

Candidate Number			



**Association of Taxation Technicians**

## **Examination**

May 2008

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### **PAPER 6 – PART I**

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### **BUSINESS COMPLIANCE**

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TIME ALLOWED – 3 HOURS  
(for Part I and Part II)

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You are required to answer **all** questions in Part I and Part II (printed separately).

#### **Part I**

- You must write your answers in this booklet using the space provided under each question and complete your candidate number at the top of this page.
- Each question carries between two and four marks as indicated in brackets.
- It is expected that your answers will be in brief bullet point format or summary computations.
- It is not expected that you will require all of the space provided.
- All workings should be shown and made to the nearest month and pound unless the question requires otherwise.

1. Joseph was self-employed until the end of September 2007 and his assessable trading income for the six months to 30 September 2007 was £20,000. On 1 October 2007 he started working as an employee and in the period to 31 March 2008 he earned £15,000 in salary.

**Calculate the National Insurance Contributions payable by Joseph for 2007/08. (4)**

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4. Michael was asked by his UK employer to work in France for a period of three months from June 2007. His wife accompanied him, and the following expenses were paid by his UK employer:

- 1) Rent of house in France – £5,000.
- 2) Hire of a car in France for use by his wife for the duration of their stay – £1,300.
- 3) Travel costs for Michael and his wife for the initial outward and return trip – return fare of £200 per person.
- 4) Two return trips to the UK for both Michael and his wife (one at the end of each month of absence) – return fare of £200 per person per trip.
- 5) Private medical insurance of £300 each for Michael and his wife for the duration of their stay in France.

Michael's annual salary is £45,000, but for the three months he worked in France he received an extra £1,000 per month to cover incidental expenses.

**Calculate the amount of employment income chargeable to UK Income Tax for 2007/08.** (4)

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5. Rupert was employed on a salary of £45,000 by UK listed company. For the two years ending 29 February 2008, he had £100 per month deducted from his salary in order to purchase shares under the company's share incentive plan.

Rupert left the company on 31 March 2008 and at that date the market value of the partnership shares in the plan was £5,000. The plan also contained dividend shares with a market value of £100. The dividends used to purchase these shares were £36 (net) in December 2006 and £45 (net) in December 2007.

**Calculate the amount of tax and National Insurance Contributions (if any) due on the shares taken out of the plan when Rupert leaves his job, and briefly explain how the tax will be collected.** (4)

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6. Robert is a builder in the construction industry who uses sub-contractors. For 2007/08 he deducted tax from 10 verified sub-contractors. The total gross payments made were £58,750 (including VAT) of which £5,000 (net of VAT) was in respect of materials. The monthly return due 19 January 2008 showing tax deducted of £2,000 in total from 5 sub-contractors was not submitted until 1 February 2008. All other monthly returns were made on time.

- 1) **Briefly explain how Robert should have accounted for tax deducted from sub-contractors.**
- 2) **State the penalty for late submission of the monthly return.**
- 3) **Calculate the total tax Robert should have deducted from the payments made.** (4)

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7. **What evidence must a business retain in order to support recovery of the following types of input tax?**

- 1) **Import VAT incurred when goods enter the UK from a non-EU country.**
- 2) **Acquisition VAT incurred on the purchase of goods from an EU territory.**
- 3) **Reverse charge VAT incurred on the purchase of services from abroad.**

(3)

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8. Beta Ltd's normal trade is to make supplies of £50,000-60,000 per annum, and it is not registered for VAT. On 1 January 2008 it receives a large order for £70,000 of goods to be delivered to a customer on 30 January 2008.

**By when should Beta Ltd notify HM Revenue & Customs of its liability to register for VAT and from what date will its registration take effect? (2)**

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10. Delta Ltd has provided the following information in relation to its sales and purchases in the quarter ended 31 March 2008:

Standard rated sales	£20,000 plus VAT of £3,500
Purchase of stock	£10,000 plus VAT of £1,750
Office costs (rent, utilities, etc)	£1,000 plus VAT of £175
Staff party	£500 plus VAT of £87.50
Entertaining clients	£700 plus VAT of £122.50
Subscription to trade magazine	£100

**Calculate Delta Ltd's VAT liability for the quarter and state the due date for payment.** (4)

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11. The constitution of a company comprises two documents.

**Briefly state what these two documents are and what they contain.**

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