



# ***Tax compliance errata sheet***

## **2022**

### **ALL MATERIALS**

#### **Errata and clarifications**

#### **Important information for 2022- Annual Investment Allowance (AIA) - £1 million temporary cap extension until 31 March 2023**

Please see the webpage below for important information about how the decision to retain the AIA at £1 million will be tested in the exam. The material was written and published before this late change and has therefore not been amended. This clarifies what you are expected to know for your exam.

<https://www.icaew.com/for-current-aca-students/exam-resources/professional-level/tax-compliance-module-study-resources>

### **WORKBOOK**

#### **Errata and clarifications**

#### **Chapter 6 Worked example: Adjustment of profit 1**

In Dean's profit and loss account the note reference '6' relating to legal and professional expenses has not printed. Please can you add in reference to see note 6 for completeness.

#### **Chapter 13 Answer to Self Test Q1 Jennifer**

When the taxable income of £37,830 is analysed into UK and overseas parts the total is incorrectly shown as ~~£37,600~~ not **£37,830**. In addition, when the amounts being charged to income tax is added up the total is also incorrectly shown as ~~£37,600~~ not **£37,830**. Note that the actual calculations of the tax due are shown correctly it is just the total figures which are wrong.

#### **Chapter 17 Worked example: BPR on lifetime transfers**

In the solution to the worked example in Stage 1 of the table there's a row for APR which deducts £300,000 in the July 2018 CLT column. This whole row should be deleted. The column correctly casts once this erroneous £300,000 is removed so no further corrections are needed.

#### **Chapter 17 Worked example: Instalment option**

In the solution 1 Death estate the nil rate band available should be **2021/22** not 2010/22. No calculation errors need to be corrected.

## Chapter 18 Worked example: Instalments for short period of account

In part 2 of the solution the second instalment is calculated as  $3 \times \text{£}60,000/8$  not  $3 \times \text{£}600,000/8$ . The £247,500 is, however, correct and no further corrections are needed.

## Chapter 18 s3.2.4 Instalment payments for very large companies

In the final paragraph about payments for short accounting periods the paragraph should conclude with 'the final instalment due by the 14th day of the month preceding the end of the accounting period.'

## Chapter 18 Solution to self test question 7 Jasmine Ltd

In the Capital allowance working the first capital allowance calculation should be for the Y/e 31 March 2022 not 2021. No further corrections are needed.

## Chapter 19 s1.3 Indexation allowance

The formula for calculating the indexation allowance has not printed. It should be added as:

$$\frac{RD - RI}{RI}$$

## Chapter 19 Self test question 1

The correct solution is D 1 March 2026 rather than C 1 March 2025. The explanation of the answer is correct and states the correct date.

## Chapter 22 Answer to TYL Q8.1 Kester Ltd and Webb group plc

In the solution to 8.1 in the TTP table the s37(3)(b) trade loss offset which offsets £10,966 of loss in y/e 31.1.19 has the description 'y/e 31.1.1' rather than '31.1.19'. In addition, in the working for the trading loss the loss of £94,069 is for the 'p/e 31.10.21' not '31.10.1'. This is purely a presentational typo.

## Chapter 23 Worked example: Annual test

In the final sentence of the scenario (just before the requirement) the sentence should refer to Box Ltd as having been de minimis in the y/e 30 June 2021 not 2020.

## Chapter 24 Answer to Interactive question 1

The due date for the stamp duty is 30 days after the date of the transaction which is 12th December 2021. This means that you count 30 days **after** the date of the transaction thus **excluding** 12th December from the 30 day count. This gives a due date of 11th January 2022 rather than the 10th as stated in the answer.

If you use the 11th January 2022 as the due date, then there would be 35 days of overdue interest rather than 36 as in the solution currently.

## QUESTION BANK

### Errata and clarifications

#### Q21.1a Kim, Lien and Mai

The CO<sub>2</sub> emissions of the car bought on 1 October 2021 should be 0g/km not 50g/km. This will then match the calculations shown in the answer.

#### Q49.2 Cup Ltd

In the table, Teaspoon Ltd's results should be for the year ended 28 February 2022 and 28 February 2023 (ie each year rolled on one) rather than 2021 and 2022. No change is needed to TTP or the corporation tax liability figures. The information in the scenario will then match the solution.

#### Q55.4b Anushka

In the table of Steve's total taxable income the row "Less current year loss" which offsets £12,000 of loss in 2020/21 should be deleted entirely. This still gives the £12,000 of total income in 2020/21 and after offset of the personal allowance of £12,500 (which needs to be inserted) this will continue to give £nil taxable income.

#### Q58.1 Nora and Linda

In the paragraph regarding the painting please amend the auctioneer's fees to be £100 rather than 2%. This information will then match the answer.

#### Q62.1 Virgil Ltd

In the table detailing Virgil Ltd's purchases and expenses there is duplication of the description of 'Rent paid in the UK - exempt.' This is an error. The second row should read 'Legal fees re trading contract - solicitor in USA £8,400' (And the £8,400 should not be underlined).

This will then match to the answer.

#### Q75.2 Ellie

The CO<sub>2</sub> emissions of the leased car in Option One should be 40g/km rather than 400g/km to avoid any of the lease cost being disallowed and to match the model solution provided.

#### Q85.2(a) Harki, Zubin and Angela

The balancing allowance in the Allowances column should be £1,256 not £1,252. (This then matches the correct figure in the SRP column.) The total allowance of (£1,734) remains correct.

#### Q98.2(a) Dianne

The requirement for Q98.2(a) should ask for the gain on the disposal of Giovanni's main home in November 2021 (not February 2022). The rest of the question and answer remain unchanged.

## Q100.2(c) Anton

The requirement to Q100.2 states (in the final bullet point) that Nancy received £160 as a property income distribution from a property authorised investment fund. These are no longer examinable and, as such, need to be removed from the scenario.

In order to do this, this final bullet point should be deleted and the following information provided instead:

- Nancy received property income of £1,200. Her rental expenses paid were £600 which included £250 of mortgage interest.

The answer (on p487) then needs to be amended to remove the property AIF income and replace it with the property income.

The property income will remain £200 meaning that the calculation of taxable income and the income tax liability will remain unchanged.

The £200 property income is calculated as the £1,200 property income less the £1,000 property allowance. An election will be required to use the property allowance as this is greater than her allowable property expenses of £350. Note that when using the property allowance no deduction is available for the finance costs of £250.

In calculating the income tax payable there will then be no deduction for the £40 income tax deducted at source on the AIF meaning that the income tax payable figure will be £1,133.

The marking guide (on p482) will then need to be amended. The 1 mark for the Property income - AIF will no longer apply and there will only be 0.5 mark for the deduction of PAYE rather than 1 mark for the deduction of the PAYE and AIF. The calculation of the £200 of property income and the property allowance election will then be awarded 1.5 marks to make up the 9 mark requirement.