ACCA

Advanced Taxation – United Kingdom (ATX-UK) March/June 2026 Examiner's report

The examining team share their observations from the marking process to highlight strengths and weaknesses in candidates' performance, and to offer constructive advice for those sitting the exam in the future.

Contents

General comments

This examiner's report should be used in conjunction with the published March/June 2026 sample exam which can be found on the ACCA Practice Platform.

In this report, the examining team provide constructive guidance on how to answer the questions whilst sharing their observations from the marking process, highlighting the strengths and weaknesses of candidates who attempted these questions. Future candidates can use this examiner's report as part of their exam preparation, attempting question practice on the ACCA Practice Platform and reviewing the published answers alongside this report.

Format of exam

The ATX-UK exam has followed a new format from June 2023. This comprises of wholly compulsory questions. Section A consisted of one compulsory question worth 50 marks and Section B consisted of two further compulsory questions worth 25 marks each.

The marking scheme included ten professional skills marks in question one for the following professional skills:

- Communication
- Analysis and evaluation
- Commercial acumen
- Scepticism

Five professional skills marks were included in the marking guide for each of the section B questions for the following professional skills:

- Analysis and evaluation
- Commercial acumen
- Scepticism

Candidates should familiarise themselves with what we are looking for to demonstrate professional skills by reviewing the Professional Skills for ATX videos and advice available on the ATX Exam Resources page.

General Approach to the ATX-UK examination

Candidates should pay particular attention to the following in order to maximise their chances of success in the exam in the future.

Know their stuff

- Successful candidates are able to demonstrate a good level of accurate knowledge of the UK tax system and its application.

- This includes knowledge brought forward from the TX-UK syllabus. This is extremely important and must not be underestimated.

Practise questions from past exams

This should be a key part of candidates' preparation for the exam. Candidates should note the style and presentation of the model answers, particularly where a more effective or efficient style has been used, with the aim of adopting this style in subsequent questions which they attempt. Where a candidate did not identify a particular point, they should focus on how to spot the ‘clues’ or ‘triggers’ in the question, which should have flagged this up for them. In particular, this applies to the longer, scenario-based Section A question, where important guidance is often provided in the form of a communication from the manager.

Address the requirement

- Read the requirement carefully – in the Section A question, the detailed tasks which candidates are to perform will be set out in one of the documents. Marks are awarded only for satisfying the requirements and not for other information, even if it is technically correct.

- The requirements of each question are carefully worded in order to provide candidates with guidance with regards to the style and content of their answers. It is very important to note the command words (calculate, explain, advise etc).

  Requirements to ‘explain’ or ‘advise’ require a written element to the answer, perhaps accompanied by supporting calculations, but calculations alone will not suffice. However, an instruction to ‘calculate’ does not require anything more than a clear labelling of the figures, or perhaps a brief note where, for example, a source of income is exempt, or a relief or allowance is restricted, or not available.

  Candidates should also pay attention to any matters which the question instructs them do **not** need to be covered, as inclusion of these will not gain marks.

- Pay attention to the number of marks available – this provides candidates with a clear indication of the amount of time which should be spent on each question part.

Don’t provide general explanations or long introductions

- If the requirement is simply to ‘calculate’, there is no need for candidates to explain what they are going to do before doing it; the calculations alone will suffice – explanations should only be provided when they are requested.

- Candidates should think before they type. They should then only type what is necessary to satisfy the requirement.

- Candidates should apply their knowledge to the facts by reference to the requirement.

Think before you start and manage your time

- The correct amount of time should be allowed for each question part.

- Before starting to type, candidates should take time to think about the issues and identify all of the points they intend to address and/or any strategy they intend to adopt to satisfy the requirement.

Show your workings
It should be remembered that method marks are available, irrespective of whether the final answer is correct. Calculations should not simply be performed on calculators with only the very final number being entered in the answer. It is important that the method used to arrive at calculations is always shown, whether working within the word document or the spreadsheet.

Resitting
Candidates who are preparing to resit the exam should think about the number of additional marks they need and identify a strategy to earn them. For example:

- Identify those areas of the syllabus where they are weakest and work to improve knowledge in those areas. This should include any technical areas brought forward from TX-UK, where necessary.

- Practise past exam questions in order to familiarise themselves with the style of questions which they will have to deal with. This is a vital part of the preparation for this exam and its importance cannot be over-emphasised.

- Ask themselves whether they could improve the way they manage their time in the exam and whether they address all of the parts of all three questions, or whether time has been spent addressing issues which have not been asked for, or in terms of providing unnecessary explanations in a question which just requires calculations.

- Make sure that they earn the professional skills marks and that they are prepared to address the ethical issues which may be examined.

Those candidates finding themselves scoring in the 40s should ensure that they read the various non-technical articles aimed at improving performance in the ATX-UK exam; these are available on the ACCA website.

Comments on individual questions

Question 1 – Sylvie (50 marks)

Requirement (a)(i) – 6 marks

> **Extracts from email from manager dated 1 March 2026**
>
> Please carry out the following work:
>
> **(a) Memorandum regarding gift by Sylvie (Exhibit 1)**
>
> Write a memorandum for Sylvie's client file which I can use when advising her at our next meeting. For this work, you should assume that Sylvie will die in August 2031 and that this will be before her husband, Terry, dies.
>
> The memorandum should cover the following matters:
>
> **(i) Tax reliefs available on gift of shares**
>
> In relation to the potential gift of shares in Topul Ltd on 1 July 2026:
>
> - explain why gift holdover relief (for capital gains tax) and business property relief (for inheritance tax) should be available, stating any assumptions you have made; and
> - explain why each relief will be restricted.
>
> (6 marks)

Candidates usually scored some marks for this requirement but rarely scored well. There were several aspects to this requirement and candidates needed to ensure that they addressed all parts to achieve a decent mark.

The first part asked candidates to explain why gift holdover relief and business property relief (BPR) should be available on a potential gift of shares. When discussing two reliefs applicable to two different taxes, candidates need to make clear to which relief they are referring at any point. Those candidates who used separate subheadings for each relief gave themselves the best opportunity to be understood and this also helped towards their professional skills communication marks.

The correct approach to answering this was to identify the conditions required for each relief, showing they were met in this scenario. Most candidates recognised that the fact the shares were in an unquoted trading company was relevant to both reliefs. They also frequently identified that the two-year ownership condition for BPR was met. However, fewer candidates identified that the recipient of the gift was a UK tax resident, a necessity for gift holdover relief. This can be easy to forget if candidates understandably focus their attention on the nature of the asset given, and the circumstances of the donor only. Candidates should remember that a gift is a transaction involving an asset and two parties, and so there may be three aspects to consider.

There was a tendency to make the conditions more extensive than they are, particularly for gift holdover relief, sometimes confusing this with business asset disposal relief (BADR). Some candidates imposed a minimum percentage shareholding of 5% (not required for unquoted shares) or a minimum ownership period of two years (confusing with either BADR or BPR).

Capital gains tax reliefs are an important part of the ATX-UK syllabus and candidates need to spend time learning which conditions apply for each relief and practising applying these in questions. They also need to be clear about the distinction between capital gains tax reliefs and inheritance tax reliefs, especially where these apply to the same transaction.

It is essential to look back at the requirement after answering one aspect, to ensure nothing has been missed. The first part of the requirement specifically asked for assumptions, but this was largely ignored by candidates. It seems that an instruction to state assumptions is often treated as an optional extra by candidates, rather than a mandatory part of the requirement for which marks are available. Failure to answer this cost technical marks and a professional skills scepticism mark.

Those few candidates who did address assumptions often correctly identified that for BPR to apply, the recipient must still own the shares, or have replaced them with other business property, at the date of the donor’s death. This is a crucial condition of which clients must be made aware when planning to make a gift, and it is frequently a relevant assumption in questions about BPR. Rarely, candidates also recognised that gift holdover relief would only be available if the donor and recipient actually claimed it. Notably, these assumptions involve the recipient, highlighting the need to consider all three aspects of a gift as outlined above.

The second part of the requirement asked candidates to explain why the reliefs were restricted, and this was not well answered. Candidates showed frequent confusion, failing to relate restrictions to the existence of company assets which were not used in the business, or if they did recognise this, not understanding the difference between the restrictions in respect of the two different reliefs.

In respect of gift holdover relief, the fact the donor owned at least 5% of the shares (strictly, 5% of the voting rights) was now relevant as the restriction only applies because of this. However, few candidates identified this. Candidates who did try to address a restriction on BPR often concluded that the rate of BPR must be limited to 50%. A few then tried to manipulate the facts of the scenario to make this true, despite probably knowing this was not the case.

Failure to link the restrictions to the company’s non-business assets meant the commercial acumen mark could not be awarded.

Requirement (a)(ii) – 12 marks

(ii)	**Tax payable on gift of car or shares** For this part (a)(ii) you should assume that gift holdover relief and business property relief will apply, although restricted, on a gift of the shares. - For each of the following options: Option 1 – Sylvie gives the car to Regi on 1 July 2026 Option 2 – Sylvie gives the shares to Regi on 1 July 2026 - calculate: - the capital gains tax payable on the gift; and - the inheritance tax payable on the gift as a result of Sylvie's death. - Recommend which option will result in the lower amount of total tax payable. (12 marks)

This requirement asked for calculations of both capital gains tax (CGT) and inheritance tax (IHT) for both a potential gift of a car, and a potential gift of shares, where the donor's death is assumed to take place just over five years later.

Candidates should adopt a systematic approach to answering the question, addressing each tax, and each gift, in turn. Again, the use of subheadings helps a marker to follow the answer and helps the candidate to keep track of where they are in a lengthy response and ensure they address all aspects.

The fact that one of the gifts was of a car should have helped candidates get started with an easy mark for indicating that no CGT would arise on this gift. However, a significant proportion of candidates rushed straight in to calculate CGT on this. If they had thought about it, they might have recalled that a car is an exempt asset for CGT. With a lengthy calculation requirement, it is tempting to start answering immediately, and indeed there is little time to delay in the exam. However, a brief pause to think more about what is being asked (such as: why are there two potential gifts in this question? how are they different?) often saves time overall.

Calculations of CGT in respect of the gift of shares included some easy aspects, although some care had to be taken to calculate the correct market value for the proceeds. Many candidates calculated this correctly although some confused this with the IHT value discussed below. The calculation also needed to include restricted gift holdover relief – the requirement itself highlighted that candidates should assume this would apply. Candidates did not handle this

well – relief was frequently calculated and deducted at the wrong point in the calculation, the wrong percentage was applied, the relief was given in full, or not at all.
In terms of IHT in respect of the gift of the car, it was pleasing that full marks were frequently awarded for this calculation which used TX knowledge.

The IHT calculation for the gift of shares was more difficult. Candidates needed to recognise that the value of the gift for IHT purposes differs from the CGT valuation because related property (shares held by the donor's husband) must be taken into account. Many candidates did try to do this, but some then also performed a diminution in value calculation, thinking that the shares held by the husband after the gift needed to be reflected somehow. However, the donor was proposing to give away all her shares and so the value of her shares after the gift would be £Nil. As was the case with gift holdover relief in the CGT calculation, the restriction on BPR was not handled well, again with the wrong percentage used, calculated at the wrong point in the calculation, or ignored entirely.

The final part of the requirement asked for a recommendation and candidates who worked through methodically generally gave this.

Overall, candidates who calculated both taxes for both potential gifts and brought their calculations together in a recommendation, were able to score well enough even with some of the errors mentioned, provided their TX knowledge was accurately applied. However, this and the previous requirement exposed candidates' lack of ATX knowledge and understanding of reliefs, and future candidates are encouraged to give more attention to this important part of the ATX-UK syllabus.

Adoption of a methodical approach with all aspects covered meant candidates were also given credit for analysis and evaluation, with further such credit available if they considered related property in relation to IHT.

Requirement (b)(i) – 9 marks

> **Schedule regarding Regi involving Sam in the business (Exhibit 2)**
>
> Prepare a schedule I can use in a meeting with Regi in which you complete the following tasks.
>
> You should assume that the taxable trading profits of the business, before taking account of the costs of Sam's involvement, will continue to be £120,000 per annum and that Sam's involvement in the business will start on 6 April 2026.
>
> **(i) Overall tax savings**
>
> Regi's total tax liability, without involving Sam in the business, would have been £43,089 for the tax year 2026/27. I can confirm this figure is correct and does NOT need to be recalculated.
>
> - Calculate the overall tax savings for the couple, Regi and Sam, in the tax year 2026/27 in each of the following two circumstances:
>
>   - if Regi employs Sam, paying her an annual gross salary of £40,000;
>
>   - if Regi and Sam form a partnership, sharing profits two-thirds to Regi and one-third to Sam.
>
> (9 marks)

The scenario behind this requirement should be a familiar one to candidates, with a sole trader intending either to employ his spouse or form a partnership with her. The requirement asked for a calculation of the overall tax savings for the couple in each of these circumstances.

The requirement stated an amount for the sole trader's total tax liability without the involvement of his spouse in the business. Therefore, an appropriate approach would be, for each circumstance, to calculate the total taxes for each spouse and so for the couple, for comparison with the amount given to determine a tax saving. Some candidates misunderstood and calculated a difference between the two circumstances, although this should not have been too costly in terms of marks provided tax amounts were calculated for each circumstance. Some did not calculate a saving at all after preparing many calculations – again, they should check they have completed a requirement before moving on.

There were several calculations to complete, but these required only TX knowledge. Therefore, many candidates picked up many easy marks by working through each circumstance for each spouse and scored well.

The requirement did not refer to a specific tax but instead to 'total tax liability' and 'overall tax savings'. This should have alerted candidates to the possibility of more than one tax being relevant, namely income tax and national insurance contributions (NIC). A significant number of candidates neglected to include NIC. They would then need a perfect answer on all other elements to achieve 50% of the technical marks. They also could not access some analysis and evaluation marks.

Rather surprisingly, as this is TX knowledge, those who did calculate NIC sometimes made errors such as deducting £12,570 twice (as both a personal allowance and a primary threshold for NIC).

Most candidates who attempted the entirety of the requirement performed full income tax and NIC calculations for both circumstances, and this was a valid approach. However, the figures in the scenario were such that the sole trader's trading profit was the same in the two circumstances, as was the incoming spouse's salary and trading profit respectively. This meant that their income tax liabilities were the same in each circumstance, and so was the Class 4 NIC of the original sole trader. Noticing this would have reduced the number of calculations necessary, and perhaps left time to check the requirement and remember that tax savings were required.

Candidates occasionally only considered the taxes for the sole trader and so gave short answers, losing many technical marks and also an analysis and evaluation mark available for total savings for the couple.

Requirement (b)(ii) – 2 marks

(ii) Effect on Regi's tax payments on account

- Explain the effect of involving Sam in the business on the tax payments on account which Regi will be required to make for the tax year 2026/27.

Note: Calculations are NOT required for this part.

(2 marks)

This short requirement was the most frequently omitted. This could be because candidates decided they would not lose too many marks by doing so. However, candidates are reminded that two marks are worth that wherever they feature in the exam, and being awarded even one of them could be the difference between passing and failing. Omitting a requirement will definitely score nothing. Alternatively, the requirement may have been omitted because it tested brought forward knowledge from TX which candidates had forgotten.

The requirement concerned the effect on the sole trader's payments on account in the tax year in which he would first involve his spouse in the business. Candidates who did address payments on account usually managed to pick up a mark for recognising these are based on the liabilities of the previous year, but rarely then concluded that this meant there was no effect in the first year of involving the spouse. Very few candidates mentioned the possible claim to reduce such payments, given the sole trader's liabilities would be lower. Other candidates who gave a response discussed PAYE, and some answered a different question about the incoming spouse's payments on account.

Requirement (c)(i) – 5 marks

Memorandum on proposed client, Topul Ltd, and its corporation tax matters (Exhibit 3)
Prepare an internal memorandum for me, before I respond to Leah, covering the matters below. **(i) Fundamental principles** Before our firm agrees to act for Topul Ltd, we should consider the ACCA fundamental principles of ethics. - Explain any difficulties we may have complying with the ACCA fundamental principles of ethics in relation to acting for Topul Ltd. (5 marks)

This ethics requirement involved the familiar scenario of taking on a new client. This was generally well answered. However, there were very few candidates who achieved full marks, in part because they did not focus their answer sufficiently on the specific requirement asked. This concerned the fundamental principles, specifically 'any difficulties we may have complying' with these. To score high marks, candidates needed to consider a broad range of principles and keep focused on the explanations required.

Many candidates identified some relevant principles. For example, most spotted the conflict of interest which may arise when advising both a company and one of its shareholders, often correctly linking this to a threat to objectivity. However, many then discussed ways to mitigate this threat which were not required. This was at the expense of considering other principles such as integrity, at risk if the finance director refused to comply with the law and apply the correct tax treatment to an investment (the subject of the next requirement). However, it was pleasing that candidates did draw on the specific facts of this scenario, rather than give generic answers, and so were awarded the commercial acumen mark.

Requirement (c)(ii) – 6 marks

(ii) UK corporation tax issues relating to Wends Co
I can confirm that Wends Co is non-UK resident for tax purposes. - Explain whether or not Leah is correct to conclude that Wends Co is not a controlled foreign company (CFC). - Explain whether Topul Ltd's investment in Wends Co shares could affect whether Topul Ltd will be required to pay quarterly instalments of corporation tax for the year ending 30 September 2026 and for the year ending 30 September 2027. You should identify any further information required to determine this. You should ignore any CFC issues. (6 marks)

The first part of this requirement tested scepticism with candidates required to explain whether or not a client was correct in concluding that a company (Wends Co) was not a CFC. Many candidates attempted this part but did not score well.

Candidates should have approached this by stating the definition of a CFC and applying this to the scenario. They would then have been able to state whether the conclusion drawn by the client was correct. Specifically, to be a CFC, a non-UK resident company must be controlled by UK residents. Aspects of this definition were occasionally seen, but the need for control, and particularly what percentage shareholding this requires, were not always identified. Candidates who did focus on the CFC definition sometimes thought that control must be by UK resident companies, whereas control by a UK resident individual here was sufficient.

A bigger issue was that candidates often presented confused answers with discussions of many other rules which were not relevant. Some of these discussions related to CFCs including the CFC charge which was not asked about. Others were on unrelated corporation tax matters prompted by the details of shareholdings given – candidates covered the rules for a consortium or close companies, neither of which were in point. When learning certain rules about structures and shareholdings, candidates need to make sure they understand where they apply.

The final part of this requirement concerned whether the investment in this overseas company could affect Topul Ltd's requirement to pay quarterly instalments of corporation tax (QIPs). To approach this part, candidates needed to consider how the ownership of shares in another company (Wends Co) may be relevant to the QIP rules. There were two (unprompted) aspects to consider: whether Wends Co was an associated company which would reduce the profit threshold for QIPs, and the effect of the receipt of dividends from Wends Co on Topul Ltd's augmented profits for comparison with the profit threshold.

Many candidates attempted this part but too often could not score many marks as their answers were limited to taxable total profits, omitting the relevance of the dividends. Some candidates successfully considered the associated company issue. However, occasionally it seemed that candidates felt the requirement wanted them to conclude the company was associated, even though their knowledge indicated otherwise. Candidates are encouraged to have the confidence to state that there is no effect of something, if their analysis leads them to that conclusion.

The requirement asked about the accounting period of acquisition and the subsequent period, and some candidates recognised the relevance of the grace period for QIPs, that is, that in the first year of a company breaching the profit threshold, QIPs would not (usually) be payable.

The requirement included an instruction to identify further information required, and this was more frequently addressed than the assumptions earlier in the question, with a scepticism mark being awarded.

Professional skills marks
The analysis and evaluation, scepticism and commercial acumen skills marks tend to be given in relation to a particular question part and some of these have been detailed above.

The communication skills marks tend to be given in relation to the whole answer.

Communication skills marks were broadly awarded for the following:

- General format and structure;
- Style, language and clarity;
- Appropriate use of the available tools (spreadsheet and word processor);
- Effectiveness with which the information is communicated; and
- Adherence to specific instructions.

It is important for candidates to bear in mind two key points when addressing Section A questions. Firstly, the explanations provided should be concise but comprehensive enough to be understood by the intended reader(s). Secondly, the information should be clearly presented in a logical, structured way, such that the reader is easily able to find the information that they need.

Candidates who scored well demonstrated good use of the word document and the spreadsheet, structured their answer according to the matters to be discussed (which were clearly set out in the manager's email), wrote concisely in short, clear paragraphs, and demonstrated a logical thought process when tackling each of the relevant issues.

In summary, those candidates who prepared sound answers to this question were able to do the following:

- directly address each of the tasks within the manager's email, providing concise explanations, where required;

- demonstrate a good knowledge of: reliefs available and CGT and IHT payable on lifetime gifts; tax implications of involving a spouse in a business as an employee or as a partner; ethics; CFCs; quarterly instalment payments of corporation tax; and

- tailor their knowledge intelligently to the scenario by using the facts of the question.

Question 2 – Kubba Ltd (25 marks)

Requirement (a)(i) – 6 marks

(a) In respect of Kubba Ltd's sale of its shares in Tepsi Ltd:
(i) explain the chargeable gains implications for Kubba Ltd.
(6 marks)

Performance on this requirement was mixed, with success requiring candidates to explain the two issues involved being the substantial shareholding exemption (SSE) and the degrouping charge (DGC). Those who did often achieved decent marks, but too many candidates missed either the DGC or both issues. Candidates who merely gave a calculation of proceeds less cost for the gain on the sale of the shares should have realised that this would not score the six marks available.

The key issues of the SSE and DGC were not prompted in the requirement and had to be identified. Candidates were asked to explain the chargeable gains implications where a company has sold shares in another company. Whenever asked about chargeable gains implications, candidates should think about whether any specific reliefs apply. Whenever a company sells shares in another company, the relevant relief to consider is the SSE. Having realised that the SSE may be relevant, candidates then needed to use the information in the scenario to determine whether the conditions were met, and as they were, conclude that the gain on the sale of the shares would be exempt.

However, they should not have stopped there. The DGC is frequently tested alongside the SSE. Whenever a company sells shares in another company, and specifically when this means the latter company leaves a group, candidates should be alert to the possibility of the DGC. They should look for transfers of assets between group companies in recent years; here candidates should have paused to consider why information was given about a previous sale of a warehouse between the companies. A further prompt in the question information was that the company being sold 'still owned the warehouse' at the date of sale, a condition for the DGC to arise. Candidates usually scored well if they recognised the DGC arose although they did not always fully explain why. However, they did correctly conclude that the SSE also covered the DGC.

As highlighted in the previous question, there are several capital gains reliefs in the ATX-UK syllabus. Candidates need to be clear which apply to companies, individuals, or both. Many candidates here covered a range of irrelevant reliefs, most commonly BADR which does not apply to companies.

The professional skills marks followed from the identification of the issues, and so candidates who answered with a single calculation or in personal tax terms, could not score.

Requirement (a)(ii) – 3 marks

(a) In respect of Kubba Ltd's sale of its shares in Tepsi Ltd: **(ii) explain, with supporting calculations, the stamp duty land tax (SDLT) implications for Tepsi Ltd.** (3 marks)

To an extent, performance on this requirement was linked to whether the candidate had identified the degrouping issue in the previous part. If they had, they frequently extended their analysis of group issues to SDLT and generally scored well, in some cases achieving full marks. Sometimes not all marks were awarded if these candidates did not explain fully the reasons why the SDLT charge arose when it did. However, those who considered group issues were able to access the analysis and evaluation mark.

The requirement asked candidates to 'explain, with supporting calculations'. Therefore, even if candidates did not understand at which point an SDLT charge arose (which was often the case), good exam technique would have allowed them to achieve at least some marks. Namely, they could calculate an SDLT amount, picking one of the possible values on which to charge this and using the rates and bands provided in the tax tables. Many candidates did this. However, it was clear that many others had not practised such calculations and merely applied a flat rate of 5% (the highest applicable rate here) instead of performing the tiered calculation required. A significant number of candidates answered a different question to the one asked, calculating stamp duty (a different tax) on the shares.

Requirement (b) – 6 marks

(b) Explain, with supporting calculations, the value added tax (VAT) annual adjustment and final adjustment resulting from the sale of the office building which Dibis Ltd will be required to make under the capital goods scheme for the VAT year ending 30 June 2026. (6 marks)

The capital goods scheme (CGS) is a topic that is frequently examined in the ATX-UK exam but good performance in recent exams was not repeated here. It is a challenging topic but the scenario posed here was standard for this type of question, and the fact that the specific adjustments were prompted in the requirement itself should have given candidates a good steer.

As the CGS was mentioned, some candidates started their answers with lengthy replications of the CGS rules, which usually gained very few marks as they were not applied to this scenario. Candidates are advised to read the requirement carefully to determine what is actually being asked. If they had done so, they would have seen that they needed to give both explanations and calculations, for both an annual adjustment and a final sale adjustment.

In terms of explanations, candidates were awarded credit for explaining that the VAT initially paid on purchase of the building would have been recovered in full, because the building was used to make wholly taxable supplies at that point. This is a fundamental starting point because subsequent changes in use are what drives the adjustments. However, a significant number of candidates indicated that they thought recovery was on an annual basis, with a recoverable amount claimed each year, even when there had been no changes in use.

Marks were available for explaining the VAT treatment of the rent (exempt) which leads to the annual adjustment, and the VAT treatment of the sale of the building (also exempt) which leads to the final adjustment. However, few candidates gave these explanations. More candidates were given credit for identifying that the adjustments both meant that VAT was repayable to HM Revenue and Customs (HMRC).

Numerous errors were made in the calculations of the adjustments, which could be difficult to follow and, as with the explanations, were often confused or over-complicated. Overall, there was frequently much industry shown in this part without yielding many marks. However, well-prepared candidates did achieve full marks.

Future candidates are advised to practise questions about the CGS, which are often very similar, and not merely reading their study material to learn the rules. This should give them the confidence to apply their knowledge, rather than merely recall it, to the specific explanations or calculations required.

Requirement (c) – 5 marks

(c) Calculate, with supporting explanations, the increase in Dibis Ltd's corporation tax liability for the year ending 30 June 2026 resulting from the sale of the office building. (5 marks)

This requirement asked candidates to calculate, with supporting explanations, the increase in corporation tax (CT) of a company as a result of the sale of a building. Effectively, they had to calculate and explain the CT on a gain. This required some basic knowledge but also some thought to determine the CT rates applicable. Candidates were often awarded a few marks but there were very few good answers.

Many candidates appreciated that associated companies were relevant to the calculation of CT, reducing the limits for the purpose of determining CT rates, but some candidates did not. The company had experienced a change in ownership during the relevant accounting period and so determining the number of its associated companies required some thought. Most candidates did not realise that the former owner was an associated company as it had controlled this company at some point during the relevant period. Others time-apportioned the limits depending on how long the company had been in each group, which was incorrect and wasted time. However, the main problem was that, despite reflecting associated companies in their calculations, very few gave any explanation of these. This meant they could not access half the marks available.

Candidates who appreciated the effect of associated companies, even if this was not explained, could access the commercial acumen mark.

Most candidates performed separate calculations of CT excluding the gain and including the gain. This was a valid approach but some candidates then forgot to find the difference between these amounts and so did not fully answer the requirement for the increase in CT due to the gain. They could then not be awarded the analysis and evaluation mark. There were also several errors in the calculations of CT, for example, a single rate of 26.5% was applied to the entirety of the company's taxable total profits if this fell between the candidate's two limits. This was disappointing given this is TX knowledge.

Similarly to part a), some candidates used capital gains tax rates and rules, refusing to treat this as a company, and wanting to answer a question for a taxpayer who was an individual instead.

Future candidates are reminded not to focus on calculations to the exclusion of explanations, where both of these have been asked for. They should also revisit the rules about associated companies, and practise explaining their application in different scenarios, particularly when there have been changes to a group in an accounting period.

Question 3 – Esla (25 marks)

Requirement (a) – 7 marks

(a) Explain, with supporting calculations, the additional income tax payable by Esla for the tax year 2025/26 as a result of receiving the redundancy package. (7 marks)

The redundancy package provided to Esla comprised three elements – statutory redundancy pay, a non-contractual payment and the gift of a laptop computer, which had previously been provided to Esla for her private use. Redundancy packages are frequently tested at ATX and will invariably comprise several components. Candidates are advised to attempt to clearly and comprehensively address each specific element in turn as the tax treatment for each will be different. Calculations were required, so candidates were expected to refer to the figures provided in the scenario.

Most candidates included a value for the laptop computer and, in many cases, this was just the market value at the date of the gift, which earned some credit. However, the situation here was that this was the gift of an asset which had previously been available to Esla for her private use, so that the correct benefit is the higher of the market value at the date of the gift and the market value when first provided less amounts taxed as benefits. Candidates are reminded that there is a considerable amount of detailed tax knowledge brought forward from TX required for this exam and that question practice is key to learning how to apply this knowledge.

The requirement was to calculate the ADDITIONAL income tax payable in respect of the taxable amount of the redundancy. For requirements like this where a calculation of either additional tax payable or a tax saving is required candidates should take a few moments to consider whether a marginal approach could be adopted, which is significantly quicker than preparing two full computations, without, and then including the taxable amount in question. Esla had only two sources of income, both non-savings income, so prior to receiving the redundancy payment, a quick review of the opening paragraph in the exhibit would have indicated that she was a higher rate taxpayer, such that additional non-savings income – here in the form of a redundancy package – would be taxed, at least initially, at the rate of 40%. It was noted that this approach was adopted by only a minority of candidates; the majority did produce two full income tax computations, for which full credit was available, but it would have taken significantly longer to complete.

A further consideration where adjustments are being made to the amount of taxable income, is always the impact on the availability of the personal allowance and the potential need to restrict this. Recognition of this is a key skill at ATX and something that candidates should always try and keep at the back of their minds, particularly when dealing with taxpayers who are paying income tax at the higher rate. A significant number of candidates missed this.

Finally, a reminder to candidates to read the requirement very carefully, and to come back and re-read it as they are working their answer. In this case, the requirement was specifically just for the income tax implications – rather than the frequently used, broader 'tax implications' - of receipt of the redundancy package. So consideration of the implications for national insurance contributions (NIC) was not required. However, a number of candidates included these, which unfortunately wasted time as no credit could be given.

Requirement (b) – 8 marks

(b) Explain, with supporting calculations, the relief(s) available to Esla in respect of:

- **the gain on the sale of the house; and**
- **the loss on the gift of the Rio plc shares**

(8 marks)

This part of the question required identification and application of capital gains tax (CGT) reliefs which would be available in respect of two unrelated disposals.

Once again, candidates are reminded of the importance of carefully reading, and then precisely addressing, the specific requirements. In particular, it is important to note the command word(s) used. Here, it was the very frequently used 'Explain, with supporting calculations'. This means that marks will be specifically awarded for written explanations, providing reasons for the availability of the relevant reliefs. These marks are not available for purely calculative answers, so consequently restricted the marks available to the significant number of candidates who made no attempt at any sort of written explanation. In this question a professional skills mark was also available for attempting to provide these, as required.

In relation to the sale of the house the majority of candidates appeared to be comfortable with the mechanics of both private residence relief and letting relief and so produced relevant computations in respect of these. Information was provided in respect of the number of months of ownership and of occupation of the house, in addition to the actual dates relating to these, to facilitate the computations. Candidates are advised to take a little time to read and assimilate this information, to ensure they have interpreted it correctly, before proceeding to use it in their calculations. In this case many candidates failed to appreciate that the 152 months of actual occupation were included in the 162 months of ownership and so were dealing with a period of over 300 months (25 years) which clearly didn't tie in with the actual dates provided.

Most candidates calculated the loss on the disposal of the shares and were able to correctly calculate the cost of the shares using the mid market price. A common error was to cite the lower of the quarter-up and the mid market price, which is appropriate for inheritance tax (IHT) but not CGT. Disposals of shares (and their associated reliefs) are very frequently examined at ATX for both CGT and IHT purposes. Candidates are advised that they should spend the necessary time getting to grips with these, and, in particular, the differences in the treatment for CGT and IHT purposes. Knowledge of the conditions attached to each relief is fundamental in order to recognise when they are available. Question practice, covering both the written and numerical application of reliefs is a necessity to gain confidence in this respect.

Very few candidates recognised that the disposal was to a connected person, such that the loss relief would be restricted. It is very important to pay attention to the identity of the recipient, and their relationship to the donor, where this information is given as it will be provided for a reason. This applies to both CGT and IHT. A commercial acumen mark was awarded to those candidates who recognised this.

Requirement (c) – 5 marks

(c) Explain whether or not the award of free shares and dividend shares in Viar plc's share incentive plan will result in a charge to income tax and/or national insurance contributions for Esla:

- **when the shares are awarded to her; and**
- **if she leaves her employment with Viar plc on 31 December 2028, as planned.**

(5 marks)

It was clear that the majority of candidates were not prepared for a question on share incentive plans (SIPs). It was evident that they realised that there would be some income tax benefit involved but were often very vague about how this would work. In many cases it was clear from the terminology used, including references to 'granting' and 'exercising' that they thought that a SIP involved share options, rather than being a tax efficient method of providing shares outright. NICs were very frequently ignored, despite being specifically referred to in the requirement. These issues necessarily limited the marks available to these candidates on this question part. Further, a significant number discussed the implications of selling the shares within three years of acquisition, rather than of leaving employment within this period, which was not required in this case, and so wasted time, while scoring no marks.

A few candidates were clearly aware of the principles behind the operation of a SIP, but only a handful of these addressed the free shares and dividend shares separately. However, an analysis and evaluation mark was still available for those who attempted to conclude on the impact of leaving employment.

The Study Hub contains concise explanations of the operational details of tax-advantaged share schemes and the relevant conditions for each, together with a helpful comparison table. Candidates need to learn these rules as these schemes are a very important new topic at ATX in relation to the taxation of employees

Conclusion

Performance in these questions was mixed, with some candidates producing comprehensive, well-considered and well-presented answers to most question parts, but with others clearly struggling, particularly with aspects of ATX technical knowledge and application, and with keeping their answer focused on the question asked.

In broad terms, candidates who are successful at ATX-UK are generally able to demonstrate competence and proficiency in the following four key areas:

- They have sufficient, precise knowledge of the tax rules within the ATX-UK tax syllabus and brought forward from TX-UK.
- They are able to apply this knowledge to the specific circumstances of the scenario.
- They carefully read and address each of the specific requirements within a question.
- They take the time to think and plan their answers and manage their overall time well.