



Chartered  
Institute of  
Taxation  
Excellence in Taxation

# CIOT Level 7 Accountancy Professional Apprenticeship

## PROJECT REPORT: SAMPLE SCRIPT 2

STUDENT PROFILE	
Candidate name	AB Apprentice

## QUESTION 1

### Part a – Continuous improvement

*Take responsibility for their own professional development by seeking out opportunities that enhance their knowledge, skills and experience*

**Using a situation from your practical experience records:**

- **Describe the situation and your role/responsibilities**
- **Explain the actions you carried out, and how you demonstrated continuous improvement**
- **Evaluate how effective you were**
- **Describe the lessons you learnt (that could be applied in the future)**

#### The situation and my role/responsibilities

I work in general corporate tax. I was interested in gaining some additional international tax experience to further my knowledge of this area.

I therefore sought out work from specialists in our team, including undertaking a Controlled Foreign Companies (“CFC”) review of recently acquired subsidiaries of one client. The CFC rules are broadly an anti-avoidance provision whereby the profits of non-UK resident subsidiaries of a UK company may be subject to a CFC charge. When undertaking this work, I made sure to ask a wide range of questions both specific to the task and around the wider background to the CFC rules to understand their purpose.

I also signed up for specific training sessions on international tax to further my knowledge and arranged to be added to the network’s mailing list to get regular updates on technical news and updates.

#### How I continuously developed

By pro-actively seeking out learning opportunities, this helped me to continuously develop my technical knowledge, which is very important in tax due to regular law changes. In addition, I asked lots of questions which helped me to build up my base knowledge and leverage off my colleagues experience and knowledge. In order to complete the CFC analysis, I also undertook technical reading around the CFC rules including reading the legislation which contains the rules, HMRC manuals and our own internal guidance. This provided me with the information required to complete the analysis.

By signing up to the network email list, I receive regular updates to ensure that I am always aware of the key latest developments which are relevant to our international tax team.

#### Evaluation of my effectiveness

I successfully leveraged knowledge from my colleagues by asking relevant questions which enabled me to broaden my knowledge and develop technically.

I also was successful in signing-up for useful internal updates which are critical to ensure a continuous development of my knowledge and understanding. However, I have not always made the time to read these, which impacts my ability to keep up-to-date with technical developments.

However, I could have tried to align the topics of the training courses I signed-up to with the specific work I was undertaking for example by identifying a course on CFCs or by volunteering for work which related to a training course I had attended. This would have helped to consolidate my knowledge and enable me to get

more out of the training sessions, as well as reducing the time my colleagues needed to spend explaining concepts to me.

#### Lessons for the future

Going forwards after a training course, I will discuss with my colleagues to see if they have any work relating to the topics covered in training which I could assist with to enable me to solidify my understanding. I will also seek out specific training courses to assist me with the technical work that I carry out.

I will also ensure to make the time to read the internal updates before I start an assignment to enable me to keep my technical knowledge up-to-date for the work that I am doing.

## QUESTION 1

### Part b – Building relationships

*Build trusted and sustainable relationships with individuals and organisations. Consistently support individuals and collaborate to achieve results as part of a team*

**Using a situation from your practical experience records:**

- **Describe the situation and your role/responsibilities**
- **Explain the actions you carried out, and how you built relationships**
- **Evaluate how effective you were**
- **Describe the lessons you learnt (that could be applied in the future)**

#### The situation and my role/responsibilities

I volunteered to 'buddy' the new graduates when they joined our firm. My responsibility was to look after the graduates and be a point of contact for any queries they might have.

The new graduates experienced a number of concerns in relation about charging time, the number of chargeable hours they were achieving and the level of exposure to technical work. It was my responsibility to assist them with these concerns and try and find solutions.

There were also a number of concerns raised by other colleagues about the impression the new graduates were making. As part of my role, I had to communicate these to the new graduates to help them improve their behaviour.

#### My actions and how I built relationships

Before the graduates joined, I reached out to them by text to check whether they had any questions or concerns in advance of joining. This helped establish myself as a point of contact for any queries before they had even joined the firm.

I then took care to show an interest in their concerns. For example knowing from experience how important the ACA exams are, I made sure to remember their exam dates and text them good luck. This helped to demonstrate I cared about them.

When they came to me with issues such as concerns about chargeable hours, I took the time to sit with them and discuss the issues, including helping one complete their timesheet more accurately.

I also thought of solutions to help ease their concerns, such as setting up a peer group meeting, which allowed people to share their concerns and understand that everyone was in a similar position.

When concerns about the graduates were raised in the office, I took the time to speak to them without making them feel targeted under the guise of providing tips on how to make a good impression. This helped to foster my role as a source of support and advice.

#### Evaluation of my effectiveness

I was effective in my role of looking after the graduates by ensuring I took time and interest in their progress and in understanding their interests and concerns. This enabled me to establish trust and encouraged them to come to me with any concerns.

However, I could have been more effective if I had been able to spot concerns before they were raised using my own experiences as a graduate as guidance to consider their likely concerns.

In addition, if I had given more upfront advice rather than reacting to the concerns raised this could have prevented escalation of concerns.

#### Lessons for the future

Going forwards, I would try to provide more upfront advice on common errors by sharing my own experiences. This would also help me to establish trust by sharing my own mistakes and would have helped the graduates to avoid repeating my errors.

I would also make more effort to check-up on the graduates regularly so as to encourage them to share any concerns earlier.

## QUESTION 2

### Ethics and Integrity

*Identify ethical dilemmas, understand the implications and behave appropriately. Understand their legal responsibilities, both within the letter and the spirit of the law, as well as be aware of the procedures for reporting concerns over potentially unethical activities.*

### or Professional Scepticism

*Apply a questioning mind to conditions which may indicate a possible misstatement of financial information due to error or fraud.*

**Using a situation from your practical experience records:**

- Describe the situation and your role/responsibilities
- Explain the actions you carried out, and how you demonstrated professional scepticism
- Evaluate how effective you were
- Describe the lessons you learnt (that could be applied in the future)

#### EXAMPLE OF PROFESSIONAL SCEPTICISM

##### The situation and my role/responsibilities

My role was to review an R&D claim for a technology company. R&D tax credit claims use the qualifying expenditure spent on a project to determine the tax benefit due to the company. Therefore, there is a cash tax benefit to maximising the R&D claim.

The claim I reviewed was for a company which did not have timesheet data available. Therefore, the qualifying expenditure on staff costs was calculated by applying an individual qualifying percentage to each member of staff's gross staffing costs.

These qualifying percentages are subjective as they are based on a judgement by the individual as to the amount of time spent on R&D activities. They are also critical to the overall value of the claim.

##### Actions & demonstration of professional scepticism

I noticed that the qualifying percentages of certain members of staff were higher than I would expect based on their job titles. I therefore questioned the client to understand the rationale for these percentages. The client explained that the job titles were misleading and therefore the qualifying percentages were potentially justifiable. However, upon discussion of the exact roles, I agreed with the client that these percentages should still be reduced.

Upon reviewing the updated claim, I noticed that although the qualifying percentages discussed had been reduced, the qualifying percentages of other staff members had been increased. The net effect of these changes was that the overall claim value remained unchanged.

I challenged this change with the client by questioning the reason for the change. The client then agreed to reduce the other qualifying percentages to their original values.

### Evaluation of my effectiveness

I demonstrated professional scepticism by challenging the assumptions implicit in the qualifying percentages against my expectations to assess their reasonableness. I then raised these in an appropriate way to the client acknowledging that there may be facts specific to the scenario which meant the qualifying percentages would be appropriate.

I also remained aware of the potential incentive to overstate the R&D claim to maximise the cash benefit available by taking care to check the updated claim for other changes. I then challenged the client appropriately given the potentially suspicious lack of change to the overall qualifying spend.

I made effective use of my own experience and knowledge to identify potentially unsuitable assumptions. I also was effective in remaining aware of the potential incentives to misstate the claim throughout the review process. This enabled me to identify that other data and assumptions had been changed, so I could challenge these as well.

When initially discussing the qualifying percentages, I may have been unclear in communicating that I would not expect other qualifying percentages to be affected. I could have been more upfront about this. This may have improved the overall efficiency of the review process.

### Lessons for the future

I will continue to be aware of potential motives to enhance claims for R&D, on other projects. I will also continue to apply professional scepticism when I encounter figures that appear anomalous.

Going forwards, I would continue to ensure I remain aware of changes made to a claim, whether or not they have been flagged by the client, to ensure that all the assumptions are challenged.

I would also ensure that I communicate expectations of changes to claims more clearly, which should help to improve the efficiency of the overall review process.

## QUESTION 3

### Business Insight

*Influence the impact of business decisions on relevant and affected communities based on an appreciation of different organisations and the environments in which they operate*

**Using a situation from your practical experience records:**

- **Describe the situation and your role/responsibilities**
- **Explain the actions you carried out, and how you demonstrated business insight**
- **Evaluate how effective you were**
- **Describe the lessons you learnt (that could be applied in the future)**

#### The situation and my role/responsibilities

A client, within the retail industry, had recently undertaken an internal reorganisation which involved transferring subsidiaries to a UK holding company. I considered and drafted tax considerations for a potential future disposal of these subsidiaries.

My role was to consider a number of different reliefs available such as share for share exchange, nil gain nil loss transfers and the Substantial Shareholding Exemption ("SSE"). I had to consider how these rules interacted, which was complex and depended to the exact facts of the scenario.

#### Actions & how I showed business insight

In order to qualify for SSE, there are a number of conditions which need to be met. One of which is that the company needs to either be a trading company or a holding company of a trading group. Although HMRC provides guidelines on what constitutes a trading business, this is a potentially subjective area.

I therefore had to examine the available facts in order to be able to understand whether or not they should be considered to be trading and the potential areas of risk of HMRC challenge. In particular, I had to consider why cash balances (which are usually considered non-trading assets) may be considered trading in light of the nature of retail business undertaken.

I also had to consider the likely objectives of a future sale including the potential timescale, as for certain reliefs there is a minimum holding period of the shares.

I identified the risks of SSE not applying, for example based on the large holdings of cash. I also assessed these risks in light of my understanding of the business and its objectives for holding these cash balances, i.e. whether they were likely to be held for investment purposes. In particular I formed an argument that the cash balances should not be considered as held for investment purposes given the highly liquid nature of the retail industry.

I also identified a risk that where the subsidiaries were holding companies, HMRC could deny the relief to a holding company of a trading subgroup if its subsidiaries did not have ordinary share capital. I then evaluated the risk of this being relevant given our understanding of the types of company and whether these entities usually have ordinary share capital. For example, I would expect US corporations to have ordinary share capital, whilst US LLCs might be formed without ordinary share capital increasing the risk of SSE not applying.

By considering the motives of the restructuring, I assessed the likely timescale of a future sale and whether it would be an intragroup or external sale, as this would impact the tax treatment.

### Evaluation of my effectiveness

I showed good business insight by considering the potential objectives of the client for holding cash and using this to inform my analysis and develop arguments based on the specific facts of the scenario. I also used my experience and knowledge to identify entities which may not have ordinary share capital and therefore may restrict the application of SSE.

However, I could have considered broader arguments as to why the cash balances were trading such as the low amounts of interest income suggesting this had not been invested and the fact that other assets were held on lease which was affecting the proportion of cash to total balance sheet assets. This would have given me broader range of arguments strengthening the overall argument.

I think on reflection that I probably had too narrow a view of the business and focussed purely on facts specific to the analysis rather than considering the broader picture.

### Lessons for the future

Going forwards, I would consider a wider range of arguments to provide a stronger overall argument in support of my conclusions by furthering my knowledge of businesses. I could achieve this by considering all the available facts/data of the scenario to provide an overall picture of the business.

I could have also undertaken more upfront research on the business to improve my overall understanding of the business to help analyse the scenario more fully.



## QUESTION 4

Using a situation from your practical experience records:

- Describe the situation and your role/responsibilities
- Explain the actions you carried out, and how you demonstrated flexibility
- Evaluate how effective you were
- Describe the lessons you learnt (that could be applied in the future)

### Flexibility

*Adapt approach to assist organisations and individuals to manage their conflicting priorities as circumstances change*

#### The Situation and my role/responsibilities

A client sent us an urgent request to provide UK tax considerations on a time-sensitive transaction relating to the structuring surrounding an acquisition. This request asked for comments on two alternatives i.e. the sale of assets or the sale of shares. This work had to be completed within a day despite any existing work commitments and given that its technical nature had to be appropriately reviewed.

My responsibility was to draft the initial UK tax considerations for review by the manager and partner.

#### Actions and how I demonstrated flexibility

I spoke to other managers I was working for, where deadlines conflicted, to discuss if these deadlines could be pushed back.

Where this was not possible, I considered whether I could delegate any of these tasks or if I would still be able to complete these in the required time scale.

I also considered ways I could speed up the review process and suggested using a Google document to allow for the manager to review my work in real-time as I drafted the comments. This real-time editing of the same document allowed the task to be completed more efficiently.

I showed flexibility by rearranging my existing work commitments in order to be able to complete the required task given its urgency. I adapted my existing plans for the day to take into account the change of circumstances.

Typically, I draft comments on Powerpoint and send these for review when completed. I therefore showed flexibility in adapting my working style by suggesting and then using a Google document to speed up the overall process.

I also adapted the order in which I drafted comments to ensure I covered each step in a linear fashion to allow for the real-time editing and review to work effectively. If I had been drafting these in Powerpoint, I would normally have drafted comments relating to similar points of tax together. For example, I would first draft all comments on the International Movement of Capital rules. These rules require certain transactions to be reported to HMRC.

However, this would have led to difficulties for the reviewer in knowing which comments had been completed and I therefore adapted my style.

### Evaluation of my effectiveness

I was effective in rearranging my planned work for the day to accommodate the urgent request showing an ability to be flexible to meet deadlines. I also suggested a new way of working using technology, which involved changing our approach, to ensure the task could be completed on time. This was an effective approach as it provided critical time savings.

Although I did suggest using a Google document, this was after the work had been commenced. I could have instead tried to think about such a solution upfront, which would have allowed for a greater time saving to be achieved.

### Lessons for the future

Going forwards, I would therefore consider upfront the potential for adapting my approach to a task to provide the maximum possible time saving. For example, by using different writing techniques to convey my suggestions – using bullet points rather than full prose. I would also use 'track changes' when I make changes to documents to make it easier for the reviewer of my work see where I have taken on board feedback.

I would also take more care to plan upfront how technology could be used to achieve my goals. By taking the time to consider this at the outset, I could also have saved time overall on the task.