,920</u>	
Less cost	(150,000)	0.5
	<u>468,920</u>	
Less indexation allowance (no rounding)		
£150,000 x $\frac{265.5 - 217.2}{217.2}$	(33,356)	1**
	<u>435,564</u>	
*lose if give SSE – told in <i>qu</i> that does not qualify (investment co)		
** 1 mark for £33,356 or ½ for £33,300 (<i>ie</i> rounded)AON		
Total possible marks		7
Maximum full marks		7

COMPUTATIONAL QUESTION

December 2017 – Student answer A

4	(b)				
5		£			
6	tax-adjusted trading profit	980000			
7	NTLR	20000			
8	Property income(W1)				
9	Less QCD	-7100			
10	Less trading losses	-37200			
11					
12					
13					
14					
15					
16					
17					
18					
19					
20	Workings 1				
21					
22	Costs	Invalid			
23					

COMPUTATIONAL QUESTION

December 2017 – Student answer B

	A	B	C
1			
2	Mathison's taxable total profits		
3	tax adjusted trading profits	980000	
4	trading loss b/f	(37200)	
5	NTLR	20000	
6	chargeable gains (w1)	435620	
7	Qualifying charitable donations:		
8	donation to political party	0	
9	donation to UK registered charity	(4500)	
10	taxable total profits	1393920	
11			
12	(b) corporation tax payable (@20%)	278784	
13			
14			
15			
16	(w1) chargeable gain		
17	disposal proceeds(400000+218920)	618920	
18	cost	(150000)	
19		468920	
20	IA(265.5-217.2)/217.2=0.222 x150000	(33300)	
21	chargeable gain	435620	
22			

22			
23	(a) Degrouping charge		
24	initial sale of property		
25	deemed proceeds	121080	
26	cost	(60000)	
27	IA (255.7-126.7)/126.7=1.018 x60000	(61080)	
28	NIL GAIN/ NIL LOSS	0	
29			
30	degrouping charge		
31	MV at date of disposal	340000	
32	cost	(121080)	
33		218920	
34			

COMPUTATIONAL QUESTION

December 2017 – Student answer C

	A	B	C	D	E	F	G	H	I	J	K
1	a)										
2											
3	MV @ NGNL Date	340000									
4	Cost	-60000									
5		280000									
6	IA	-65400	60000 X (126.7/126.7-242.50)			1.09					
7	Degrouping charge	214600				-115.80					
8											
9											
10											
11	b)	Taxable profit		980000							
12		Gains	400000 - 150000	250000							
13				1230000							
14		Losses		-37200							
15		QCD		-7100							
16				1185700							
17		Payable	@ 20%	237140							
18											
19											
20											



The good, the bad and the ugly

CBE

- There are no longer handwriting issues
- But CBE can create a new set of challenges

'The Good' – Computational answers with full workings

	Total	NSI	SI	DI
23				
24 (b)	Employment income	28630	28630	
25	NS&I interest	1400		1400
26	Dividends	6000		6000
27	O/S Property income (W1)	10150	10150	
28	Total	46180	46180	12400
29	Personal allowance	-11000	-11000	
30		35180	27780	
31				
32	IT:			
33	NSI @ BR	27780 x 20%	5556	
34	SI (PSA)	500 x 0%	0	
35	SI @ BR (32000 - 27780 - 500) = 3720	900 x 20%	180	
36	DI @ 0%	5000 x 0%	0	
37	DI @ HR	1000 x 32.5%	325	
38			6061	
39	DTR (lower of):			
40	- UK tax (5556 x 10150/38780) =	1454		
41	- O/S tax =	1900		
42			-1454	
43	IT liability		4607	
44				

Standard pro forma

Cross referencing workings

46	O/S Property income (W1)	
47	Gross rent	12000
48	Repairs and insurance	-1100
49	Cleaning	-450
50	Furniture- replacement only	-300
51		10150
52		12000

All calculations shown

‘The Good’ – written answers that can be read!

	A	B	C	D	E	F	G	H	I	J	K	
1												
2	<p>The fundamental principles threatened are objectivity and confidentiality.</p> <p>Safeguards:</p> <ul style="list-style-type: none">-notify both clients about the situation-obtain written consent to act from both-if consent is obtained, the firm can act for both with safeguards ie:<ul style="list-style-type: none">-use separate teams and partners-physical separation teams-establish information barriers-confidentiality agreements should be signed by team members-instructions should be given to staff to prevent information being leaked from one team to the other and to confirm that they understand that they have to respect the confidentiality of the information acquired as a result of business relationships-secure data filing-regular review of safeguards in place by an independent senior person not involved in the engagements-if consent is not obtained from both, the firm should not act for both.											
3												
4	<p>Further procedures:</p> <ul style="list-style-type: none">-discuss with management to assess whether they appear to have integrity-perform client due diligence procedures to comply with Money Laundering Regulations and to verify that management is who they say they are-obtain consent from client and contact the previous' auditors. They may provide information about the client ie in respect of unlawful acts by the client or disagreements between management and auditors.-this may give evidence regarding management's integrity-review prior years' audited financial statements and previous auditors' report-search on the internet and press to find about adverse media comments-perform searches on the Companies House for directors' disqualifications											

Use of the word processing function so that the answer can be read.

Succinct answers/ use of subheadings

‘The Bad’ – Unethical answer

	A	B	C	D	E	F	G	H
1	1.3 Jane should claim that she did not have any suspicions of money laundering and that she believed the client intended to declare his taxable income to HMRC so she saw no need to report to it the designated MLRO. She could also claim that she was about to file a suspicious activity report.							
2								
3								
4								
5								
				0				

Answer to an ETHICS question!!! (June 2017)

'The Bad' – Lack of workings



26	Taxable income		166567	2400	1640	178407		Excluded		36788
27								Additional rate		155000
38	Tax liabilities					Remaining				118215
39	NSI	EBRB	20%		7357	159210		above additional		
40	NSI	HR	40%		47286	155000		11567		
41	NSI	Additional	45%		5205					
42	SI	Additional	45%		1080					
43	DI	Additional	37.5%		3540					
44					64468					
45	a)									
46	Chitra's liability to	E								
47	NIC Class 2		148							
48										
49	NIC Class 4									
50			687							
51			11122							
52			11809	E						
53										

We can only mark what we see
This student had no workings for IT/ NIC
just the resulting figures –
RISKY (especially for marginal candidates)

'The Bad' – Even fewer workings

9	(b) income tax	N-S	S	D
10		£	£	£
11	Employment income	33060		✓ 1/2
12	Dividend		✓ 1/2	6000
13	NS&I DS a/c		1400	
14	Property income(W1)	10150		
15	Less PA(W2)	✓ 1/2	-11000	
16		32210	1400	6000
17	Tax 32000*0.2		6400	
18		✗	444	
19			32.1	
20			6876	
21	Less DTR		-1900	✓ 1/2
22	TAX PAYABLE		4976	

**No indication of rates or amounts being taxed
We do not pick up calculators**

‘The Bad’

- Students should NOT put their name on the script (disciplinary issue)
- Typos can sometimes create confusion

They COULD lead to losing marks
ie if it no longer makes sense

Examples from December 2017

*‘They should **sing** an **enegagment** letter’*

*‘Employment income is taxed on a **rinsing** basis’*

'The Ugly'

5.2 (a)

Company Car benefits

$10875 * 20\% = 2175$

Fuel benefits

$22200 * 20\% = 4440$

Donation to Charity

$40 * 12 = 480$

1

Employment income

Salary = 80000

Donation to charity = (480)

Employer pension contribution (exempt)

Company Car benefits = 2175

Fuel benefits = 4440

Round Sum allowance = 1200

Total = 87335

**Use of one cell (A1) to calculate
employment income (Sept 2017 exam)**

'The Ugly'

2

3.2)

May 2016 gift of cash:

This was a PET during her lifetime.

On death, tax is now due.

Transfer 220,000

Annual allowance 16/17 (3,000)

Annual allowance 15/16 (3,000)

Marriage allowance (5,000)

Net chargeable transfer 209,000

Nil rate band available 325,000

Transfers since May 2009 256,000

Nil rate band available 69,000

Chargeable transfer 140,000

Tax at 40% 56,000

No taper relief is available

September 2016 transfer of shares:

The share value is calculated as the quarter up rule as this is higher than the average marked bargain on the date of sale. The quarter up rule is calculated as follows:

$308 + 1/4(316-308) = 310$

This is then multiplied by the 100,000 shares to get the value of the shares being disposed of, 310,000

Deemed proceeds 310,000

No annual allowances available

Business property relief is then available at 100% as there is a non-controlling interest in a quoted company.

Therefore, no IHT is payable.

Inheritance of painting:

The painting was inherited from Simon between one and two years before death, this means that quick succession relief is available on the painting.

3

The relief is calculated as follows:

Tax charge on earlier transfer = 62,000

Increase in transferee's estate = 240,000

Diminution in transferor's estate = 240,000 plus tax paid of 62,000

$62,000 \times (240,000/302,000) = 49,272$

The painting is worth 300,000

minus QSR (49,272)

no annual allowances available

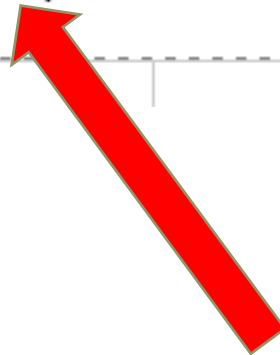
nil rate band 325,000

transfers since September 2009 586,000

Same thing but for the Dec 2017 IHT computation (all in one cell!!)

'The Ugly'

	A	B	C	D	E	F	G	H	I	J
1	Part a)									
2	Linda has been resident in the UK for at least 17 of the past 20 years. As such, for the purposes of inheritance tax, she will be treated as deemed-UK domiciled and pay full UK inheritance tax. Sorry Linda.									
3										



'Sorry Linda'

5

Teaching tax

And finally.....what would you like to change in the LMs?

- Is there a topic you teach differently?
- Is there a topic you think is too detailed, lacking in detail?
- Is there a topic you think would be better taught in BP:T?



ICAEW