

ASSESSMENT NARRATIVE – November 2022

Structure

A simple pass or fail will be awarded.

Identification and Application

The following are the relevant topics for assessment with their weightings:

1) VAT	35%	VAT registration - family members. 1) Basis for recovery of VAT on reinstatement works 2) Business/non-business apportionment 3) Quantify VAT deductible 4) Implications of VAT registration (account for VAT on letting income, VAT status on an assignment of a lease, deemed disposal on cessation of the business, application of CGS, DRC, MTD, monthly VAT returns to aid cashflow, etc) 5) Recovery of input tax by the Company under both proposals.
2) VAT	25%	VAT reliefs on reinstatement works: 1) Zero rating under current and alternative proposal 2) Reduced rate: a) changed number of dwellings b) empty homes relief (i) scope in relation to Phases 1 & 2 (ii) consideration of conditions applicable to Phase 2 works. Identify possible risk in relation to the main contractor's services spanning the pre and post 2 year quantifying period (iii) Advice in connection with risk identified in (ii), abuse of law and implementation of suggested arrangement (iv) Quantify potential VAT saving attributable to reduced rate.
3) Capital allowances	10%	1) Identify scope of allowances 2) Nature of expenditure qualifying for allowances Examiner's note: credit was awarded where candidates highlighted that part of the costs could be written off as repairs under the general principles.
4) Capital gains tax	15%	1) Where relevant, identify charge to CGT on the assignment of leases by family members to a partnership on VAT registration and, under the alternative proposal, to the Company 2) Basis of valuation. 3) Identify business asset disposal relief, 4) Computation of gain
Other direct tax issues, including, SD/SDLT, ATED, Income Tax	15%	1) SD chargeable on issue of shares? 2) Classification of transaction for SDLT purposes – residential or mixed use? 3) Quantify SDLT on acquisition of leases. 4) Where relevant, SDLT treatment on transfer of chargeable interests to partnership. 5) Identify and conclude on ATED. 6) Identify and quantify income tax and NIC due on benefit in kind received by family member directors from provision of holiday accommodation

A grade of 0,1,2,3, or 4 is awarded to each topic. The weighting is applied to that grade to produce a weighted average grade. The total of these scores is 2.75. This is then converted to a final absolute grade by rounding up or down to the nearest grade. Thus, scores in the range 2.5 to 3.49 will be a grade 3.

Relevant Advice and Substantiated Recommendations

The following are the topics for assessment with their weightings:

1) VAT	35%	Assessment and recommendation in respect of VAT registration, balancing the benefit of immediate recovery of input tax against additional administration consequential upon registration, along with accounting for output tax on letting income
2) VAT	25%	Advice and recommendations in respect of securing the reduced rate on the 2 works, scope of abuse of law and conclusion, recommendation of design & build contract and implementation
3) Capital allowances	10%	Benefit to family and identification of eligible expenditure
4) Other direct tax Issues including, SDLT, ATED, Income Tax	15%	Advice relating to tax costs leading to the conclusion that the alternative proposal should not be proceeded with.
5) Commercial considerations	15%	Recommendations to family members as to how they might mitigate the building costs, the relative benefits of retaining the leases compared to receiving shares, etc

The final grade will be determined for this skill in the same way as for Identification and Application.