

## Examiners Report

**Exam Name and Code - Tax Compliance (TC A/2020)**

**Date of exam- 4th December 2020**

### **Paper performance overview**

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

Overall the paper was reasonably well attempted, with the capital taxes in question 3 and the income tax in question 5 being the strongest of the 5 questions.

The indirect taxes question was the weakest and left the impression that candidates had decided to leave this syllabus as it scores relatively less marks in the overall exam. For some candidates this was compensated by much stronger performances elsewhere, but for some this wasn't the case and reinforces the fact that candidates must be fully prepared for all the syllabus areas and should not cherry pick.

### **Question 1 performance (also include the breakdown of syllabus area covered)**

Syllabus area: Ethics and Law, this question covered syllabus areas 1a) 1b) and 1c)

This average mark for this question was a marginal pass which was a little disappointing as it covered some straight forward areas that candidates should have been familiar with. Too often candidates just threw out the stock phrases and ethical threats without any justifications as to why they were relevant here. With the actions to be taken again popular phrases were given without any reference to the question. There were a number of candidates who obviously didn't trust their ethics partner – having suggested they were contacted, also felt the need to contact the ICAEW ethics helpline as well.

### **Question 2 performance (also include the breakdown of syllabus area covered)**

*Syllabus area: Indirect Taxes, this question covered syllabus areas 2a) 2c) 2d) 2f) 2k) and 2m)*

This question was the worst attempted question on the paper and most candidates failed to achieve a pass. Although the capital goods scheme and opting to tax are two of the trickier subject areas, there are a significant number of questions covering these areas in the question bank and a well prepared student should have been able to deal with these. The question also tested the VAT rules for supplying services overseas, there was a lot of confusion here with a number of candidates treating Business to Business and Business to Consumer transactions completely the wrong way round. The stamp duty element of this question was relatively straightforward and generally scored well

### **Question 3 performance (also include the breakdown of syllabus area covered)**

Syllabus area: Capital Taxes, this question covered syllabus areas 3a) 3b) 3d) 3h) 3i) 3j)

This question had the highest average mark on the paper and candidates showed a good understanding of the basics of both inheritance and capital gains tax.

With the inheritance tax, candidates had obviously learnt the proforma well and this helped them produce high quality, clearly laid out answers. The main areas missed were the tapering of the residence nil rate band and the fact that business property relief is not given on the shares as they were an investment company.

The capital gains were less well done, a number of candidates missed the fact that one of the assets sold was residential property and therefore missed taxing at 28% instead of 20%, this is a fairly fundamental point so was disappointing.

The final section which required the candidates to consider what the impact would be if the individual in the question stayed in the property for a longer – thereby getting full principal private residence relief, was often poorly done and showed the candidates are weaker when it comes to applying their knowledge outside of the usual “calculate the tax” requirement.

### **Question 4 performance (also include the breakdown of syllabus area covered)**

Syllabus area: Corporation Tax, this question covered syllabus areas 4c) 4f) 4h) and 4i)

This was a reasonably straight forward Corporation tax question, it had adjustments to profit, capital allowances and non-trading loan relationships which a well prepared candidate should be very familiar with, and this did prove to be the case with lots of high marks on these areas.

Where the answers were a bit disappointing was with the due dates for payment, this was testing the installment rules for a short period, as these dates are not in the tax tables this is something a candidate should learn, it didn't seem that many had done this.

### **Question 5 performance (also include the breakdown of syllabus area covered)**

Syllabus areas: Income Tax and National Insurance Contributions, this question covered syllabus areas 5c) 5i) 5j) 5k) 5l) 5o) 5r) and 5t)

Most candidates passed this question with the sections on employment income and the calculation of the income tax liability showing the strongest level of performance.

NICs were done well on the whole although what these are calculated on for an employee did cause some confusion.

The section on the offset of the trading loss was very mixed, the adjustments to the loss for tax purposes was done well, but the fact the losses that can be used against other income could be restricted was only identified by a few strong candidates.

The final section which required candidates to calculate a post-tax cost of a gift aid payment, needed the candidates to apply their knowledge, and again a lot fell short here, with a significant number not even attempting.

## Summary and helpful hints

Candidates should attempt all the questions and not try and rely on the income tax and the capital taxes to try and get them through.

VAT is a key syllabus area and the lack of time and effort often shown for this question was disappointing, and often resulted in the candidate failing the question.

Knowing the proforma's well does help and makes candidates be able to use their time more efficiently – those students who did this were the ones who managed to achieve the highest marks.

Candidates must show workings, credit can be given if the number is wrong but the workings are there – often easy marks were lost for not doing this.

Overall it was a reasonable attempt at a comprehensive paper with some excellent marks achieved, although better technique could have significantly improved a number of the scripts.