

THE CHARTERED INSTITUTE OF TAXATION

ADVANCED TECHNICAL

Cross Border and Environmental Taxes

May 2026

TIME ALLOWED

3 HOURS 30 MINUTES

- All workings should be shown and made to the nearest month and pound unless the question specifies otherwise.
- Candidates who answer any law elements in this paper in accordance with Scots law or Northern Ireland law should indicate this where relevant.
- Unless otherwise indicated by the provision of additional information in the question, you may assume that 2025/26 legislation (including rates and allowances) continues to apply for 2026/27 and future years. Candidates answering by reference to more recently enacted legislation or tax cases will not be penalised.
- You must type your answer in the space on the screen as indicated by the Exam4 guidance.

1. BetBarb Ltd is a Barbados registered company. It owns all the shares in two subsidiaries: ZBetUK Ltd based in the UK, and BetGib Ltd, registered in Gibraltar. The three companies have undertaken some preparatory activities and will start trading on 1 May 2026. None of them are currently VAT registered in the UK.

BetBarb Ltd

BetBarb Ltd has most of its management and staff based in Barbados who will provide technical, management and accounting support to the subsidiaries. It will charge each subsidiary £100,000 a month for these services from 1 May 2026.

BetBarb Ltd set up an office in the UK on 1 April 2026, which it rents under a five-year lease. It has already engaged three employees with computers who will provide information technology support to the three companies. The UK office will charge the two subsidiaries on a cost-plus basis calculated according to the staff time spent dealing with each subsidiary's issues, which is currently estimated to be similar for both subsidiaries. The charge is expected to total £75,000 annually, split equally.

ZBetUK Ltd

ZBetUK Ltd has engaged staff and management who are UK based and it has entered into leases over several retail premises in the UK which it has fitted out already to provide bookmaking services and operate fruit machines. The fruit machines will cost £1 a play and have cash prizes from £10 to £500.

ZBetUK Ltd will also promote BetGib Ltd to customers visiting these premises. If one of these customers registers an account with BetGib Ltd, ZBetUK Ltd will receive a commission of £1 plus a percentage of the customer's spend with BetGib Ltd.

BetGib Ltd

BetGib Ltd has engaged staff and management who are Gibraltar based. It will provide internet-based sports bookmaking services to UK customers.

Additionally, BetGib Ltd's customers will be able to download an app provided by it. To use the app, the customer must pay BetGib Ltd a minimum of £100 to act as a "float". The customer can then instruct the app to use this float to lay bets for them with a range of UK bookmakers identified by the app. Any winnings from the bets will be credited to the customer's float. BetGib Ltd will deduct a percentage of the customer's winnings each month from the float. The balance of the float and winnings can be withdrawn by the customer at any time. Additionally, the bookmakers will pay BetGib Ltd a commission based on the amount staked with them.

Requirement:

Discuss the UK VAT implications of the group's proposed activities. (20)

2. Eumove Ltd is a UK company with no establishments outside the UK and an annual turnover of £2 million. It provides home removal services to customers moving home from the UK to Europe, or from Europe to the UK.

Where a potential customer has not yet found a new home, Eumove Ltd can arrange temporary accommodation in the UK or Europe for up to two weeks for the customer so the customer can house-hunt. This temporary accommodation can be in a hotel, in private homes or in a London flat owned by Eumove Ltd.

When the accommodation is in a hotel, Eumove Ltd books the room and pays the bill on the customer's behalf, including any additional charges incurred by the customer. Within a week of receiving the bill from the hotel, Eumove Ltd invoices the customer showing the hotel charges plus an arrangement charge. Eumove Ltd invoices the hotel for a commission at the same time. Both customer and hotel operator are offered a small discount if the invoice is paid within 14 days.

Where the accommodation is in a private home, Eumove Ltd negotiates the price with the owner and with the customer separately. Eumove Ltd issues an invoice to the customer in advance of the stay and requires payment in advance.

Where the accommodation is the flat owned by Eumove Ltd, the customer is invoiced within 30 days of their stay with a requirement to pay within 14 days.

Requirement:

Explain the VAT implications of the supplies made by Eumove Ltd. (15)

3. Gritsea Ltd is a dredging, drilling and timber company. It plans to remove deposits of sand and shale, from the seabed around five miles off the north west coast of England. Part of this aggregate will be moved to a site it operates in the Republic of Ireland, but the majority will be landed at its yard in Morecambe. Some aggregate will be transported on to other sites owned and operated by Gritsea Ltd: a quarry outside Fleetwood and an area of forest in the Lake District.

Some aggregate moved to the Fleetwood site will be used to make a road to access new workings. The remainder will be sold to third parties. The Morecambe aggregate will be used to make roads to haul timber from the forest, prior to the sale of this wood.

Gritsea Ltd will also drill under-seabed gas pipelines from the mainland to the Isle of Man. This will create crushed granite and quartz which Gritsea Ltd will land at its Morecambe site.

Some sand and shale will be mixed at the Morecambe and Fleetwood sites ready for sale to customers who will mix the aggregate with tar for use in road building. Gritsea Ltd has already contracted to sell around half of what it expects to extract over the next two years to one customer in tranches. The rest will be sold to other customers on demand.

Some sand will be sold for making glass or sandpaper. The remaining sand will be sold to a manufacturer who will bind it with resin to create kitchen worktops.

Requirement:

Explain the Aggregates Levy implications of these transactions. (15)

4. Proruse Ltd operates a landfill and recycling centre near Newry in Northern Ireland and waste clothing collection centres in Great Britain. It is registered for VAT and Landfill Tax.

Proruse Ltd do not charge for accepting waste clothing. The clothing is sent to Newry for sorting for reuse, recycling or disposal, along with clothing received there.

Clothes allocated for reuse are donated by Proruse Ltd to a charity which provides them free to the homeless.

Clothes allocated for recycling are sent to a business in the Republic of Ireland which charges Proruse Ltd for turning it into yarn and polyester chips. After these are returned to Proruse Ltd, it sells the yarn and polyester at open market value to businesses in Northern Ireland. Its turnover from this activity is £300,000 a year.

Proruse Ltd discards the remaining garments as landfill at its Newry site.

At a recent HMRC visit, the officer said that they were not satisfied Landfill Tax is correctly being accounted for in Newry as it was difficult to differentiate taxable and non-taxable material at the site.

Requirement:

Explain the VAT and Landfill Tax implications for Proruse Ltd of these processes. (10)

5. Newcarimp Ltd is a GB-established, VAT registered, car importer located in Bristol, which sells cars to GB-established dealers. It imports cars and spare parts from several overseas manufacturers, declaring them to its Customs Warehouse.

The manufacturers are liable for damage to cars that occurs before they arrive in the Customs Warehouse. Newcarimp Ltd takes parts from its Customs Warehouse stock to repair vehicles damaged in transit in its workshop adjacent to, but not part of, the Customs Warehouse. Currently this is done after both the car and parts have been released to Free Circulation, but this is under review (see below).

Otherwise, cars and parts are released to Free Circulation when requested by dealers. Cars may be standard stock models or models ordered for specific customers with factory modifications.

The manufacturers issue credit notes once the cost of the repair is agreed but this can take a couple of months. Newcarimp Ltd accounts for this credit note by reducing the Customs Value of a similar vehicle by the value of a credit note when one is next released from the Customs Warehouse. For example, for a car imported to Customs Warehousing and released to Free Circulation in January 2026 the credit note was only received in April 2026. Newcarimp Ltd then amended the value of another car released to Free Circulation in April 2026.

In future, Newcarimp Ltd may carry out both repairs and post-import modifications (including fitting non-standard items such as dashcams or upgrading items such as the radios or wheels) while the goods are still under the Customs Warehousing regime. Newcarimp Ltd would release cars to Free Circulation when they are needed by dealers.

Newcarimp Ltd may also temporarily remove of some higher value models of cars from its Customs Warehouse to put them on display and make them available for test drives at showrooms.

Newcarimp Ltd has a new GB-established customer, Gebecar Ltd, which wishes to buy cars and have them transferred to a GB public Customs Warehouse of its choice. Gebecar Ltd intends to release some cars to Free Circulation for sale in GB and to export some directly from the public Customs Warehouse.

Requirement:

Discuss the Customs Duty implications of the above for Newcarimp Ltd and Gebecar Ltd.

(20)

6. Glyno Ltd is a GB-established, VAT registered, wholesaler of household goods. It imports finished goods from around the world and sells them within GB. It does not consider Customs Warehousing beneficial because the goods turnover so quickly but claims preferential Customs Duty rates where these are available.

Glyno Ltd has agreed to purchase food processors from an unrelated supplier, Malymach Sdn. Bhd. in Malaysia. Malymach Sdn. Bhd. will source most parts and manufacture the food processors but to reduce costs Glyno Ltd has agreed to provide the following.

- 1) A set of plastic injection moulds needed to make the food processor housings which it will provide free of charge to Malymach Sdn. Bhd. The moulds will only be used to manufacture goods for Glyno Ltd.

The moulds will be supplied by another Malaysian company, Ingmou Sdn. Bhd., at a cost to Glyno Ltd of £24,750. The moulds are expected to produce 250,000 food processor housings before having to be replaced.

- 2) The electric motors for the food processors, purchased from Molec Corp in the Philippines at a cost of £36,000 per 1,000 motors. These will be delivered directly to Malymach Sdn. Bhd.

As an example, on an order of 3,000 food processors, Malymach Sdn. Bhd. will charge Glyno Ltd £150,000. The freight and insurance to the GB border will be an additional £6,500 and from the GB border to Glyno Ltd's premises £700.

Glyno Ltd was introduced to Malymach Sdn. Bhd. by Bucl Sdn. Bhd. Glyno Ltd will pay Bucl Sdn. Bhd. an amount equal to 3% of the value of Malymach Sdn. Bhd.'s invoices, for its introduction service, and also for collecting samples and carrying out testing to ensure the goods are manufactured to Glyno Ltd's specifications.

At import to GB the food processors attract a Customs Duty rate of 2%. Preference is not available and no additional duties apply.

Requirements:

- 1) **Discuss the Customs valuation method appropriate to the import of the finished food processors by Glyno Ltd.** (14)
- 2) **Calculate the Customs Value and Customs Duty due for the import of 3,000 food processors.** (4)
- 3) **Explain the VAT treatment of the purchase of the electric motors and moulds and calculate the Import VAT due for the import of 3,000 food processors.** (2)

Total (20)