

**Section A**

**Question 1**

1.1			Marks
The 2017 transfer is more than 7 years pre death so no additional tax.			
	<b>PET</b>	<b>Death estate</b>	
	<b>October</b>	<b>September</b>	
	<b>2023</b>	<b>2026</b>	
	<b>£</b>	<b>£</b>	
Painting to daughter	130,000		
Death estate (W1)		508,150	
Less annual exemptions – 2023/24 & 2022/23 b/f	(6,000)		0.5
	<u>124,000</u>		
Less remaining NRB			
For PET (£325,000 - £250,000)	(75,000)		0.5
For death estate (£325,000 - £124,000)		(201,000)	0.5
Less RNRB		(175,000)	0.5
Chargeable	49,000	132,150	
IHT @ 40%	19,600	52,860	2 × 0.5
<b>W1 – Death estate</b>			
House		400,000	0.5
Shares in Griffing plc (W2)		24,150	
Personal possessions		103,000	0.5
Less funeral expenses and debts		(19,000)	0.5
		<u>508,150</u>	
<b>W2 – Shares in Griffing plc</b>			
Lower of:			0.5
¼ up $(2.40 \times \frac{1}{4} (2.46 - 2.40)) = £2.415 = £24,150$			0.5
mid bargain $(2.47 + 2.41)/2 = £2.44 = £24,400$			0.5
So $£2.415 \times 10,000$		24,150	
Total possible marks			6
Maximum full marks			6



1.2	Marks
<p>Capital gains tax is the tax paid where a <u>chargeable person</u> (ie Soraya) makes a chargeable disposal (which includes a <u>lifetime gift</u>) of a <u>chargeable asset</u> (all capital assets unless specifically exempt).</p>	3 × 0.5
<p>Although there are no disposal proceeds, as Soraya and Helen are <u>connected persons</u>, the disposal proceeds will be deemed to be <u>market value</u>.</p>	2 × 0.5
<p>The market value is greater than the original cost, therefore a <u>gain</u> will arise and unless this was covered by the <u>annual exemption</u> (or by capital losses), CGT should have been paid.</p>	2 × 0.5
Total possible marks	3.5
Maximum full marks	2



## Question 2

2.1a				Marks	
<b>Income tax computation</b>		<b>NSI</b>	<b>Savings</b>	<b>Divs</b>	
<b>2025/26</b>		<b>£</b>	<b>£</b>	<b>£</b>	
Trading profits		112,308			0.5
Dividend income				3,000	2 × 0.5
Interest			600		0.5
Net income	£115,908	112,308	600	3,000	
Less personal allowance	(W1)	(7,616)	-		0.5
Taxable income		104,692	600	3,000	
Non-savings income (W2)	£43,700	× 20%		8,740	0.5
	£60,992	× 40%		24,397	0.5
Savings income	£500	× 0%		-	0.5
	£100	× 40%		40	0.5
Dividend income	£500	× 0%		-	0.5
	β £2,500	× 33.75%		844	0.5
Income tax liability				34,021	
<b>W1 – Personal allowance</b>				<b>£</b>	
Adjusted net income					
Net income (not just NSI)				115,908	0.5
Less gross pension contribution	£4,800 × 100/80			(6,000)	2 × 0.5
ANI				109,908	
Less limit				(100,000)	0.5
				9,908	
Divide by 2				4,954	0.5
Personal allowance (£12,570 - 4,954)				7,616	0.5
<b>W2 – Basic rate band</b>					
BRB				37,700	
Gross pension contribution	£4,800 × 100/80			6,000	2 × 0.5
				43,700	
Total possible marks					9.5
Maximum full marks					9



<b>2.1b</b>		<b>Marks</b>
<b>National insurance contributions</b>		
	<b>£</b>	
Class 4		
$(£50,270 - 12,570) \times 6\%$	2,262	2 x 0.5
$(£112,308 - 50,270) \times 2\%$	1,241	2 x 0.5
	3,503	
Total possible marks		2
Maximum full marks		2

<b>2.2</b>		<b>Marks</b>
	<b>£</b>	
Salary		28,000
Healthcare		420
Train travel (£280 x 4)		-
SMRS		
Received (440 x 8 = 3,520 x 50p)	1,760	0.5
Allowance (3,520 x 45p)	<u>(1,584)</u>	0.5
		176
Pension contributions		
Employer		-
Employee (£28,000 x 4%)	<u>(1,120)</u>	0.5
		27,476
Total possible marks		4
Maximum full marks		4

**Question 3**

<b>3.1</b>	<b>Marks</b>
To surrender capital losses (or gains) requires two companies to be in the same gains group. To surrender other losses requires two companies to be in the same loss relief group.	0.5
To be in a loss relief group requires ownership via a company with direct holdings of at least 75% at every level and an effective interest in any sub-subsidiaries of at least 75%.	0.5 0.5
Apricot plc, Banana Ltd and Cherry Ltd are in a loss relief group together with Damson Ltd but not Elder Ltd as Apricot plc's effective interest in Elder Ltd is only 67.5% (90% × 75%).	0.5 0.5
To be in a gains group also requires ownership via a company with direct holdings of at least 75% at every level but effective interests need only be more than 50%.	0.5 0.5
Therefore Apricot plc's effective interest in Elder Ltd meets the threshold for it to be in a gains group with Cherry Ltd.	0.5
Total possible marks	4
Maximum full marks	3

<b>3.2</b>	<b>Marks</b>
<b>£</b>	
Cherry Ltd could surrender any amount of:	0.5
• its current year tax-adjusted trading loss	1,500,000 0.5
• its non-trading loan relationship deficit	65,000 0.5
But can only surrender the excess of any QCDs	0.5
As total income and gains is £100,000, which is more than the amount of QCDs, there are no excess QCDs	0 2 × 0.5
Subject to the other group members having sufficient available profits to offset the surrendered losses in the current year	0.5
Total possible marks	3.5
Maximum full marks	3



3.3	Marks
£	
Although Elder Ltd is not in a loss relief group with Cherry Ltd, it is in a separate loss relief group with Banana Ltd and Damson Ltd (it is possible to be in more than one loss relief group)	0.5
The available loss is the lower of:	0.5
The loss arising in the corresponding accounting period	0.5
The overlapping period is 1 July 2025 to 31 March 2026	0.5
The maximum claim is therefore £1,000,000 × 9/12	0.5
750,000	
Damson Ltd must also have sufficient available profits in the corresponding period to offset the loss arising	0.5
Damson Ltd's available profits are	
= £826,000 + £75,000 - £5,000 = £896,000	0.5
In the corresponding period = £896,000 × 9/12	0.5
672,000	
Claimable loss is £672,000	
Total possible marks	4.5
Maximum full marks	4



<b>3.4</b>	<b>£</b>	<b>Marks</b>
SDLT grouping is automatic for 75%-related companies.		0.5
Cherry Ltd is in a stamp tax group with all the companies apart from Elder Ltd		0.5
The warehouse purchase will be intra group, with no SDLT payable		0.5
The factory purchase will be subject to SDLT on the VAT-inclusive price as purchased from Elder Ltd:		
The VAT inclusive price for a new commercial building less than three years old = $£380,000 \times 120\% = £456,000$		0.5
$£150,000 \times 0\%$	0	0.5
$£100,000 \times 2\%$	2,000	0.5
$£206,000 \times 5\%$	10,300	0.5
	12,300	
The storage unit purchase will be subject to SDLT on the total cost (no VAT as > 3 years old):		0.5
$£150,000 \times 0\%$	0	0.5
$£10,000 \times 2\%$	200	0.5
	200	
All SDLT will be payable by Cherry Ltd as purchaser within 14 days of the transaction. A land transaction form must be submitted by the same date.		2 × 0.5
Group relief must be claimed via a land transaction form.		0.5
Total possible marks		7
Maximum full marks		5

**Question 4**

<b>4</b>					<b>Marks</b>
<b>Capital allowances for 19 months ended 31 July 2026</b>					
<b>Y/E 31 December 2025</b>	<b>AIA/FYA</b>	<b>MP</b>	<b>SRP</b>	<b>Allows</b>	
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	
TWDV b/f		245,061	49,681		0.5
WDA @ 18%		(44,111)		44,111	0.5
WDA @ 6%			(2,981)	2,981	0.5
TWDV c/f		200,950	46,700		
Allowances				47,092	
<b>7 M/E 31 July 2026</b>					
Purchases – AIA					0.5
Printing machine	605,000				
AIA (£1m × 7/12)	(583,333)			583,333	0.5
FYA @ 50% on balance (£605,000 - £583,333) × 50%	(10,834)			10,834	2 × 0.5
Purchases – non AIA					
Car – ignore private use			52,000		
	10,833	200,950	98,700		
WDA @ 18% × 7/12		(21,100)		21,100	0.5
WDA @ 6% × 7/12			(3,455)	3,455	0.5
Transfer balance to SRP	(10,833)		10,833		0.5
TWDV c/f	0	179,850	106,078		
Allowances				618,722	
The printing asset is a long life asset and added to the SRP as:					2 × 0.5
• It has an expected economic life of at least 25 years					0.5
• The total expenditure in the seven months ended 31 July 2026 exceeds £58,333 (£100,000 × 7/12)					0.5
<b>Total possible technical marks</b>					<b>7</b>
<b>Maximum full technical marks</b>					<b>7</b>

**Question 5**

5	Marks
<p><b>The tax gap</b></p> <p>According to HMRC, the tax gap is “the difference between the amount of tax that should, in <u>theory</u>, be paid to HMRC (‘theoretical tax liability’), and the amount that is <u>actually</u> paid”.</p> <p>The tax gap provides a useful tool for HMRC and the Government to understand the relative size and nature of non-compliance.</p> <p>Potential measures to reduce the tax gap include “digital links”.</p> <p>Digital links are transfers of data without copying and pasting data, or manually keying data in.</p> <p>As part of Making Tax Digital, these have the aim of reducing errors by limiting the level of manual intervention, and human error, in the computation of tax liabilities.</p>	<p>2 × 0.5</p> <p>1</p> <p>2 × 1</p> <p>2 × 1</p>
<p>The answer is partially sourced from:  <a href="https://www.gov.uk/government/statistics/measuring-tax-gaps/tax-gaps-main-findings">https://www.gov.uk/government/statistics/measuring-tax-gaps/tax-gaps-main-findings</a></p> <p>This answer contains public sector information licensed under the <a href="#">Open Government Licence v3.0</a>.</p>	
Total possible marks	6
Maximum full marks	5

**Section B – Question 6****Total Marks: 50 technical + 20 skills marks**

Summary of skills marks allocation	Marks
<p><b>Overall demonstration of communication skills (max 5)</b> Overall mark for demonstration of communication skills throughout Section B, points to consider</p> <ul style="list-style-type: none"> <li>• Layout</li> <li>• Presented as required</li> <li>• Logical structure and flow</li> <li>• Professional tone and language</li> </ul> <p>In addition to the overall marks for communication skills, marks were awarded for analysis and commercial awareness as follows:</p>	5
<p><b>Requirement 6.1 (max 5)</b></p> <ul style="list-style-type: none"> <li>• Recognition that the service from abroad affects boxes 6 and 7 as well as 1 and 4</li> <li>• Recognition that market value of the wine/champagne is not relevant for VAT</li> <li>• Identifying that the fuel scale charge will affect box 1 as well as box 4</li> <li>• Identifying that tax points for the van will dictate the correct return for recovery of the VAT</li> <li>• Recognition that there were two options for the private fuel and working out which was best</li> <li>• Recognition that for bad debt relief, one invoice affects this VAT return and one in the next quarter's return</li> <li>• Identifying that although the error does not need to be disclosed, in order for penalties to be reduced (potentially to zero), separate disclosure is advised</li> <li>• Identifying that the treatment of the wine and champagne for direct tax will depend on whether it was expensed in the accounts</li> </ul>	1 1 1 1 1 1 1 0.5
<p><b>Requirement 6.2 (max 1)</b></p> <ul style="list-style-type: none"> <li>• Recognition that Louise is incorrect that the IPT will affect the VAT return</li> <li>• Recognition that the standard rate will apply, and why</li> </ul>	1 1
<p><b>Requirement 6.3 (max 4)</b></p> <ul style="list-style-type: none"> <li>• Identifying that there is no historic liability to VAT when it was pursued as a hobby</li> <li>• Recognition that it is beneficial for members of the public to not be charged VAT</li> <li>• Identifying that the knitters are unlikely to be VAT registered, so there is no VAT cost to her of their services</li> <li>• Recognition that PL87 Ltd will not be concerned with VAT on its invoices from Louise</li> <li>• Identifying that sales from PL87 Ltd to the public will automatically have VAT on them</li> </ul>	1 0.5 1 1 0.5



Summary of skills marks allocation	Marks
<ul style="list-style-type: none"> <li>• Recognition of absorbing VAT cost itself or increasing prices</li> <li>• Consideration of the effect of timing differences from charging VAT by one party, to recovery of it by another, and its impact</li> <li>• Consideration of other factors such as reputation, where losses could occur</li> </ul>	1 0.5 0.5
<b>Requirement 6.4 (max 5)</b> <ul style="list-style-type: none"> <li>• Recognition that an occupier of land can have a liability to AGL</li> <li>• Identifying that whoever is liable for AGL, there are terms in the contract to be adhered with</li> <li>• Identifying that records should be kept for a potential HMRC visit</li> <li>• Consideration of exemptions and uses at a landfill site that could mean the tax is not due</li> <li>• Recognition of partial exemption for the rent and the impact on PL87 Ltd</li> </ul>	0.5 1 1 2 1
<b>Tutorial note</b> The allocation of skills marks is subjective and the mark plan is only intended to be indicative of how these might be awarded and will require markers to exercise judgement. The examples given in the mark plan for skills marks are not an exhaustive list of possible answers.	
Total possible skills marks	26
Maximum full skills marks	20

6.1			Marks
<b>PL87 Ltd amended VAT return for quarter ended 31 October 2026</b>			
<b>Description</b>	<b>Box number</b>	<b>Amount £</b>	
VAT due on sales and other outputs	1	65,280	0.5
VAT due on acquisitions of goods made in Northern Ireland from other EU member states	2	0	
Total VAT due	3	65,280	
VAT reclaimed on purchases and other inputs	4	21,933	0.5
Net VAT to be paid/reclaimed	5	43,347	
Total sales excluding VAT (adjustment to include the £2,000 invoice from Spain)	6	339,000	0.5
Total value of purchases excluding VAT (adjustment to include the £2,000 invoice from Spain)	7	80,000	0.5
Total value of dispatches of goods from Northern Ireland to EU Member states excluding VAT	8	0	
Total value of acquisitions of goods in Northern Ireland from EU Member States excluding VAT	9	0	
<b>Box 1 adjustments:</b>		65,000	
The £60 input tax recovered is not deductible input tax		(60)	0.5
This is, however, a negative entry in the box 4 figure to reverse last time's deduction, and not output tax in box 1, so needs to be removed			1
The gift of wine to the 10 customers does not represent a deemed supply, as the cost to each customer does not exceed £50		(70)	1
Market value is not relevant. The input tax was correctly recovered last quarter			S1
There is no adjustment to the box 1 figure during this quarter, and therefore the VAT declared as output tax needs to be deducted - £70 (10 × £35 × 20%)			0.5
The gift of the bottle of champagne to one customer is a deemed supply (cost exceeds £50)		0	1
Input VAT claimed in box 4 of 20% × £60 needs to be reversed by output tax on this deemed supply. The VAT has been correctly included in the box 1 (and box 4) figures, so no adjustment is needed			1
The gift of the watch to Jenna is not a deemed supply as input VAT has not been claimed on the watch		(75)	1
£75 of output VAT needs to be deducted (£450 × 1/6)			0.5
Output VAT on fuel (see below in box 4 adjustment)		85	S1
Output VAT on reverse charge service (see below for explanation in box 4 adjustment)		400	0.5
<b>Total box 1 figure</b>		<b>65,280</b>	

6.1		Marks
<b>Box 4 adjustments:</b>	23,000	
Input tax reversal on entertaining UK client (see above)	(60)	1
The tax point for the purchase of the van, is 2 October 2026 for the deposit (payment of £3,000 overrides the basic tax point (BTP) of 27 October, when the van was collected)	0	S1
The VAT on this of £500 ( $£3,000 \times 1/6$ ) is correctly deducted on this return		0.5
The tax point for the balance will be in next quarter's VAT return as the tax point will be 5 November (invoice date issued within 14 days of BTP of 27 October)	(2,000)	1
£2,000 of VAT recovery needs to be adjusted		0.5
VAT on leasing a car for the sales director is for both business and personal use, and only 50% of the VAT can be recovered. £50 needs to be adjusted	(50)	1
There are two options for the VAT on the fuel: either recover the VAT and apply the scale charge or do not recover the VAT	160	S0.5
Using the scale charge, VAT recovered is £160 ( $£960/6$ ), and the output VAT on the scale charge is for a car of 205 g/km (rounded down to nearest 5) which is £512, so output VAT of £85 ( $1/6 \times £512$ )		1
It is more beneficial to recover the input tax of £160 and then pay output tax of £85		S0.5
Bad debt relief (BDR) is a deduction in box 4	483	0.5
Payments towards invoices that are not settled in full, nor allocated by the customer, are on a FIFO basis		1
The £1,000 is allocated to the January invoice		0.5
BDR can be claimed where a minimum six months have elapsed from the later of the date of the supply, or payment was due		0.5
The date of supply is the invoice date (as invoices are issued within 14 days of the supply of the goods), and as the payment due date is later than this date, six months is counted from the date payment is due		1
The invoice on 15 January was due for payment by 14 February. This date is more than six months for the current return, and BDR can be claimed		S0.5
Amount outstanding is $£3,900 - £1,000 = £2,900$ . VAT of $1/6$ is £483		1
The 22 April invoice was due to be paid on 22 May, which is within six months of this return. The VAT on this invoice can be deducted in the next quarter's return		S0.5
The invoice received from the Spanish individual is subject to the reverse charge in the UK	400	0.5
The VAT is included in box 1 as output VAT, but deductible in box 4 as input VAT. (The invoice value is also included in boxes 6 and 7)		0.5
<b>Total box 4 figure</b>	<b>21,933</b>	

6.1	Marks
The return needs to be submitted to HMRC using the company's existing 'Making Tax Digital' log in.	0.5
This needs to be submitted by 7 December 2026.	0.5
Payment should be made electronically by 7 December 2026.	0.5
The errors on a previous return relate to the following single error: £60 for entertaining a UK client which was deducted on the last quarter's VAT return.	1
As the total error is not more than £10,000, then it can be corrected on this return without separate notification to HMRC.	1
Although the error does not need to be disclosed in order to correct it on the return, in order for penalties to be reduced (potentially to zero), separate disclosure is required.	S1
Gifting alcohol to customers is a disallowable deduction for corporation tax (CT) purposes.	0.5
Although the wine is within the limit for 'small gifts' of £50, food and drink is excluded, unless it is the company's own stock being gifted (and has a conspicuous advertisement).	1
Therefore, the cost of the wine and champagne will be added back to the trading profits for CT, where this has been expensed in the company's P&L.	1 S0.5
The gift of the watch would be classed as an employee benefit and wholly deductible for CT purposes for the company.	1
Total possible technical marks	25.5
Maximum full technical marks	25
Total possible skills marks	7.5
Maximum full skills marks	5



6.2	Marks
There is no VAT on the invoice as the provision of insurance is an exempt supply for VAT purposes.	1
This means there is no VAT to recover and the invoice will not be reflected in the VAT return in any of the boxes.	1
Louise is wrong to believe that the insurance premium tax (IPT) should be recovered in box 4.	S1
However, insurance policies are liable to IPT instead, which is at two rates.	0.5
The 12% rate is the standard rate and would apply to this policy.	0.5
The 20% rate is anti-avoidance where insurance providers were artificially reducing the VAT in relation to motor cars, domestic appliances and travel insurance.	S1
IPT is due on the cost of the insurance, plus commissions (unless provided to an independent broker of a standard rated contract), plus administration fees charged.	1.5
Therefore, the 12% is correctly applied to the £2,625 (£2,500 + £100 + £25) on the invoice.	1
Total possible technical marks	5.5
Maximum full technical marks	5
Total possible skills marks	2
Maximum full skills marks	1

6.3	Marks
<p><b>Option 1 – Operating as a sole trader</b></p>	
<p>Louise has currently been selling her knitted products as a hobby and once she forms the intention to market her products as a business, this will become a business activity for VAT purposes and she will be making taxable supplies and potentially liable to register for VAT.</p>	1.5
<p>She will not have any historic liability to register for VAT whilst she was carrying out her hobby as she did not do this with the intention to realise income from her knitting.</p>	S1
<p>As a sole trader, she is unconnected with PL87 Ltd and only her income will be used to decide whether she needs to become VAT registered.</p>	1
<p>The registration threshold is £90,000 in a twelve month period.</p>	0.5
<p>Based on Louise's projections, she will not be required to register for VAT.</p>	0.5
<p>This means she will not charge VAT on her sales, either to the public or to PL87 Ltd.</p>	0.5
<p>This has benefits for her sales to members of the public, who cannot recover VAT.</p>	S0.5
<p>However, a disadvantage is not being able to recover VAT on costs that she incurs where she does not VAT register.</p>	0.5
<p>As she is making taxable supplies she could voluntarily register for VAT even though her sales are less than the compulsory registration threshold. This would mean she would have to charge VAT on all of her sales, but would be able to recover her input VAT.</p>	1
<p>It is also likely the knitters she uses will not be VAT registered (as they are unlikely to be over the threshold) so the VAT she would incur and need to factor into her prices would just be £1,050 on the other costs.</p>	S1
<p>The VAT is not exactly 1/6 of her costs as there might be some zero rated purchases, and using her own electricity from home has VAT at the 5% rate.</p>	1
<p>If she were to voluntarily register, her income from Etsy would incur VAT. If she were to sell for a VAT inclusive price of £5,000, the output VAT would be £833.</p>	1
<p>PL87 Ltd would not be concerned with VAT added to its invoices, so the only real VAT cost would be the £833 with input tax to recover of £1,050, in year 1.</p>	S1
<p>In year 2, the VAT cost would be £1,333 (sales of £8,000/6) with input tax to recover of £1,350, so the VAT recovery is much lower than year 1.</p>	1
<p>Louise would need to weigh up whether the VAT accounting, and additional cost for sales made to the public is worth voluntary VAT registration.</p>	1
<p><b>Option 2 – Operating as part of PL87 Ltd</b></p>	
<p>If Louise runs her business through PL87 Ltd, the income will automatically be included as taxable income on the company's VAT return.</p>	1

6.3	Marks
It is the person that is VAT registered and all taxable income streams will have VAT on them.	0.5
The registration threshold of £90,000 would be irrelevant here, as PL87 Ltd is already VAT registered.	0.5
This means that the sales to the members of the public, would automatically have VAT on them.	S0.5
PL87 Ltd would need to decide whether it would be more beneficial to keep prices as they are and suffer the VAT cost itself, or increase prices to take into account the 20% charge.	S1
One benefit of operating through the existing company is not having to raise invoices to PL87 Ltd for the sales made to it by Louise.	0.5
Sometimes a timing difference can arise between having to account for output VAT on sales before the recipient gets to recover it on their VAT return as input tax. Differing VAT periods can affect this.	S0.5
One downside to operating her business through PL87 Ltd is that Louise is concerned as to whether the new venture will be successful. If it were to incur losses, then these would be PL87 Ltd's and not Louise's personally.	1
This could harm the reputation of the company and might not be in Peter's interests.	S0.5
However, this could be advantageous as her personal liability would be limited, as the company would be fully liable for losses and not her.	0.5
Total possible technical marks	13.5
Maximum full technical marks	10
Total possible skills marks	6
Maximum full skills marks	4

6.4	Marks
<b>Environmental Taxes</b>	
<b>Aggregates Levy</b>	
Aggregates Levy (AGL) is an environmental tax on the extraction of rock, gravel and sand, where it is done commercially.	1
Where the bricks/rubble and other aggregate from the ground is removed and sold, this could result in a charge to the levy at £2.08 per tonne.	1
It is primarily the person that commercially exploits it that has to pay the levy, which would be the builder, but an occupier of land can also have liability for the tax.	0.5 S0.5
In any event the builder will recoup the costs from PL87 Ltd, as part of its contract terms, should AGL become due.	S1
There are exemptions from the levy and one of these would apply here. AGL is a single stage tax and the aim is to encourage recycling.	1
If aggregate has already been used for building purposes, then selling it or re-using it would not incur a charge.	0.5
Another exemption applies where the aggregate is being removed from an existing building, and the foundations, in order to put up the new structure. Therefore, there will be no AGL to pay.	1
Detailed records should be kept of the work in case HMRC visit and question the tax treatment.	S1
<b>Landfill Tax</b>	
Where some of the materials go to a landfill site, and are not recycled there, landfill tax will become due.	1
The bricks and rubble etc should classed as an inactive/inert material.	0.5
These incur the lower rate of £4.05 per tonne, as opposed to the standard rate of £126.15 per tonne.	1
There are exemptions from the tax, for example if the materials are placed in an Information Area on the site and subsequently removed for recycling.	S1
There are also certain uses on a landfill site itself where they are not 'taxable' uses. These are often where the materials are used in permanent structures on the site.	S1
Like with AGL above, detailed records should be kept of the type of waste and weight of it, if it is sent to landfill.	0.5
If all 150 tonnes was sent to landfill, the liability could be £607.50.	0.5
As above, PL87 Ltd would be required to indemnify the builder for this. The landfill operator will pay the tax to HMRC but will re-charge it on its tipping invoices to its customers.	1

6.4	Marks
<b>Rental Income</b>	
For VAT purposes the rental income will be exempt.	0.5
PL87 Ltd can opt to tax the rental income, but this will add 20% VAT to the rent for the mechanic.	1
As the mechanic is not VAT registered, they will not be able to recover the VAT.	0.5
PL87 Ltd will become partially exempt as a result of the exempt rent.	S0.5
However, where the total VAT incurred that relates to exempt supplies is a maximum £7,500 a year, there will be no impact on its VAT recovery.	1
Due to the small rental income, this is likely to be the case.	S0.5
For direct tax, the rental income is property income in its corporation tax computation.	0.5
Revenue property expenses can be deducted from the rental income.	0.5
If PL87 Ltd is a large company, it will incur 25% tax on the net property income.	0.5
Total possible technical marks	14
Maximum full technical marks	10
Total possible skills marks	5.5
Maximum full skills marks	5