

Candidate Number			



Association of Taxation Technicians

Examination

May 2008

PAPER 7 – PART I

PRACTICE ADMINISTRATION & ETHICS

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

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. Mr Jones is currently registered for VAT. His customers are private householders and he considers it would be beneficial if he did not have to charge VAT.

Explain the circumstances in which Mr Jones could deregister from VAT and, if applicable, the action he would need to take to do so. (3)

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2. Marsh Ltd prepares quarterly VAT returns. The VAT return for the quarter ended 31 January 2007 was submitted late. Marsh Ltd had submitted all previous VAT returns and paid the VAT due on time.

The VAT return for the quarter ended 30 April 2007 was submitted on 18 June 2007 and the VAT due of £21,400 was paid on the same date. The VAT return for the quarter ended 31 July 2007 was submitted on 8 September 2007 and the VAT due of £6,400 was paid on the same date.

Explain the consequences arising due to the late submission of the VAT return for the quarter ended 31 January 2007 and calculate any penalties due in respect of the VAT returns for the quarters ended 30 April 2007 and 31 July 2007. (4)

3. Your firm was appointed to act for Radiant Ltd, a profitable company in the heating industry, about six months ago. In light of work undertaken by your audit colleagues in respect of the year to 31 March 2008, the company has accepted that it should increase the bad debt provision at 31 March 2008 and the provision recognised in each of the two preceding years.

You have advised Radiant Ltd that the taxable result for each year involved should be restated to reflect the correct bad debt expense, as you are satisfied that the bad debt provision is deductible, even at the increased amounts. There are no open enquiries into any of the years involved.

Briefly explain whether the Corporation Tax returns for the years to 31 March 2006, 2007 and 2008 can be adjusted to reflect the restatements and, if they can, state the relevant deadlines that apply. (4)

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5. Sybil was an employee of Zany Interiors until 1 January 2007, when she became a partner. During January 2007, her fellow partner, Basil, helped Sybil to contact HM Revenue & Customs to advise them that she had commenced trading. Basil has also advised Sybil that she will need to file a tax return for 2006/07 and subsequent years.

Sybil has approached you in May 2008 because she is unclear about who is required to report the taxable income of the partnership and, as a result of her uncertainty, she has not yet filed a 2006/07 tax return.

- 1) Explain who is responsible for notifying HM Revenue & Customs of the taxable income arising from the partnership.
- 2) Explain the consequences of Sybil's failure to file her 2006/07 Income Tax return. (4)

7. During a chat with one of your clients, James, at a hospitality event, he mentions in passing that a box containing valuable jewellery has recently been discovered in his mother's house. The house and contents formed part of an estate which had passed entirely to James on the death of his mother. Your firm dealt with the Inheritance Tax reporting and ensured that the substantial Inheritance Tax liability was paid by the due date of 30 April 2008.

You are satisfied that there is no question of fraudulent or negligent conduct and James has confirmed that his family wishes to satisfy any reporting obligations.

Outline the Inheritance Tax reporting obligations that arise as a result of the discovery. Explain whether and in what circumstances any penalties would be payable. (4)

- 8. Mr Evans created a discretionary trust on 10 June 1997 which has continued to remain in existence.

State the Inheritance Tax obligations that will arise as a result of the tenth anniversary of the trust being created. Include any relevant time limits. (3)

9. Fiscal barriers are sometimes mentioned in the financial press.

You are required to explain briefly:

1) What is a fiscal barrier?

2) What action can or must be taken if a fiscal barrier is identified? (4)

11. Case law is the body of law which is based upon judicial decisions.

1) Explain when case law can be a source of tax law.

2) What other sources of law affect UK taxation? (3)
