



The Association of Taxation Technicians

NOVEMBER 2004 EXAMINATION

ATT PAPER 1

EXAMINER'S REPORT

General

This paper was not answered as well as previous papers and the general standard of presentation was poor.

Part 1

The majority of candidates attempted all questions. The most common errors were:

Question 2 – failure to show the correct dates – many stated 31 January 2005 as latest date.

Question 3 – ignoring the amount paid to the employer.

Question 4 – ignoring married couple's allowance

Question 5 – showing the income from overseas taxed at 20%

Question 10 – omitting residential accommodation relief

Question 13 – deducting losses after taper relief

Question 14 – including the gain arising in 2002/03 with the total for 2003/04

Question 15 – stating that a gift to a political party does not qualify for gift relief

Question 20 – stating gift to wife wholly exempt

Part 2

Question 1

This was a very popular question and was attempted by almost every candidate with many gaining high marks. The answers were generally well laid out and easy to follow. The main areas in which candidates did not do well were the calculation of the accommodation benefit and in particular the expenses paid by the employer. Some also failed to deduct the entertaining expenses without explanation, although including the round sum allowance in the taxable income. Most extended the basic rate band for the gift aid relief and showed the correct rate of tax on the dividend. Whilst most stated the rules for assessment of the bonus correctly, many failed to gain marks on the final part and either ignored it or simply stated that forms P60 and P11D would be needed.

Question 2

Surprisingly this was not a very popular question. It allowed the well prepared candidate the chance to show their knowledge of the basics on both capital gains tax and inheritance tax and several candidates produced very good answers. However, others failed to mention capital gains tax gift relief for the gift and some confused the agricultural relief for inheritance tax by stating that it was available for capital gains tax. Only a very few mentioned that Jim may wish to transfer half of the farm to his wife first before the gift to his son.

Question 3

This was another fairly unpopular question and should have been another opportunity for the well prepared candidates to show their knowledge. There were several very good answers but many only briefly explained each problem. The excessive mileage payments were the most likely point to be explained fully but the overdrawn current account, credit card payments

and advances of salary appeared to be of little concern to many candidates and many were also vague on the possible outcome of the PAYE inspection.

Question 4

A fairly popular question but many struggled to get good marks. The presentation of the answers was generally very messy and many failed to give any explanations of adjustments or the loss relief.

Question 5

This question was fairly popular but there were few good answers. Many candidates did not appear to know that the gift to the charity was exempt from capital gains tax and could be used as a deduction from income. Several stated that it would qualify for gift relief. Many failed to notice that the loss on the shares in Wonder Fabrications could be set against income which therefore meant that for many candidates the answer produced a capital gains tax liability. This meant however, that they were all insistent on an amended tax return being submitted.