

Institution **CIOT - CTA**
Course **Adv Tech Cross-Border Envrmt Taxes**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID 

Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 1	232	1066	1289
Section 2	737	3618	4330
Section 3	876	4278	5123
Section 4	525	2366	2869
Section 5	903	4168	5038
Section 6	844	4221	5032
Total	4117	19717	23681

Answer-to-Question-__1__

Landfill tax is a tax imposed on the disposal of landfill waste in the UK, introduced as a means to reduce the amount of landfill in the UK and to encourage the recycling and reuse of waste.

Businesses registered for landfill tax are obligated to submit quarterly returns to HMRC, declaring the total amount of waste disposed of, recorded by weight, and the landfill tax due on that waste.

The tax is charged at the standard-rate of £103.70 per tonne and the lower rate of £3.30 per tonne.

Certain types of landfill waste are considered to be exempt from the tax, but must still be declared as part of the return.

As the material dredged from the lakes and waterways of the Derbyshire Wetland Trust promoting biodiversity, this will qualify as exempt from the landfill tax.

Fenalik Ltd

For the amounts owed by Fenalik Ltd, Bigquarry Ltd is entitled to claim credit against the landfill tax already paid.

This credit is in the form of bad debt relief, and may be reclaimed once the amounts due to Bigquarry Ltd have remained outstanding for more than 6 months.

If the credit is claimed and at a later date the liquidator has determined that the business is

able to make payment for the amounts due to Bigquarry Ltd, the tax will need to be repaid to HMRC by declaration through the next return due.

-----ANSWER-1-ABOVE-----

-----ANSWER-2-BELOW-----

Answer-to-Question- 2

Introduction

Whilst Meeple AG is VAT registered in the UK and has a UK establishment (i.e. the UK branch), consideration needs to be given as to whether it is the main office in Germany or the UK office which should be accounting for the sales made to UK customers.

Online Marketplace

As a website hosting the sale of goods for separate entities, consideration needs to be given as to whether Meeple AG is regarded as an online marketplace ('OMP') for VAT purposes.

A business is considered to be an OMP where it offers an online platform for the supply of goods which are sold by third parties, has some involvement in the terms of contract for the sale of the goods and facilitates payments on behalf of the third-party sellers.

Meeple AG therefore appears to fit the criteria to be deemed as an OMP for VAT purposes.

VAT Implications

The introduction of the low-value consignment simplification allows to be imported into

the UK free of any Customs duties and import VAT, provided the value of the consignment does not exceed £135.

Ordinarily, the import VAT which would otherwise be due, is accounted for as output VAT by the seller importing the goods into the UK under the low-value consignment simplification.

For entities which are not established in the UK, this triggers a VAT registration obligation.

However, where an NETP makes these low-value consignment simplification supplies of goods through an OMP, it is the responsibility of the OMP to account for the VAT due, as a deemed supply, on those sales which are made to non-business customers.

If Meeple AG has failed to account for this VAT, then HMRC may be considering issuing an assessment for the VAT due.

However, where the supplies of goods noted above are sold to a business customer, established in the UK, it is the responsibility of the business customer to account for the VAT due via the reverse charge.

If an assessment is raised by HMRC, Meeple AG should therefore ensure that it is not inclusive of sales made via its' platform which have been sold to business customers. However, it will need to provide sufficient evidence of the sales and that the customers are in fact business customers.

For supplies of goods which are imported into the UK, which are in excess of the £135 limit for the low-value consignment simplification, the responsibility for the VAT due

remains with the overseas supplier.

Where the goods are sold by UK suppliers, the VAT due is to be accounted for by the UK supplier.

Meeple AG should therefore ensure that any assessments raised by HMRC are also not inclusive of goods sold by UK suppliers and supplies of goods which are in excess of the £135 limit for the low-value consignment simplification.

However, given the concern expressed by HMRC that entities selling through Meeple AG's platform are not registered for UK VAT and are potentially sold by businesses which are not established in the UK, there is a possibility that the evidence available to Meeple AG will not be sufficient, given that the registered address of these businesses is potentially incorrect / not linked to the establishment of the business.

Furthermore, OMP's are held jointly and severally liable for the VAT due on goods sold via its' platform. HMRC could therefore issue and joint and several liability notice to Meeple AG to recover the VAT which should have been accounted for by the unregistered sellers, selling through its' platform.

The only potential defence available to Meeple AG will be based on whether it has taken the necessary precautions to verify and ensure that the information provided is correct.

HMRC will assess whether Meeple AG either knew or should have reasonably known that the sellers were providing UK addresses which were not linked to any UK establishment for those businesses.

MTIC Fraud

In order for HMRC to take action for MTIC fraud, it must be able to evidence that there fraudulent activity has occurred.

Given that unregistered companies are providing UK addresses which have no link to a UK establishment, in order to avoid a VAT registration obligation in the UK, it is likely that this would be regarded as fraudulent activity.

Again, where Meeple AG, knew or should have reasonably known that the sales related to fraudulent activity, will be assessed by HMRC to determine whether further action is taken against Meeple AG.

-----ANSWER-2-ABOVE-----

-----ANSWER-3-BELOW-----

Answer-to-Question- 3

Basic

Given that the services are provided via the internet and involves no human interaction, the basic subscription service offered by Intermancy Corp is regarded as electronically supplied services.

For electronically supplied services, the place of supply is considered to be where the customer belongs.

As such, UK VAT will be due where those customers are UK residents. For residents based outside the UK, the supply will be outside the scope of UK, but may trigger a VAT registration obligation in those countries.

Local specialist advice should therefore be sought in the countries in which the basic subscription service is offered.

Enhanced

The enhanced subscription services are not automated and involve a significant level of human interaction, via the consultation and photoshoot, and so will not be treated as electronically supplied services.

However, consideration needs to be given as to whether the different elements contained within the subscription can be regarded as a single supply of services or a multiple supply.

Whilst a single price is charged for the matching services, the consultant and the photographer, this is not in itself indicative of a single supply.

Following the CPP case, it was determined that it is the aims from the perspective of the customer which determines the essential nature of the transaction for VAT purposes.

From the perspective of the customer it could be regarded that the different elements are all a part of the matching service, given that everything is charged under a single fee, with no option to remove any unwanted features or purchase the features separately.

The consultancy and photographer sessions are therefore likely to be considered as incidental to and provided as a means of better enjoying the main supply.

As such the amounts charged for the enhanced subscription services will be treated as a single supply and subject to US VAT, as the general rule for the place of supply of services determines that these services are treated as taking place where the supplier belongs.

However, as the fashion consultant is provided as an additional extra, and can be purchased separately, this is a separate supply of services.

Any fees charged to Intermancy Corp for the additional services provided as part of the subscription will be subject to the general rule for the place of supply and so will be outside the scope of UK VAT, given that the company is based in the US, with no UK establishment.

Adveritising

The advertising services, where provided to business customers will be subject to the general rule for the place of supply and will be taxable where the customer belongs.

Assuming these supplies are made via the US establishment, then no UK VAT is chargeable by Intermancy Corp, as the VAT due will be accounted for by the business customer under the reverse charge.

Ordinarily, under the general rule, the place of supply for services made to non-business customers is treated as being where the supplier belongs.

However, advertising services are an exception to this rule and are treated as taking place where the customer belongs. As such the advertising services provided to UK charities will be subject to UK VAT.

Intermancy UK Ltd

Although it has the freedom to choose which consultant employee deals with the client, it has no contract with the client and has no influence over the terms of the contract with the client or the price charged to the client.

It is therefore regarded as acting as an acting as a direct agent and so is not making a supply of services to the client. The reonsibility for the VAT due on the services provided to the client therefore remains with Intermancy Corp, as defined above.

As noted above, these services fall within the scope of the general rule for the place of

supply of services provided to a business customer and will therefore be subject to the reverse charge by Intermancy Corp.

With regards to the events, hosted and managed by Intermancy UK Ltd, this could be regarded as a land-related service, on the basis that Intermancy UK Ltd is providing a space for Intermancy Corp to provide the event to the client.

Land-related services are an exception to the general rule for services provided to business customers and are instead treated as taking place where the land is situated.

As the events are carried out in the UK, this will be subject to UK VAT.

Any additional costs incurred by Intermancy UK Ltd for the event are likely to be regarded as ancillary to the main supply and so should be included in the amounts charged to Intermancy Corp.

As Intermancy UK Ltd will be making taxable supplies in the UK, it will be entitled to reclaim input VAT on the costs incurred organising the event.

Intermancy Corp, will in turn be making a supply to the client which is regarded as admission to an event. Admission to an event is also an exception to the general rule, and treated as taking place where the event occurs.

Intermancy Corp will therefore be considered as making a supply in the UK and so will be subject to UK VAT, allowing for it to reclaim the input VAT on the amounts charged to it by Intermancy UK Ltd.

-----ANSWER-3-ABOVE-----

-----ANSWER-4-BELOW-----

Answer-to-Question- 4

Landfill Tax

Landfill tax is a tax imposed on the disposal of landfill waste in the UK, introduced as a means to reduce the amount of landfill in the UK and to encourage the recycling and reuse of waste.

Businesses registered for landfill tax are obligated to submit quarterly returns to HMRC, declaring the total amount of waste disposed of, recorded by weight, and the landfill tax due on that waste.

The submission deadline for the return, as well as the deadline for any tax payable, is the end of the month following the end of the return period.

The tax is charged at the standard-rate of £103.70 per tonne and the lower rate of £3.30 per tonne.

Credit is available and may be claimed through the return for any amounts which are exported outside the UK, provided sufficient evidence of the export is held.

As the 300 tonnes of concrete removed from the school will be sent to the landfill site, it will be subject to landfill tax, payable at the reduced-rate of £3.30, resulting in landfill tax of £990.

Aggregates Levy

The aggregates levy is a tax imposed on the

Businesses registered for the aggregates levy are obligated to submit quarterly returns to HMRC, declaring the total amount of aggregates quarried, recorded by weight, and the aggregates levy due.

The return must be submitted to HMRC by the end of the month following the end of the return period. Any tax due must also be paid to HMRC by this date.

The tax is charged at a rate of £2.03 per tonne.

Credit is available and may be claimed through the return for any amounts which are exported outside the UK, provided sufficient evidence of the export is held.

Materials quarried for relevant construction purposes or for soil regeneration are considered to be exempt from the levy.

The 90 tonnes of limestone used to treat the soil at the school will therefore be exempt from the levy.

As the other 100 tonnes is sold to Agz21 Ltd, this will be subject to the aggregates levy, with £203 payable to HMRC by Aggrix Ltd.

As only 25 tonnes of this is then be sold on, Agz21 Ltd will be subject to an aggregates levy of £50.75.

The other £250 tonnes which is sold will be subject to a levy of £507.50.

Of the 150 tonnes that is dredged from the old pond, the 87.5 tonnes to be used as a sand-pit will not qualify as sold for relevant construction purposes and will therefore be subject to the levy, with £177.63 payable to HMRC.

As the remaining 62.5 tonnes is to be used in cement for the construction of the school, this will qualify as exempt.

The 15,000 tonnes of rock excavated from the school playground will be exempt on the basis that it is sold on for construction purposes.

As the 300 tonnes of concrete removed from the school will not be sold, it will be exempt from the aggregates levy.

However, as it is to be sent to the landfill site, it will be subject to landfill tax, payable at the standard-rate of £103.70.

-----ANSWER-4-ABOVE-----

-----ANSWER-5-BELOW-----

Answer-to-Question- 5

DDP Incoterms

Under DDP Incoterms, Vtlec LLC, as the seller, would be listed as the importer of record and would therefore be responsible for the Customs duties and import VAT due upon entry of the goods into the UK.

VAT Implications

Under UK VAT law, the place of supply for goods is determined by where transfer of ownership is considered to take place.

If the transfer of ownership for goods exported to the UK occurs prior to or at the UK border, the place of supply is outside the UK and so is not subject to UK VAT rules for the exporter.

However, where DDP Incoterms are used, that transfer of ownership is considered to take place after the UK border and is therefore subject to UK VAT.

Elegibility to recover import VAT is determined by who is the owner of the goods at the time of the import.

As Vtlec LLC will, where DDP Incoterms are used, be the owner of the goods at the time

of import, it will be entitled to recover the import VAT incurred.

Where other Incoterms are used, even if Vtlec LLC is listed as the importer of record, it will not be entitled to recover the import VAT incurred, as it is not the owner of the goods at the point of import into the UK.

For businesses which are not established in the UK, the VAT registration threshold does not apply and are obliged to register for UK VAT from the first taxable supply made in the UK.

Given that it has no establishment in the UK, and intends to use DDP Incoterms, Vtlec LLC will be obligated to register for UK VAT, as an NETP, from the first taxable supply made to Engtelly Ltd, with this being the effective date of registration.

The establishment of a third party in the UK, even if facilitating orders on behalf of the seller, cannot be used as an establishment for an NETP.

Vtlec LLC would be required to notify HMRC within 30 days of the effective date of registration.

Alternatively, Vtlec LLC could apply to register for UK as an intending trader, as this would allow for the import VAT incurred to be recovered as input VAT via the first VAT return, provided sufficient evidence is held (i.e. a C79 certificate issued by HMRC).

Another possibility would be for Vtlec LLC to elect to use PVA.

PVA in essence, represents a cash flow benefit, as it allows for the import VAT due at the time of import to be paid via the VAT return by declaring it as output VAT.

Subject to the normal rules for recovery, this can then be reclaimed as input VAT on the same VAT return, resulting in a net nil effect on the VAT due to HMRC.

No prior authorisation is required for the use of PVA, it simply just needs to be noted on the Customs declaration forms that PVA is to be used.

Customs Implications

As noted above, where DDP Incoterms are used, the responsibilities for the Customs duties remain with Vtlec LLC as the seller.

It must therefore ensure that the Customs declaration forms submitted to HMRC are correctly representative of the goods being imported into the UK - declaring the correct value of the goods, the commodity code applicable, etc.

As Vtlec LLC is importing the goods for sales to an unconnected third party, Method 1 (i.e. the consideration charged / transaction value) will be used to determine the value of the goods.

It is worth noting that the transaction value for Customs purposes, is inclusive of the freight charges and insurance charges up to the UK border. This is commonly referred to as the CIF value.

Any transport costs and insurance charges within the UK are to be removed from the transaction value for Customs purposes.

The Customs duties due will be charged ad volarem to the CIF value of the goods.

The commodity code of the goods can be established with reference to the UK Tariff and the GIR's.

An incorrect declaration of goods imported into the UK will result the imposition of penalties from HMRC. It is therefore imperative that Vtlec LLC, as the entity responsible for the Customs duties, ensures that all forms are completed correctly.

As Vtlec LLC is not established in the UK, it cannot complete Customs declarations forms itself. It must therefore elect an indirect Customs representative to submit the Customs declaration forms to HMRC on its behalf.

Indirect Customs representatives are jointly and severally liable for the Customs duties and import VAT due on the imports which they facilitate on behalf of their customers.

Due to the additional risk, indirect Customs representatives typically charge a premium for their services, which will result in additional costs to Vtlec LLC.

Vtlec LLC, as a non-established entity also has no entitlement to make use of any Customs special procedures.

If it is negotiated between the parties that title passes prior to the import of the goods into the UK, then this is contradictive to the DDP Incoterms that is intended to be used.

Where title passes prior to or at the point of entry, then Engtelly Ltd should be liusted as the importer of record and deal with the Customs responsibilities, as Vtlec Ltd will be restricted from reovering the import VAT if it is not the owner of the goods at import.

-----ANSWER-5-ABOVE-----

-----ANSWER-6-BELOW-----

Answer-to-Question- _6_

Inward processing

As a UK established entity, Wiltig Ltd is eligible to apply for inward processing ('IP').

IP is a Customs special procedure that allows for the Customs duties and import VAT due on imports into GB to be deferred until the goods are released into free circulations (i.e. held out for sale).

Benefits

Use of IP represents a cash flow benefit for businesses, given that the Customs duties and import VAT typically do not become due until the goods are sold.

Full relief on the Customs duties and import VAT due is provided to businesses using IP, where the imported goods are ultimately sold to customers based outside the UK (i.e. goods exported), provided the relevant export documentation is held as evidence (e.g. SAD, Bills of Lading, etc).

Unlike other Customs special procedures, goods may undergo processing whilst they remain within the IP procedure without the suspended Customs duties and import VAT becoming due.

When goods are eventually sold to UK customers, the Customs duties and import VAT due are based on the rates applicable to the finished goods which are released into free circulation, as opposed to those which were initially imported.

These rates are also applicable to the value of the finished goods leaving the IP procedure, as opposed to the value of the goods which were entered into IP.

Given that the duty rate applicable to the finished buckets is greater than that applied to the chemicals imported to manufacture the buckets, this will result in additional duties incurred by Wiltig Ltd.

However, given that the expectation is that 40% of the buckets will be exported to customers based outside the UK, an evaluation will need to be carried out to determine whether the relief obtained on the Customs duties and import on these exports exceeds the additional amounts payable on the finished goods leaving the IP procedure.

Equivalence

Typically under the IP procedure, goods entered into the procedure need to be tracked all the way through to when they enter into free circulation.

Equivalence is a simplification that allows for the goods imported to be matched against equivalent goods, alleviating the administrative burden placed on traders making use of the IP procedure.

Equivalent goods are those which are classified under the same commodity code, have the same essential characteristics and are of the same commercial quality.

As Wiltig Ltd purchases from suppliers based both in the UK and overseas, use of equivalence would allow for the relief which may be obtained from the use of the IP procedure to applied to UK purchases, as exports leaving the UK can be matched against imports which are due to enter into the UK.

Authorisation

In order to use IP, Wiltig Ltd will need to submit an SP3 form application to HMRC via its' government gateway account.

The application will require Wiltig Ltd to provide evidence that it is financially solvent, has a good history of compliance with Customs duties and is capable of adequate record keeping for the requirements of the procedure.

Wiltig Ltd will also need to provide a guarantee for the Customs duties and import VAT that will be deferred through the use of the IP procedure. This can be obtained from its' UK bank.

Furthermore, an additional requirement of the application is that the economic conditions are satisfied; namely that the use of the IP procedure will not adversely affect UK traders.

This is typically considered to be satisfied, except in instances where specified protected goods are being imported.

Once authorised, HMRC will generate a registered code number which will allow for the goods to be imported under the IP procedure.

Wiltig Ltd will therefore need to provide this to its' Customs agent to be quoted on the Customs declaration forms where IP is to be used.

Whilst awaiting authorisation, Wiltig Ltd could also obtain authorisation to use IP via the Customs declaration forms.

This mode of authorisation can be used for up to a maximum of 3 imports over a 12 month period, provided the value of the goods imported does not exceed £500,000.

Preference

Wiltig Ltd may also obtain relief from Customs duties through the use of preference.

Preference allows for specified goods originating from countries where the UK has a free trade agreement ('FTA'), such as that held with the EU, to be imported into the UK at either a reduced rate or zero rate of duties.

Wiltig Ltd should therefore review its' current supplier list and the commodity codes of the goods imported from those suppliers to determine whether relief in the form of preference may be applied.

No authorisation is required to make use of the duty rates which may be claimed under preference.

Where preference applies, Wiltig Ltd will simply need to notify its' Customs agent of the applicable tariff code, which will need to be quoted on the Customs declaration forms.

Preference can also be utilised in combination with the IP procedure, as the commodity

code applicable to the goods leaving the IP procedure is used to determine the Customs duties applicable.