

Examiners Report

Exam Name and Code: Tax Compliance (TC/A 2021)

Date of exam - 17 December 2021

Paper performance overview

what worked well with candidates and areas that they were weak on, how they responded.

Overall, the paper was, in general, answered well. Students displayed the necessary skills to deal with the vast majority of scenarios to a sufficient level of accuracy. As expected, students did well with the majority of the Income Tax, Capital Gains and IHT syllabuses.

Students were less comfortable dealing with the VAT, Stamp Taxes and Corporation Tax areas of the syllabus.

Disappointingly, students also struggled with the 'higher skills element in the IT question. This is a critical skill to develop relating to progression to the BP:T paper, and being able to spot the short-cuts that are presented in the question is crucial to being able to deal with the questions on BP:T.

In addition, students have obviously concentrated on the ethics element of question 1, to the detriment of dealing with relatively simple scenarios relating to other important areas such as PI Insurance.

Candidates who were successful on this paper did very well on the overseas aspects of Q3 and Q5, which was pleasing, as this again, will form a larger part of future studies.

Question 1 performance (include each syllabus area covered)

E.g The syllabus areas covered were: 1a, 1i, 1l, 2f, 2j

The question relating to Professional Indemnity Insurance was, in general, poorly answered. Several candidates were unable to identify the correct level of insurance necessary for a given level of income. In addition, several were unable to deal with the retirement of a partner, despite this being relatively 'book' knowledge.

The element of the question dealing with MTDfB produced similarly disappointing responses. Candidates must ensure that they do not 'cherry pick' elements of the syllabus. In most cases, candidates were able to produce a couple of benefits.

Question 2 performance (include each syllabus area covered)

E.g The syllabus areas covered were: 1a, 1i, 1l, 2f, 2j

VAT continues to be a poorly understood area of TC. The questions in this exam dealt with partial exemption and OTT. A good understanding, particularly of OTT, is vital, not only for TC, but for BP:T, so some of the responses were disappointing. However, some candidates were able to produce good answers.

The Partial Exemption question was not well answered by most. Almost no Candidates were able to deal with the Van correctly, though most were able to present a commentary on the basic elements of the Simplified Partial Exemption rules.

Stamp duty was dealt with reasonably well, though candidates did not always appreciate the penalty system well.

Question 3 performance (include each syllabus area covered)

E.g The syllabus areas covered were: 1a, 1i, 1l, 2f, 2j

The CGT element of the question was in general answered well, though some candidates failed to appreciate some of the more basic elements of CGT, such as understanding and using the correct rates of tax. In addition, a small number of learners also focused on the income mentioned in the question, despite the fact that this was clearly only there to facilitate the calculations of the CGT at the correct rates. Most candidates were able to correctly identify the premise of the question, though several were not able to identify the correct RBC despite the question clearly stating the date the individual became resident in the UK.

As ever, the IHT question produced the widest quality of responses in the exam. Many candidates produced answers that dealt with several of the issues correctly, but unfortunately some answers were below par. The question dealt with several complex elements of the Death Estate including the availability of reliefs such as APR and BPR, and while candidates were able to deal with APR correctly, several missed the availability of both. Encouragingly, most candidates were able to produce a reasonable attempt at calculating the final Death Tax Calculation.

Question 4 performance (include each syllabus area covered)

E.g The syllabus areas covered were: 1a, 1i, 1l, 2f, 2

Corporation Tax continues to be the Achilles Heel of many Candidates. Candidates produced a wide standard of answers. Most candidates were only able to produce answers which garnered just over half marks. Common errors continue to be:

- Not understanding which adjustments were necessary and which weren't
- Not dealing with the latest updates to the CT syllabus (such as the treatment of Intangibles)
- Not dealing correctly with IA on shares (many candidates ignored IA completely)
- Not understanding the payment regime for larger companies

For the second part of the CT question a decent number of candidates were able to produce a response which dealt well with the requirement.

Question 5 performance (include each syllabus area covered)

E.g The syllabus areas covered were: 1a, 1i, 1l, 2f, 2

Q5.1 produced some good answers. Most candidates were able to produce a good attempt at calculating the correct amount of loss relief, though some struggled with the correct use of the relief once it had been calculated. A large number of students confused the IT and CT rules for the relief. Disappointingly, several candidates failed to understand the basic premise of the question. Stating that the losses could be carried forward, when the trader was ceasing showed that some candidates still rely on pre-programmed responses rather than reading and understanding the question.

Q5.2 was probably the best answered question on the whole exam, which was encouraging, particularly as it dealt with Overseas Issues, which is traditionally a weak area of TC students. Candidates, on the whole, were able to correctly identify the issues raised in the question, though a small number neglected to gross the income up prior to taxing, overall however, these were in the minority

Q5.3 was disappointing. TC candidates have to improve at this style of question as they are prevalent at BP:T. The question dealt with a choice of remuneration packages. Candidates must get used to ignoring the constants within a question and only deal with the changes to the package offered

Q5.4 produced a surprisingly different quality of answers, some were good, but several did not answer question set, and most did not deal with all of the badges. It would appear that candidates ran out of time on this question, most likely, I suspect, as a result of spending too much time on unnecessary calculations in earlier parts of this question.

Summary and helpful hints

Candidates must have a good knowledge of as much of the syllabus as possible. Trying to question spot in a syllabus as large as TC is dangerous.

On a more micro level, candidates must read the questions set carefully before making assumptions about what is required. In addition, candidates must not rely upon a preprogrammed set of responses when dealing with novel situations.

Finally, learners must become more adept at dealing with the 'higher skills' elements of the syllabus. In general, higher skills will be present on all papers, and will appear to be disproportionately difficult to the marks on offer. Candidates need to figure out which question in the exam the question is and approach it in a slightly different way. Constants can be ignored, and working at the margins of tax becomes possible.