



Examiners Report

Exam Name and Code: Tax Compliance (TC C/2024)

Date of exam: 18th December 2024

Paper Performance Overview

A high level overview of areas in which candidates performed well and areas in which their performance was weaker.

Overall, performance in this exam was mixed. There are several areas that candidates continually struggle with that were highlighted once again.

Typical areas of weakness are:

- VAT - there are only 5 or 6 areas that are commonly examined - Property Transactions is one of them. Candidates simply **MUST** be comfortable with these areas, as they are highly examinable at BP:T as well.
- Layout of IHT calculations - with IHT being relatively complex, it remains critical that candidates have a clear logical layout to this question. This is something that candidates still are not doing
- Corporation Tax continues to baffle candidates - the question in this exam started relatively simply (calculation of a gain with SSE and DGC) - something that is highly examinable both here and at BP:T, yet a worrying number of candidates struggled to deal with the question.

Also worryingly was the fact that a large number of candidates opted to simply leave questions out of their responses - this approach makes it difficult to pass the exam. Learners should always attempt *some element* of every question, even if understanding is limited.

Question 1 Performance

Area of the syllabus examined: 1b

Most candidates did very well on question 1.1, but this is not surprising as it is a very commonly tested area of the syllabus.

Question 1.2 was also relatively well answered which was good to see, as this is a relatively new part of the syllabus

Question 2 Performance

Area of the syllabus examined: 2a, 2c, 2d, 2i

VAT continues to be the achilles heel of many candidates, which is a little disappointing. Candidates need to remember that there are only 5 or 6 key elements of the VAT syllabus (of which CGS and Property Transactions are two). Both of these topic areas are highly examinable at BP:T, as well as here, so candidates would be well advised to practise these areas heavily.

Question 3 Performance

Area of the syllabus examined: 3a, 3b, 3d, 3f, 3g, 3h, 3i, 3j

A large number of responses to this question were worrying.

A significant proportion of candidates confused the most VERY basic elements of CGT & IHT. Candidates seemed intent on using *Diminution of Value* principles for CGT which (and there is no sugar coating this) is utterly wrong.

In addition to this, learners still seem to have only a light grip on other basic CGT rules - whether this is down to timing or panic, I'm not sure, but:

- Boats are wasting chattels, and therefore are exempt from CGT - this is something that is highlighted at PoT - therefore, any time spent calculating a gain on this asset was a total waste of time
- Reliefs on share disposals continue to disappoint - In general, reliefs (BADR and GR) available on Trading Company shares, but not on Investment Company shares. This is a relatively basic principle, but is still, seemingly, poorly understood across a number of candidates

IHT is also a frustrating area - Candidates simply must have a coherent approach to dealing

with this tax, as the process is complex, but very mechanical.

Question 4 Performance

Area of the syllabus examined: 4c, 4d, 4e, 4f, 4g

CT continues to be a serious concern, more so with this cohort. Very little of this question was answered well. Candidates struggled with all aspects of the requirements, and although some elements were quite complex, there were more than enough 'basic' elements for candidates to score well.

The gain on disposal of the shares was poorly dealt with, with several candidates not spotting the Degrouping Charge, however, the narrative element following on (explaining SSE) was better answered

Disappointingly, candidates really seemed to struggle with a relatively basic group loss question - given the new differentiated rates of CT, this was always on the cards as a possible question, and candidates should really have spent some time revising this area.

The final part of the question was poorly answered in general, but this was perhaps unsurprising, as although Rollover relief is a commonly enough examined area, the presentation of the requirement was a little unusual.

Question 5 Performance

Area of the syllabus examined: 5c, 5e, 5g, 5k, 5l, 5q

This question was probably the best answered question of all. Candidates dealt well with the cash basis of the first part of the question, which is heartening to see, as cash basis is not a commonly examined area of the syllabus.

There were mixed responses on the transitional rules, which is disappointing, as this was always going to be a key piece of learning for 23/24, as the transitional rules can only be examined in this tax year, so this was always going to be examinable this year.

The employment income question was answered relatively well, though answers dealing with the NIC elements of an employed individual were mixed

Summary and Helpful Hints

Overall, candidates cannot leave questions of the exam unanswered, and expect to be successful. A good grasp of the basic tax principles will serve candidates well, as there are many simple marks available for somebody who is brave enough to make a start on questions where perhaps the latter elements are looking a little more complex.