

## Examiners Report

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

**Date of exam: 7th October 2024**

### **Paper Performance Overview**

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

Overall, the exam went largely as expected. Candidates continue to perform well on areas such as Capital Gains Tax, and some areas of Income Tax, but continue to underperform on key areas such as VAT, Losses and Corporation Tax.

In addition, candidates need to have a coherent approach to IHT

### **Question 1 Performance**

Overall, candidates dealt poorly with question 1.1. The question was intended to examine candidates on the fundamental principles of ethics, following into the requirements with regard to due diligence when taking on a new client.

Many candidates instead focused on a perceived conflict of interest, which in reality was not an issue. Those that did deal with the issues raised generally did well.

Part 2 of the question was answered better. This question dealt with an actual conflict of interest when an accountant took a secondment with HMRC. Candidates generally dealt with this element of the question more confidently.

### **Question 2 Performance**

As ever, candidates generally dealt poorly with the VAT element of question 2. The question dealt with partial exemption (a very commonly examined question area), and disappointingly many failed to spot the issue at hand. Those that did spot it, dealt with it with varying degrees of success.

In addition, the second part of the VAT element (dealing with exports) was again poorly dealt with. Candidates need to be very careful with their language when discussing VAT. Terms such as Exempt and Zero Rated have very specific meanings and should be carefully considered.

The SDLT was almost exclusively dealt with very well. Almost all candidates received full marks.

### **Question 3 Performance**

Responses to this question were mixed.

While the IHT element of the question was difficult, there were easy marks available in the computation, even if some of the trickier elements were not answered. Candidates simply must have a coherent approach to the IHT computation. Once this is sorted, candidates will find the calculation of the IHT liabilities much easier.

Happily, candidates seem to have gotten to grips with the concepts of CGT. Candidates largely did very well in this area. Although the question was not particularly complex, it was still good to see candidates dealing with it well.

### **Question 4 Performance**

As expected, Corporation Tax continues to be the achilles heel of many candidates. This question focused on a long period of account, and the treatment of R&D expenditure.

While these topics are not present in PoT. They are particularly difficult subjects to deal with. Many candidates dealt with the issues in the wrong order (the correct order is to adjust the profit, then pro-rate the adjusted profit to match the Accounting Period). Doing this in the wrong order made the marks difficult to come by.

The second part of the question (when it was done), was done well. This is a salient lesson for candidates. The way to pass TC is to ensure that all parts of all questions are at least attempted.

## Question 5 Performance

Parts of this question were quite tricky, so it was good to see candidates doing well on the areas that were more 'manageable'.

The 1st part of the question dealt with an employee with a variety of Benefits in Kind, and other employment income elements. Follow on calculations then included a variety of NI calculations. Most candidates did well on all aspects of this part of the question.

The second part of the question dealt with a loss making partnership, followed by a generic chat about loss options for unincorporated traders, while most candidates gave the calculation of the partnership loss a really good go, it was disappointing to see that candidates continue to find losses a difficult subject to deal with. Candidates simply must appreciate that there is always a method to dealing with loss questions.

The fact that there was a new partner included in the scenario should have triggered thoughts of using early year loss relief as an option.

## Tips and hints

The following tips should be considered by all candidates:

VAT - There are only approximately 6 areas of commonly examined areas for VAT - candidates should focus on looking at questions that deal with the areas.

IHT - Candidates simply MUST have a coherent approach to attempting the IHT question. The ICAEW study text clearly shows one such layout.

CT - Candidates must become more comfortable with CT. There have been several changes to CT in recent years, so it is understandable that people find this a daunting area. Candidates must focus on the new areas that were not dealt with in PoT.

Losses - Candidates must understand that the examiner is leaving clues throughout the question that will act as a guide for the relevant loss options. In general:

If the question introduces a new trader - the focus will be on early years loss relief

If the question with someone who is looking to leave a trade, then terminal loss relief is favourite.