Application and Interaction

Chartered Institute of Taxation
Excellence in Taxation

	(Ensure this number matches your candidate number on your desk label and on your candidate attendance form)
LON	Centre Code
0 2 0 5 2 0 1 8	Date of Examination

☐ Tick box if you have answered in accordance with Scots Law

☐ Tick box if you have answered in accordance with Northern Ireland Law

Instructions

Your script will be scanned electronically. Failure to comply with these instructions may lead to your paper not being marked. You must:

(a) Complete the details on this page and on the answer pages using BLACK or BLUE ballpoint pen only.

(b) Write on one side of the page.

(c) Not write in the margin areas indicated.

(d) If you have used additional pages, please add your candidate number and the question number to these pages.

(e) Do not put blank pages into the envelope at the end of the exam.

Please do all of the above before the end of the examination.

	Tick question attempted	For use by examiner only
1		
2	✓	
3		
4		
5		

FORMAT & STYLE OF ANSWER	MAXIMUM MARKS	MARKS AWARDED
The answer is set out in the format demanded. Thus, if it is a letter, it will be properly set out as a letter with addresses, date, "Dear X" and conclude "Yours sincerely" etc. If it is a report, it will give some indication as to what it is about and who it is for.	1	
The report or letter should contain an introduction setting out the terms of reference, information being relied on etc. It should also contain a summary of the key findings and recommendations.	2	
The body of the letter or report should be laid out in a clear way with appropriate headings so that the reader can navigate around it easily and spot the key areas without reading the entire document to try to find a discussion of, for example, income tax on some employment related shares.	1	
The answer "flows" so that a logical chain of thought presented to the reader rather than a series of random comments (which may nevertheless be technically correct).	1	
The style of writing should be appropriate to what is being produced. For example, a report to a client or lay person (which will always be the main element of a question) should not contain large numbers of legislative references whereas a technical note to the tax partner should. Technical advice should be conveyed in style appropriate to the reader.	2	
RELEVANCE OF ANSWER		
The answer does not contain large amounts of irrelevant material which would only serve to confuse a client.	2	
Technical knowledge (which will be rewarded through the technical marks and should not affect the awarding of these marks) has been directly applied to the specific circumstances of the reader and has this resulted in an answer tailored to their circumstances.	3	
The question(s) posed has/have been answered.	2	
PROVISION OF ADVICE		
The report gives advice. This means that where possible it should come off the fence and suggest the best option rather than simply giving a list of unweighted possibilities which fail to give the client an answer to their real problem: what should I do?	4	
Advice should include relevant and appropriate planning for the future.	2	
Advice should be commercial. This means that candidates should consider the bigger picture rather than narrowly focussing on saving tax.	2	
TOTAL HIGHER SKILLS AND PRESENTATIONAL MARKS	22	

Paper Ref	Question No.	Your Candidate No.
A&I	2	

taxes = CT / CGT / VAT / IT / IHT

PLAN

Introduction:

· Ethics → potentially conflict of interest between Steve and Pat. Both advising on employment matters

→ Pat Brown cannot offer capex claims w/o work to help Actorth industries inc in relation to drugs

↳ should not hinder independency from Square & Circle LLP.

Main body

① inward expansion to UK

ⓐ trade as a branch

→ accounts compliance
→ define PE
→ fixed place of business
→ CT rate
→ DTR available
→ tax compliance

· transfer pricing applies

· deductions available :

ⓑ trade as a company

→ share capital: wholly owned by Actorth industries inc
→ VAT threshold > £83,000, taxable supplies ∴ VAT registration

Debt → bank finance
→ ~~loan from Actorth: T.P / WWDC~~
→ equity: input share capital by shareholder

· ~~tax deductions~~ · trading through a company – similar to a branch, however greater possibility of being ~~recognised in UK through company than wish to~~ competition

· ~~Tax deductions~~ / planning / mitigation

① Long leasehold or rental – PE.
– planning permission – capital
– cost: £2million = capital.

rental expense – deductible.

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

② Demolition costs = revenue / capital = deduction available (although existing farm buildings = what CA have been claimed.? these will be deductible

③ construction - capital
- plant - CAs available - discuss

④ patents - deductible → WHT 20%.
↳ elect to patent box TT election

Tax planning & mitigation

dividends = exempt, but relief given if taxable DTR.
interest = WHT @10%.

→ R&D = large Co. 11%.
→ patent - New entrant - 10% TT
→ CAs = deductions / FYA.
→ capital costs deductible when sale
→ Rollover relief
→ SSE (future)

things to consider
· WWDC / T.P
~~[illegible]~~

② less availability
· discuss CY / Cfwd / INTRO / INTRC etc
· New EBITDA regime = more flexible (FY2024)

③ payroll taxes = NON UK → UK = UK resident for SH.
explain SRT:

shares: EMI / CSOP / Non tax adv.
: EMI preferable due to ER availability

relocation costs: ITEPA 2003 S.103
: >75,000 = taxable

any established by a company
CSOP: £30,000
: no material interest
: qualifying company.

conclusion: better to set up branch, then incorporate
costs of company ↑ due to a/c / compliance etc

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

REPORT

TO: chief executive officer

From: Mr J Rate - Tax partner

subject: Tax implications of proposed investment

date: 01 may 2018

Introduction:

This report has been prepared based on the information and facts provided based on the chief ~~Execu~~ Executive's letter dated 24 April 2018.

It is important to note that although we act for Actorth Industries LLC, we do not currently have an engagement with the company's employees.

Therefore the employee matters detailed in this report has been limited to the information provided as we do not know the history of the employees personal tax ~~implicat~~ situation.

~~All~~ The tax rates and reliefs mentioned in this

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

report may be subject to change, together with any potential changes in tax planning opportunities.

This report details the following advice

• Tax implications of proposed investment into the UK and whether to operate via a branch or a company

• possibilities of financing the investment

• Possibilities of available tax deductions

• Tax planning and tax mitigation opportunities

• A projection of future corporation tax liabilities

• Finally, advice on UK payroll and personal tax implications of the employees ~~moving~~ transferring to the UK.

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

Executive summary

• Trading through a branch or an incorporated ~~to~~ entity in the UK have similar tax implications and profits will be taxed at 19%. (based on financial year 2017)

• A bank account should be set up in the UK for potential loans taken out. Any interest paid ~~on~~ on the bank loan will be deductible as a trading loan relationship debit in the UK company's / branch tax computation.

• Capital allowance reliefs are available in respect of purchasing plant and machinery at a rate of 18%. The acquisition of the factory or building itself will not qualify for capital allowances.

• The cost of acquiring a new lease premium is capital in nature and therefore not allowable as a corporation tax deduction. However the rental expenses are allowable as a deduction.

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

• As the company operates in the pharmaceutical industry, with developing, testing and bringing new market drugs, a potential research and development claim could be made in the UK.

• Profits gained from acquisition of patents and intellectual property could qualify for patent profits being taxed at a lower rate of 10%.

• Carried forward trading losses can be used against future trading profits. Please note that the rules on losses reliefs are subject to changes based on a new EBITDA regime.

• The currently non resident employees will be considered UK resident and income tax will be payable at 20%/40%/45%.

• The relocation packages will incur a taxable benefit on the employees which will need to be reported on form P11D and the exercised

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

Share options will be available as a corporation tax deduction in the UK company based on market value of shares at exercise and price paid by employee on grant.

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2.	

(AII)
Aetosh Industries Inc trading through a branch

If AII trades through a branch in the UK, we will need to determine whether the branch has a permanent establishment in the UK.

(PE)
A permanent establishment is defined as a branch ~~trading through~~ having a fixed place of business.

A fixed place of business ~~is one~~ can be an office, warehouse or a factory. As it is ~~the~~ AII inc's intention to build a factory in the UK in which to trade through, a PE will exist for UK corporation tax purposes.
↳ Branch trading as delivering goods or storing goods is auxiliary in nature and will not constitute a PE

The profits which are generated through the branch's trade which are attributable to ~~to~~ the UK will be taxed at a corporation tax rate of 19%.

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

compliance

A set of accounts which relate particularly to the branch will need to be drawn up to determine the profits and losses for the year.

As the parent company is resident in Mulania, the accounts will not have to be filed at Companies House as long as ~~the~~ AII's ~~~~ accounts are publicly available in Mulronia.

When the branch starts to trade, it should inform HMRC within 3 months of the start of the accounting period in order to avoid unnecessary penalties.

I note that the year end of the proposed UK trade will be 31 December. Therefore all the corporation tax returns will need to be filed 12 months of from the end of the accounting period. So by 31 December 2019 for the year ended 31 December 2018. Failure to do so could result in

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

unless any penalties.

calculation of profits

Similar to trading through a company (see ~~later~~ below), when calculating the branch's profits, certain costs will be allowable as a deduction against trading income.

Costs of sales, ~~opera~~ operating expenses and interest expenses which are wholly and exclusively for the purpose of the trade will be allowable as deduction as long as they are revenue in nature.

Similarly, management charges between A11 and the UK branch will be deductible, so long as the amount is calculated at an arm's length price, and does not lead the branch to have a UK tax advantage.

Capital costs such as depreciation, or improvements to property, fixed assets should be capitalised ~~in~~ under tangible fixed assets

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

where capital allowances should be available.

I note that you have deducted building depreciation and intellectual property depreciation. These would be added back when computing the taxable total profits.

place of effective management
once the uk branch has been established, ~~the~~ I assume that the place of effective management (POEM) will be in the uk.

This is important to determine because where a branch is resident for tax purposes in two countries, a tie breaker clause under the OECD model convention states that there can only be one POEM. As this will be in the uk, the branch will be regarded as uk resident for corporation tax purposes.

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

Double tax relief

Where tax has been paid in Murania, double tax relief is available in the UK as the lower of tax paid in the UK or tax in Murania. In this case, 15% ~~....~~ of profits will be available as a double tax credit against the company's Corporation tax liability.

Conclusion

~~All~~ All in all, trading through a branch does have its ~~....~~ benefits as it does not require large amounts of funding, there are minimal administrative burdens on financial accounts and compliance, however it would be wise to also consider setting up a company because this could increase the status of the company by being positively recognised as a subsidiary of a large pharmaceutical in the UK by consumers.

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

Incorporation of a company

The incorporation of a company and the tax implications involved are very similar to setting up a branch, however it requires further understanding of the processes involved.

All could incorporate a wholly owned subsidiary, lets say "Acton industries LTD". This would mean All would own 100% of the share capital of Acton industries LTD and would therefore be entitled to 100% of the distributable profits.

Upon incorporation, UK Companies House will need to be informed as the company would be UK resident by virtue of central management and control.

This means all the day to day operations, directors meetings, management decisions incur ~~it~~ in the UK. The place of effective

FOR EXAMINER
USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

management will also be in the UK.

all companies that have been notified, as with the UK branch, HMRC will need to be informed of the trading status of the company.

The accounts of the UK company will need to be filed 9 months and 1 day after the end of the accounting period and the corporation tax return will need to be filed 12 months after the end of the accounting period.

Corporation tax will be payable at 19% after the relevant income and expenditure have been accounted for.

Achats industries inc will be a 51% group company for the purposes of quarterly instalment payments.

This means that if the UK company's ~~group's~~ augmented

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

profits are greater than £1,500,000 in a year, quarterly instalment payments will be payable on the following dates -:

- 14 July (from start of accounting period)
- 14 October
- 14 January
- 14 April.

Financing the investment

① Bank finance.

AII could negotiate with a UK bank to lend a loan to Acrish Industries LTD, which solely relates to the working capital of the company and its incorporation.

The loan may ~~to~~ have to be guaranteed under AII name due to the uncertainty of UK banks lending loans to businesses which may not be profitable for a few years

FOR EXAMINER
USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

By guaranteeing a loan and then lending it to the UK company, interest payable by the UK company will be deductible as a non-trading loan relationship debit (NTLRD) and the interest received by AII should be taxable, however I recommend checking with the Nurvonia tax authorities.

(2)
The UK company ~~could~~ will need to set up a bank account in the UK and ~~[illegible]~~ if the bank agrees, a loan could directly be lent to Achan Industries Ltd. Once again, any interest payable will be deductible as a NTLRD.

(3) Equity
AII could set up the UK company by investing in Achan Industries Ltd share capital. Say £~~500,000~~ 5,000,000. This cost ~~should~~ could be deductible against the sale proceeds on future sale of the company.

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

By investing in the uk company, knowing it will be profitable in the future, the ~~VAT~~ investment will be a benefit to the parent company and there will be no obligation to repay any loans or interest when taking out a bank loan.

~~Tax~~ (4) Dividends

Additionally, dividends could be paid to the uk company by ATI to fund the investment.

As the group is large, any dividends received in the uk by a controlled company ~~[illegible]~~ is exempt from corporation tax. This is on the basis that the dividend is not deductible or taxable in Mauritius.

VAT

If taxable supplies in the uk, whether operating as a branch or a company exceeds £83,000, the entity will need to register for VAT for uk supplies

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

Possibility of tax deductions

Taking each expenditure set out in the report in turn

① Long leasehold

The payment of a new lease which is long (greater than 50 years) will not be deductible for the purposes of corporation tax as it is treated as capital in nature.

If in the future, the UK company decide to sell or grant the existing leasehold, a capital gain ~~or~~ should incur whereby relief will be available on the premium paid for annual payable rao.

② Rent of land.

Rent payable of £600,000 per annum will be deductible as a revenue expense as long as it represents ~~cor~~ correct market value of current economic conditions of buildings market

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

This would be beneficial for the company as the relief would be available now and over a period of time as opposed to paying for a new lease.

③ Demolition of farm building
The demolition cost would be treated as capital in nature as the farm building it self ~~unit~~ is treated as a structure and thus ~~not~~ the cost would not have been allowable as a revenue expense.

The construction of the factory in the future could qualify for capital allowances if the construction cost include lighting, electricals, plant and machinery. ~~etc~~

The UK currently have an ~~good~~ attractive capital allowance regime which I mention below

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

(d) construction of bespoke factory.

The construction itself will not qualify for capital allowances or a revenue deduction as it is a structure.

However manufacturing facilities and plant and machinery could qualify for capital allowances (as opposed to deductions in the profit and loss account) if the criteria is met.

Capital allowances. (CAs)

CAs are available on qualifying plant and machinery, which includes, machinery, computers, electricals, furniture, lighting and fixtures and fittings.

Expenditure such as plant will get a writing down allowance of 18% which is deductible against the company's profits/losses.

The UK currently have an attractive

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

Annual investment allowance (AIA) whereby the first £200,000 spent on qualifying expenditure will be deductible at 100%.

Any amount which exceeds this, will get relief at 18% or 8%.

Electricals, lightings, air conditioning are types of items which are 'integral features". This means they are assets which have a larger economic life.

The writing down allowance available on integral features is 8%, however the first £200,000 of expenditure in this section can be allocated on priority to those in the general pool.

(5) Purchase of patents.
The actual cost of registering a patent will be capital in nature and therefore disallowed. However patents will form

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

part of an intangible fixed asset, whereby the ~~tax~~ profits generated will be taxed as trading income.

Expenditure attributed to guidance to intellectual property or patent profits has a generous relief in the UK.

Patent profits are taxed at a rate of 10% if the patents are qualifying and some research and development ~~and~~ has been undertaken.

There is no doubt that as a Pharmaceutical company, the group incurs research and development which could qualify for the lower rate of corporation tax.

a qualifying company that at any time during the accounting period, the company held qualifying IP rights or holds an exclusive licence

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

The development in patent rights would mean that the UK company creates or significantly contributes to the creation of the an invention or performs significant amount of activity for the purposes of developing the invention.

I would be happy to assist you further should you wish to make the patent box ~~to~~ election in the future.

~~Conclusion~~ Tax planning and mitigation

The UK offers various forms of generous relief for non UK resident company's wishing to set up in the UK.

As mentioned earlier the following should be considered when deciding to trade in the UK.

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

① Patent Box and Research and Development (R&D)

The patent box election provides patent profits to be taxed at 10% as opposed to 19%, provided ~~the~~ R&D work has been undertaken

R&D - As a pharmaceutical company, the company could be entitled to make an R&D election whereby the company could receive upto 11% as a R&D repayment on qualifying R&D work undertaken.

R&D ~~to~~ should be an intention ~~to~~ to have an advance in scientific technology and with a view for innovation.

In brief, the following ~~could~~ would be qualifying expenditure for R&D purposes

• Employee salaries and national insurance to those working directly in R&D

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

- consumables
- sub contractors costs (restricted to 65% of costs)
- pension contributions
- utilities

Please let me know if you wish to explore this option further.

② Rollover relief

on potential future sale of a building or ~~...~~ intangible fixed asset, the gain ~~...~~ which arises could be rolled over if the proceeds are reinvested into a new qualifying asset within 1 year before to 3 years after the sale of the asset.

Provisional rollover relief claims can be made within 4 years of the end of the accounting period in which the sale was made

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

③ capital allowances.

There is a large scope to reduce the corporation tax liabilities by ensuring the maximum capital allowances are claimed where there ~~is~~ are qualifying ~~[illegible]~~ ~~p~~ costs being incurred as mentioned previously.

④ interest deductions

There is scope for interest paid to be deducted on the ~~[illegible]~~ basis the loan ~~of~~ is for an allowable purpose and not with a view for the avoidance of tax or be part of a tax avoidance scheme.

However ~~[illegible]~~ the worldwide debt cap should be considered when making interest payments to connected parties.

A disallowance will arise where ~~75%~~ ~~of~~ a UK net debt exceeds 75% of

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

world wide gross debt.

(5) maximum utilisation of losses.
where losses are incurred, no corporation tax will be payable

Therefore when the company starts to be profitable in future years i.e. 31.12.2021 and 31.12.2022, brought forward trading losses should be used against current year trading profit which will reduce the liability

FOR EXAMINER
USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

Conclusion:

There are various advantages and disadvantages of trading through a branch or an incorporated entity, however due to the reliefs available and possible future profits, we would recommend trading through a branch and then incorporating through a company once you have established the UK market and economic conditions.

There are benefits of investing in the UK due to the ~~tax tax rates~~ continuing fall on tax rates as it is likely to fall to 17% in 2020 as well as enhanced relief on patents and R&D.

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

UK payroll and personal tax implications

Residency status

Currently, the employees employed by AJC are non UK resident.

When they move to the UK to take a full time work, as well as reside in the UK, they could possibly be UK resident for personal tax purposes.

To determine their residency status, we ~~...~~ need to look at the statutory residency tests.

Automatic UK test

If the employees spend over 183 days or more in the tax year, they will be deemed to be UK resident.

When the employees leave in year 3, a split year treatment could be applied where the employee is only UK resident part way through

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

once they are UK resident, they will pay income tax at a rate of 20% / 40% / 45% depending if they are ~~at~~ ~~as~~ basic, higher or additional rate tax payer.

Each employee will be entitled to a personal allowance of £11,500 which is reduce by their income

class 1 national insurance contributions ~~can be~~ will need to be paid by the employee and employer.

~~e~~ Any employer NIC paid will be deductible against trading profits ~~from~~ on the UK company's corporation tax return.

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

Share options

The existing Mutsuma share option schemes will be treated as an unapproved share option plan upon transfer to the uk

unapproved share option plans do not have the tax advantages which approved share option plans have.

upon grant of the shares, there will be no income tax ~~on that~~ on the employee. If the uk company is listed, national ~~ass~~ assurance and PAYE will need to be accounted for as the shares would be treated as readily convertible assets.

when the shares are exercised on the employees, an income tax charge will arise on the employee

FOR EXAMINER
USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

based on the market value on exercise and the price paid for the shares.

At the same time, the UK company will be able to claim a corporation tax deduction ~~on the~~ based on the market value of the shares exercised and the price paid by the employee.

This will in turn reduce the company's total taxable profits.

I would highly recommend the UK company setting up a new enterprise ~~the~~ management incentive share option plan which will have the following benefits:

• There will be no income tax consequences upon grant
• Upon exercise, the employees will have a capital gain based

FOR EXAMINER
USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

on the market value at exercise
on the price paid.

However unlike unapproved share option plans, the employee will benefit from entrepreneur's relief (ER) which means the employees will be taxed on the gain at a rate of 10% as opposed to 20%.

The conditions for ER to apply is that the company must be a trading company and the employees must hold atleast 5% of the shares in the company.

~~There are other conditions which~~
The company will also be entitled to a corporation tax deduction on exercise of the shares based on the market value upon ~~grant~~ exercise and consideration

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

paid upon grant.

~~If you was~~ Please speak to your local tax advisor regarding the income tax applications for the employees when they are resident in Mutonia.

There is no expense deduction allowable in respect of setting up the schemes in the UK.

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

Relocation packages

The purchase of five family homes in respect of the employees will not be deductible as a revenue expense until the house have been sold.

However as the employees will be living in the house rent free, this will impose a taxable benefit on the employees as they are using the home free of charge.

Therefore, the cash equivalent to the amount of rent which should be paid will be taxable on the employee.

A form P11D will need to be completed which illustrates the taxable benefit and submitted to HMRC by 7 July every year

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

The taxable amount should be included in each employee's self assessment tax return and taxed accordingly.

~~Add~~ In addition, the UK company could deduct the tax payable on the benefit on cued via the UK payroll. Therefore a P11D will not need to be completed.

The cash equivalent (i.e. the cost of providing the living accommodation should exceed £75,000 which it does to calculate the annual value.

It will be calculated as follows

ORI x (C - £75,000)

where ORI is the official rate of interest, C is the cost in providing the accommodation.

We will then calculate the rent

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

which would have been payable

Removal grant

Removal costs which relate directly to the employee for its specific duties will ~~be deductible for~~ not constitute a taxable benefit on the employee. It is cost from £7,500.

However as the costs exceed £7,500, the difference will be taxable on the employee as a benefit in kind.

National insurance is payable by the employer at a rate of 13.8% will be deductible against trading profits.

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2.	

Transfer pricing issues

· All transactions between connected parties should be measured at arms length the basis which does not give rise to a UK tax advantage

· AII and UK company should setup APA in place with HMRC

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

MEMORANDUM

To: Tax partner

From: Pat Brown

Subject: other issues arising

Date: 1 May 2018

There are various conflicts of interest which may arise when advising the client on the tax implications of the investment in to the UK.

They are as follows -:

· Mr Ranie Steve's currently advices Achrah industries on the employment law matters.

This may potentially raise a conflict of interests between both parties as he also holds shares

· We currently do not advice the employees on tax matters

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

and a formal letter of engagement will need to be drawn up.

~~Any~~ where I used to work and the commission received on referring work so it could be beneficial to the company as ~~it could~~ ~~[illegible]~~ paper claims us could advise Acorn Industries Inc on the tax reliefs available on large infrastructure projects.

This could potentially cause a conflict of interest, however we would need to make all parties aware of the arrangement prior to continuing this.

This specialised service could increase Square & Circle's LLP reputation as well as its renowned customer service it provides on maintainings ethics, responsibility and

FOR EXAMINER USE ONLY

Paper Ref	Question No.	Your Candidate No.
A&I	2	

give clients value for cos service.

• ~~upon~~

FOR EXAMINER USE ONLY