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Section A

Question 1

1.1			**Marks**
The 2017 transfer is more than 7 years pre death so no additional tax.			
	PET **October 2023** **£**	**Death estate** **September 2026** **£**	
Cash to son	130,000		
Death estate (W1)		508,150	
Less annual exemptions - 2023/24 & 2022/23 b/f	(6,000)		0.5
	124,000		
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 x 0.5
W1 – Death estate			
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
		508,150	
W2 – Shares in Griffing plc			
Lower of:			0.5
¼ up (2.40 x ¼ (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 x 10,000		24,150	
Total possible marks			6
Maximum full marks			6

1.2		**Marks**
Payable in instalments on the house: House / Chargeable estate x IHT on death estate		
400,000 / 508,150 × £52,860	41,610	1.5
Total that must be paid by 31 March 2027:		
On lifetime transfer	19,600	0.5
On death estate: First instalment £41,610/10	4,161	0.5
	23,761	
Note that the IHT on the balance of the death estate needs to be paid by 31 March 2027 to avoid interest, but is not due to be paid until the due date for the delivery of the account (ie 30 September 2027 being 12 months after death)		
Total possible marks Maximum full marks		2.5 2

1.3	**Marks**
Helena should make a deed of variation of Soraya's will by 20 September 2028 passing the house directly to Jack.	2 x 0.5
The deed of variation should include a statement that the variation is to have effect for IHT. This will be tax neutral for Soraya's estate as Soraya will be treated as making the transfer of the house to Jack, which will be a chargeable transfer in the same way that the original transfer to Helena was chargeable.	0.5 0.5
As Jack is still a direct descendant the residence nil rate band is still available.	0.5
However, it will be advantageous for Helena as otherwise she would be treated as making a PET of £403,000 as a result of the gift. Whilst no immediate charge to IHT would arise, the PET would become chargeable if Helena were to die within seven years of the gift.	0.5 0.5 0.5
The variation should not include the statement for CGT (ie the deed of variation will only apply for IHT purposes).	0.5
The house will transfer to Helena at probate value (£400,000) and, in the absence of a CGT statement, Helena will be deemed to dispose of the house to Jack at a market value of £403,000.	0.5 0.5
The gain of £3,000 will be covered by Helena's annual exempt amount (assuming no other gains will be realised in 2026/27).	0.5
Jack will have a base cost of £403,000 (rather than £400,000 had the CGT statement been made).	0.5
Total possible marks Maximum full marks	6.5 4

Question 2

2.1	**Marks**
Birnel GmbH cannot join the VAT group as it has no fixed establishment in the UK.	0.5 + 1
Both Capshaw Ltd and Deilu Ltd can be in the group as they are controlled by Attas Ltd ie shareholdings are greater than 50%.	3 x 0.5
Total possible marks	3
Maximum full marks	3

2.2						Marks
	Attas Ltd **£**	**Birnel GmbH (Note 1)** **£**	**Capshaw Ltd** **£**	**Deilu Ltd** **£**	**Total** **£**	
Output tax at 20%						
On sales to third parties	26,040		29,040	65,500	120,580	
On sales to Capshaw Ltd (Note 3)	0		0	0	0	2 x 0.5
On goods from Birnel GmbH (Note 2)			800		800	0.5
Reverse charge on Canadian services (Note 4)	2,000				2,000	0.5
Total	28,040		29,840	65,500	123,380	
Input tax at 20%						
On goods and services from UK third parties	11,380		15,740	44,200	71,320	
On goods from Attas Ltd (Note 3)	0		0	0	0	0.5
On goods from Birnel GmbH (Note 2)	0		800	0	800	
On services from a third party Canadian company (Note4)	2,000		0	0	2,000	0.5
	13,380		16,540	44,200	74,120	
VAT liability					49,260	0.5

Notes	Marks
1. As Birnel GmbH is not established in the UK and has no UK supplies there is no UK VAT liability.	1
The supply from Birnel GmbH to Capshaw Ltd is a business-to-business supply and so the supply takes place in the UK.	1
2. As the Attas Ltd group operates postponed VAT accounting Birnel GmbH will not have paid VAT at the point of entry into the UK and instead will have received a postponed input VAT statement showing VAT of £800. The £800 is both declared and recovered on the VAT return to 30 September 2026.	1 1
3. As Attas Ltd and Capshaw Ltd are in the same VAT group there is no VAT on intra group transfers.	1
4. The services supplied to Attas Ltd by the Canadian company are a UK supply as this is a business-to-business supply. So it is subject to the reverse charge system with the amount included in both output tax and input tax on the VAT return.	1 1
Total possible marks	10.5
Maximum full marks	8

Question 3

3.1	**Marks**
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% x 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 Maximum full marks	4 3

3.2		**Marks**
	£	
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 x 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 Maximum full marks		3.5 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		0.5
(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 x 9/12	750,000	0.5
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 x 9/12	672,000	0.5
Claimable loss is £672,000		
Total possible marks		4.5
Maximum full marks		4

3.4		Marks
	£	
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 x 120% = £456,000		0.5 0.5
£150,000 x 0%	0	0.5
£100,000 x 2%	2,000	0.5
£206,000 x 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 x 0%	0	0.5
£10,000 x 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. Group relief must be claimed via a land transaction form.		2 x 0.5 0.5
Total possible marks Maximum full marks		7 5

Question 4

4.1					**Marks**
Capital allowances for 19 months ended 31 July 2026					
	AIA/FYA	**MP**	**SRP**	**Allows**	
Y/E 31 December 2025	**£**	**£**	**£**	**£**	0.5
TWDV b/f		245,061	49,681		
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	
7 M/E 31 July 2026					0.5
Purchases – AIA					
Printing machine	605,000				
AIA (£1m x 7/12)	(583,333)			583,333	0.5
FYA @ 50% on balance					
(£605,000 - £583,333) x 50%	(10,834)			10,834	2 x 0.5
Purchases – non AIA					
Car – ignore private use			52,000		
	10,833	200,950	98,700		
WDA @ 18% x 7/12		(21,100)		21,100	0.5
WDA @ 6% x 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 x 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 x 7/12)					0.5
Total possible technical marks					7
Maximum full technical marks					7

4.2	Marks
Outright purchase If Lane Ltd purchases the machinery outright it can claim capital allowances on the cost in the accounting period in which the cost is incurred.	0.5
Lane Ltd should claim the AIA (upper limit £1m) first – assuming it has not already been used by the special rate pool – and then claim the 100% FYA on any cost not covered by the AIA.	0.5
As a main pool asset, full expensing relief is available without limit – ie a first year allowance at 100%.	0.5
However if subsequently disposed of there will be a balancing charge equal to 100% of the disposal proceeds (rather than deducting the proceeds from the main pool).	0.5
Therefore claiming the AIA first avoids or minimises the impact of a potential balancing charge.	0.5
Date cost incurred: • The 10% deposit paid on 1 February 2027 will be incurred in the year ended 31 July 2027 and can therefore be included in the capital allowances claim for that accounting period.	0.5
• The remaining 90% may become unconditional on 1 February 2027 but will not be paid until 1 August 2027. As this gap is more than four months, payment is not incurred until 1 August 2027.	0.5
This means tax relief is not available until the year ended 31 July 2028.	0.5
Hire purchase If Lane Ltd uses hire purchase then the cost is incurred when the asset is brought into use and capital allowances are available as explained above.	0.5
For capital allowances purposes Lane is treated as owning the asset from the date the contract begins.	0.5
Capital allowances are based on the capital cost – ie the monthly payment excluding any interest.	0.5
Interest will be deductible as an expense from trading profits.	0.5
Total possible marks Maximum full marks	6 5

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Section B – Question 5

Total Marks: 50 technical + 20 skills marks

Summary of skills marks allocation	**Marks**
Overall demonstration of communication skills (max 5) Overall mark for demonstration of communication skills throughout Section B, points to consider • Layout • Presented as required • Logical structure and flow • Professional tone and language	5
In addition to the overall marks for communication skills, marks were awarded for analysis and commercial awareness as follows:	
Requirement 5.1 (max 2)	
• Recognition of group relationships	1
• Consideration of impact of Gamma Ltd on associated companies	0.5
• Treatment of capital loss	0.5
• Claim for b/f trading loss and need to specify deductions allowance	1
• Maximise claim given cash flow issues	1
Requirement 5.2 (max 2) Skills marks were awarded for:	
• Summary table itemising tax payments required	1
• Recognition that payments on account for 2026/27 are not required	1
• Recognition that payment via PAYE is not possible	1
• Recognition of issue relating to initial underpayment of residential property CGT	1
Requirement 5.3 (max 7) Skills marks were awarded for:	
• Use of marginal rates of tax for calculations	0.5
• Recognition of the importance of cash flow to client	1.0
• Potential issue of bed and breakfasting	0.5
• Potential implications of a change in interest rate on the loan	0.5
• Recognising that as an employee of XYZ Ltd, the loan write-off is treated as employment income for NIC purposes	0.5
• Consideration of alternative potential ways to pay £50,000 / repay the loan (suggesting a pension as an alternative would not get these skills marks as contrary to Arthur's requirement for cash)	2
• Summary of each option / demonstrate understand "net cash" in terms of what Arthur receives and how much it costs XYZ Ltd	3
• Identifying that XYZ Ltd may not have sufficient retained profits to pay a dividend as an alternative option	0.5
• Identifying further information required / information to be clarified	2

Summary of skills marks allocation	**Marks**
Requirement 5.4 (max 4) Skills marks were awarded for: • Classifying Shaun's behaviour and giving the advice on that basis, but caveating it should be revisited if the behaviour is or could be reclassified • Explaining why Shaun cannot disclose via his tax return • Recognising the elapsed time between the nudge letter and Shaun deciding to take action – protecting the potential to make an unprompted disclosure • Requesting that Shaun discloses anything else not previously disclosed	 1 1 1 1
Tutorial note 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 Maximum full skills marks	27.5 20

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5.1		Marks
XYZ Ltd Corporation Tax Computation for Year Ended 30 June 2026		
	£	
Trading profits (W1)	811,350	
Non-trading loan relationship	3,000	0.5
	814,350	
Less b/f loss	(250,000)	0.5
Taxable total profits	564,350	
Corporation tax liability		
TTP @ 25%	141,088	0.5
Less RDEC = £95,000 @ 20%	(19,000)	0.5
Corporation tax payable	122,088	
Effective corporation tax rate = £122,088 / £564,350	21.6%	2 x 0.5
Corporation tax rate		
XYZ Ltd and Gamma Ltd are associated companies		S0.5
Marginal relief upper limit = £250,000 / 2 = £125,000		0.5
XYZ Ltd pays corporation tax at the main rate		
Corporation tax payment dates		
Upper limit = £1,500,000 / 2 = £750,000		0.5
XYZ Ltd is therefore not a large company		
Corporation tax due date is 1 April 2027		0.5
W1 – Trading profits	**£**	
Draft accounting profit before tax (equally valid to start with PAT)	462,000	
Depreciation	126,000	0.5
RDEC = £95,000 @ 20%	19,000	0.5
Pension costs accrued	67,000	0.5
Less pension costs paid	(82,000)	0.5
School fees – employment cost, taxable for Arthur	0	0.5
Finance lease costs	0	2 x 0.5
Less interest received	(3,000)	0.5
Loss on disposal of warehouse	350,000	0.5
Less capital allowances (W2) + SBAs (W3)	(127,650)	0.5
Tax-adjusted trading profits	811,350	
W2 – Capital allowances		
Main pool = £555,000 x 18%	99,900	0.5
SRP = £275,000 x 6%	16,500	0.5
	116,400	
Tutorial note – it is not necessary to use a pro-forma capital allowances computation where there have been no acquisitions or disposals, ie whenever a simple working is sufficiently clear as to what is being done		
W3 – Structures and Buildings Allowances		
Warehouse to disposal = £750,000 x 3% x 6/12	11,250	2 x 0.5

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5.1		Marks
W4 – Capital loss		
Proceeds	437,500	
Plus total SBAs claimed to disposal = £121,875 + 11,250	133,125	2 x 0.5
Less cost	(900,000)	0.5
Allowable loss	(329,375)	
Comment on losses		
To be in a group ownership must be via a company not an individual and therefore Gamma Ltd's trading loss is not available to XYZ Ltd		S1
A capital loss can only be offset against capital gains and is therefore carried forward to future years in XYZ Ltd		S0.5
The brought forward trading loss can be set off against current year TTP, a claim must be made within two years (ie 30 June 2028). The deductions allowance should be claimed via the CT return		S1
Any amount may be claimed. However, given the cash flow issues, the maximum possible should be claimed		2 x S0.5
Total possible technical marks		13
Maximum full technical marks		12
Total possible skills marks		4
Maximum full skills marks		2

5.2				**Marks**
Shaun tax payments required for 31 January 2027				
			£	
Income tax balancing payment for 2025/26 (W1)			3,606	
Capital gains tax for 2025/26 (W4)			199,548	
Total tax due on 31 January 2027			203,154	S1
W1 – Income tax computation				
	NSI	**Interest**	**Divs**	
	£	**£**	**£**	
XYZ Ltd salary	30,000			
Alpha Ltd employment income (W2)	62,300			
Interest on loan to XYZ Ltd		9,000		0.5
Bank interest		2,500		0.5
Dividends			15,000	
Total income	92,300	11,500	15,000	
Less gift of shares to charity	(2,500)			1
Net income	89,800	11,500	15,000	
Less personal allowance (W3)	(7,545)			
Taxable income	82,255	11,500	15,000	
£37,700 x 20%			7,540	0.5
£6,250 x 20% (extended BRB for PP)			1,250	0.5
£38,305 x 40%			15,322	0.5
£82,255				
£500 x 0% (savings allowance, HR)			0	0.5
£11,000 x 40%			4,400	0.5
£11,500				
£500 x 0% (dividend allowance)				0.5
£14,500 x 33.75%			4,894	0.5
Income tax liability			33,406	
Less IT deducted at source			(29,800)	0.5
Income tax payable			3,606	
As less than 20% of his income tax liability for the year is not collected at source, payments on account for 2026/27 are not required				S1
Although he is an employee, as the outstanding tax liability exceeds £3,000 it cannot be collected via PAYE. Shaun will need to pay direct to HMRC				S1
W2 – Employment income			**£**	
Salary			65,000	
Occupational pension – employer			0	0.5
Occupational pension – employee x 3%			(1,950)	0.5
Reimbursed expenses – not taxable			0	0.5
Professional subscription			(750)	0.5
			62,300	

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5.2			Marks
W3 – Personal allowance		**£**	
Total income		116,300	
Less gross personal pension contribution = £5,000 x 100/80		(6,250)	2 x 0.5
Adjusted net income		110,050	
		(100,000)	0.5
		10,050	
Personal allowance = £12,570 – (£10,050 x ½) = £7,545			0.5
W4 – Capital gains tax due	**£**	**£**	
Bitcoin			
Proceeds	865,000		
Less cost	(234,800)		
Chargeable gain		630,200	0.5
Holiday home			
Net sales proceeds	915,000		
Less cost	(75,000)		0.5
Less stamp duty on purchase	(750)		0.5
Tennis court – not deductible as no longer exists	0		0.5
Swimming pool – capital expenditure	(20,000)		0.5
Chargeable gain		819,250	
Less AEA		(3,000)	0.5
Taxable gains		1,446,450	
CGT @ 24% (HR taxpayer)		347,148	0.5
Less payment on account		(147,600)	0.5
CGT payable		199,548	
The loan to Bee plc is exempt as a qualifying corporate bond (QCB)			2 x 0.5
Given the gain was more than the basic rate band, the original payment on account of CGT was always going to be insufficient irrespective of the level of Shaun's income. HMRC may charge interest on the underpayment.			S1

Tutorial note

The computations are laid out in full for technical accuracy. However, this is not necessary to achieve full technical marks nor to gain the communication skills marks, eg subtotals for total income and net income are not required

Total possible technical marks	15
Maximum full technical marks	15
Total possible skills marks	4
Maximum full skills marks	2

5.3	Marks
Given Arthur's other income he is an additional rate taxpayer and will be taxed at his marginal rates.	S0.5
Loan from XYZ Ltd	
As XYZ Ltd is a close company a loan paid to a participator means that s.455 CTA 2010 applies:	0.5
Loan issued on 6 January 2027	
• If the loan is issued in the year ending 30 June 2027, corporation tax of £16,875 (ie £50,000 at 33.75%) will be payable on 1 April 2028 (ie XYZ Ltd's normal due date)	2 x 0.5
• The actual tax payable will be based on the lower of the loan outstanding on 30 June 2027 and 1 April 2028	2 x 0.5
• Anti-avoidance rules exist to prevent the loan being repaid shortly before 1 April 2028 and then reissued to avoid paying the s.455 tax due (bed and breakfasting)	S0.5
Interest received by XYZ Ltd	
• The interest received will be taxable income for XYZ Ltd and need to be included as a non-trading loan relationship credit	0.5
• As Arthur is an employee of XYZ Ltd if the interest rate falls below the official rate of interest (3.75% currently) then a taxable benefit would arise and this would need to be calculated	S0.5
Implications for XYZ Ltd if loan written off on 6 January 2029	
• The write off is not permitted as a tax deductible expense for corporation tax purposes (unlike the bonus – see below)	0.5
• As Arthur is an employee of XYZ Ltd, the loan write-off is treated as employment income for NIC purposes	0.5
• Class 1 Secondary NIC will be payable on the loan write off of £50,000 x 15% = £7,500. Payable on 22 February 2029	2 x 0.5
• The NIC is a tax deductible expense and will therefore have a net cost of £7,500 x 75% (ie after 25% corporation tax relief) = £5,625	0.5
• XYZ Ltd can reclaim the s.455 tax due as a credit against its tax liability for the year ending 30 June 2029	2 x 0.5
• A claim must be made for the tax to be repaid	0.5
• The cash flow benefit of the corporation tax repayment and the tax relief on the deduction of the NIC as an expense arises on 1 April 2030	S0.5
Implications for Arthur if loan written off on 6 January 2029	
• Arthur will be treated as receiving a dividend of £50,000 in 2028/29 taxable at his marginal rate, ie 39.75% (assumed dividend allowance is already used up)	0.5
• The tax on the dividend will be payable on 31 January 2030 via self-assessment	0.5
• In addition, for NIC purposes he will be treated as receiving employment income of £50,000 taxable at his marginal rate, ie 2%, in January 2029 via PAYE	2 x 0.5

5.3	Marks
Bonus of £50,000 payable on 6 January 2027	
• A bonus will be taxable at Arthur's marginal rates – ie 45% income tax + 2% NIC – with his January 2027 employment income via PAYE	2 x 0.5
• Employer NIC at 15%, ie £7,500 will be payable on 22 February 2027	2 x 0.5
• Giving an immediate cash cost for XYZ Ltd of £57,500	S0.5
• The total cost is allowable as an expense for corporation tax purposes reducing the corporation tax liability payable on 1 April 2028, giving a net cash cost of £43,125	0.5
• See summary table below	
Conclusion & summary of tax effects	
From a cash flow perspective a loan gives an immediate cash payment to Arthur of £50,000 with no immediate tax liability for either Arthur or XYZ Ltd.	1
Whereas a bonus would be taxable on Arthur via PAYE immediately and would reduce the corporation tax liability for XYZ Ltd for the current year.	0.5
The net cash received by Arthur is higher via a loan even after it is written off but the cost to XYZ Ltd of the loan is much higher than a bonus.	0.5
In summary the cash position of a bonus versus a loan which is subsequently written off (assuming interest is paid so no taxable benefit arises and ignoring the cost of capital for the s.455 tax ultimately repaid):	

	Loan w/off	Bonus	Marks
Arthur's personal position	**£**	**£**	
Cash received	50,000	50,000	
Less income tax @ 45% (employment income)		(22,500)	
Less income tax @ 39.35% (dividend income)	(19,675)		
Less NIC @ 2%	(1,000)	(1,000)	
Net cash received	29,325	26,500	S1
XYZ Ltd cash position			
Cash payment made	50,000	50,000	
Plus employer NIC @ 15%	7,500	7,500	S1
	57,500	57,500	
Less corporation tax saved (main rate company) @ 25%	(1,875)	(14,375)	
Net cash cost to XYZ Ltd	55,625	43,125	S1

Possible alternative	
If the loan is definitely going to be written off then an alternative course of action would be to declare a dividend on 6 January 2027 instead of making a loan. It would have a lower overall cost as it avoids the NIC payments due on a write off in 2029.	S1
However, to pay a dividend now requires XYZ Ltd to have sufficient retained profits, which it currently does not. Therefore, it cannot pay a dividend of £50,000 yet.	S0.5

5.3	Marks
However, assuming XYZ Ltd had sufficient retained profits by 2029, it could pay a dividend at that point which Arthur could then use to pay off the loan instead of writing it off in 2029. The dividend would be taxable as normal but the implications of the loan write off would not arise as it would have been repaid. **Points to clarify at meeting** How likely is it that the loan will ultimately be written off? Will interest definitely be charged on the loan of at least 3.75%? Could a dividend be paid instead? Could a dividend be used to pay off the loan rather than a write off of the loan? Are there sufficient retained profits to pay a dividend? Max marks for any reasonable suggestion of points to clarify, 1 mark per point	S1 S2
Total possible technical marks Maximum full technical marks	13 12
Total possible skills marks Maximum full skills marks	10.5 7

5.4	Marks
Overview	
It is likely that HMRC is aware of at least some of Shaun's transactions in cryptoassets because of reports it receives from cryptoasset digital platforms. This will have initiated the nudge letter that Shaun has received.	
Irrespective of what HMRC may already know/not know, Shaun should make full disclosure of all his dealings/holdings in cryptoassets.	0.5
Shaun should be reminded of the importance of making a full disclosure of anything else that has not been reported on his tax returns but should have been since 2021/22.	S1
Determining the reason for non-disclosure	
It would appear that Shaun's non-disclosure is merely careless, as opposed to deliberate. This should be verified as the rest of the advice assumes this is the case, if it were deliberate or Shaun thinks he did take reasonable care (eg as an employee) then the advice should be revisited.	0.5 S1
How many years to disclose	
Assuming Shaun has been careless, he should disclose any transactions in the current year (ie 2026/27) and those in the previous five years (ie since 2021/22).	0.5 0.5 0.5
How to make a disclosure	
Shaun is too late to make a disclosure via an amendment to his tax return as the latest transactions were made in 2023/24 and the latest date for amending this return was 31 January 2026.	S1
To make a disclosure, Shaun will need to use either the:	
• Digital disclosure service (DDS)	0.5
• Cryptoasset disclosure facility	0.5
Given the nudge letter was received five months ago, using the DDS has the advantage that you can notify HMRC of an intent to disclose and then submit the actual disclosure and pay the tax due within 90 days. This may protect any unprompted penalty reduction. This intent to disclose is not available via the cryptoasset disclosure facility	S1 0.5
Care should be taken to ensure that a full factual disclosure has been made, in addition to using one of the online disclosure facilities a full report should be sent to HMRC.	0.5
Shaun should specifically consent to all disclosures made.	0.5
How much to pay	
As well as disclosing the transactions, Shaun will need to calculate the tax outstanding as well as the interest and penalties due and pay the total to HMRC.	0.5
Interest will run from the due date to the actual date of payment.	0.5
Shaun should make payment as soon as possible to minimise interest due.	0.5
Where HMRC is already aware of the non-disclosure this will be treated as a prompted disclosure and liable to higher penalties than if it were an unprompted disclosure.	0.5
However, a nudge letter is not necessarily considered a prompt.	0.5
The more helpful and complete the disclosure the more likely HMRC is to agree to reduce the penalties where it has the discretion to do so.	0.5

5.4	Marks
As Shaun is making a disclosure he has to determine the amount of penalties due and explain the method used in the disclosure which HMRC will then agree (or reject the disclosure if it is insufficient).	0.5
Tax position for disposals in 2023/24	
• Using Ether to pay for a service is a capital disposal.	0.5
• Gifting Ether to his son is also a capital disposal.	0.5
• Although no cash was received on either disposal, both of these transactions should be declared as disposals and the CGT due calculated for 2023/24.	0.5
Tax position for receipt of Ether in 2021/22:	
• The original receipt of the Ether in 2021/22 should have been taxed as part of Shaun's employment income and taxed (income tax and NIC) via PAYE at the time.	0.5 0.5
• Shaun will need to verify whether income tax and NIC was collected in April 2021.	0.5
• If no tax was collected at the time, this should be paid now.	0.5

Tutorial note

There were a number of different ways a student could answer this question and areas they could focus on. Alternative answers which are technically correct and relevant to the circumstances would be given full credit (eg as a UK exchange was used, discussion of the worldwide disclosure facility (WDF) is not relevant however discussing requiring permission to disclose in more detail would be relevant as would discussion of potential penalties). Answers will depend on the research carried out – eg some students may have researched employer versus employee responsibility for taxes collected via PAYE and this would also be given credit.

The mark allocation should be used to manage time in the exam. The reason this question is last is because it would be the easiest to overrun on, if it is left until last the impact of overrunning is reduced.

Total possible technical marks	12
Maximum full technical marks	10
Total possible skills marks	4
Maximum full skills marks	4