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

Event **NA**

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Notice: **Exam was restarted!**

Count(s)	Word(s)	Char(s)	Char(s) (WS)
Section 1	**1220**	**5660**	**6871**
Section 2	**985**	**4324**	**5304**
Section 3	**1074**	**5022**	**6088**
Section 4	**705**	**3130**	**3826**
Section 5	**918**	**4219**	**5130**
Section 6	**1000**	**4618**	**5575**
Total	**5902**	**26973**	**32794**

Answer-to-Question-_1_

BetBarb (BB):

Place of belonging:

BB is registered in Barbados and has most of it's management there. This is therefore where the central administration is carried out and the day-to-day decisions of the business made.

BB therefore has it's main business establishment in Barbados.

However a business can also have a fixed establishment in another country if it has the permenant human and technical resources to make and/or receive supplies there.

As BB has a UK office as well as UK employees and computers, this is sufficient to make the IT support supplies. The 5 year lease should be considered sufficient to be considered permanent for these purposes and the staff likely only need the computers, not the office to make the supplies anyway.

It therefore also has a UK fixed establishment.

BB's place of belonging in respect of the supplies it makes and receives is therefore dependant on the establishment most closely related to the supply.

Management services:

BB will provide taxable management and accounting services to ZBetUK (ZB) and

BetGib (BG) from it's Barbados establishment as the staff will be based in Barbados.

This is a B2B supply of services and therefore under the general rule, the place of supply is where the customer belongs i.e. in the UK for ZB and in Gibraltar for BG.

No overrides apply for this supply.

As this is a general rule services, it is a compulsory reverse charge service where made in the UK.

ZB will therefore need to account for the VAT under the RC. If it is not allready registered, this will count towards it's registration threshold of £90,000.

AS the first charge will be £100k on 1 May 2026, from the 1 April 2026, ZB will breach the threshold in the next 30 days.

It will therefore need to notify HMRC of it's liability to register within 30 days so by 30 April 2026 and will be registered from 1 April 2026. It will the ac count for the output VAT on this supply in box 1 of it's first VAT return.

This will be recoverable in box 4 subject to it's partial exemption method.

BB and BG should obtain local advice on the VAT obligations in Gibraltor as this is outside of the UK VAT scheme.

IT support:

The IT support services, will be made by the UK establishment of BB as it will use the

UK staff and computers.

This will be a B2B general rule supply of IT services so the place of supply is where the customer belongs.

Where the supply is to the Barbados head office of BB, this is within the same legal entity so is disregarded for VAT purposes.

This is not considered an electronically supplied services as although provided over the internet, there will be signifiant human intervention.

The place of supply for BG is therefore Gibraltar (outside scope of UK VAT) and for services to ZB is the UK.

Once again these will be subject to a compulsory reverse charge where the place of supply is in the UK so ZB will serl-account for the VAT In box 1 of it's VAT return.

Therefore BB does not have any requirement to register for UK VAT.

ZB:

Bookmaking and fruit machines:

ZB is established in the UK where staff and management are based.

It is making supplies of bookmaking services to UK private individuals from the UK premises. This is therefore a UK domestic supply. This is an exempt provision of the

facilities for the placing of bets and is therefore exempt from UK VAT.

The supply of the fruit machines is the provision of the facilities for the playing of dutiable machine games or playing of games of chance for a prize and is therefore also an exempt UK domestic supply of services.

It will therefore ot charge output VAT on these supplies.

Advertising:

ZB will also provide B2B advertising services to BG.

The commission and percenntage of the customer's spend with BG is the consideration for this supply.

This is a taxable supply and a general rule service. The place of supply is therefore where the customer belongs in Gibraltor.

ZB sholuld obtain local advice onm it's obligation in Gibraltor.

VAT registration:

Neither of these supplies will create an obligation to register for UK VAT.

However, ZB will be required to register from 1 April as set out above due to it's reverse charge purposes.

It will only be able to recover this inpuut VAT to the extend that it is attributable to the supplies of advertising which would be taxable if made in the UK.

The management services and IT support will likely be residual costs and therefore recoverable based on the partial exemption percenatage.

Under the standard method, this will be based on the proportion of taxable income.

BG:

BG is establishd in Gibraltar where it's staff and managment are based.

Bookkeeping:

It will provide B2C sports bookmaking services to UK customers over the internet.

These are outside of the betting exemption as this does not include sport.

Under the general rule, the place of supply would be where the sup-plier belongs, in Gibraltar.

However, as these are provided over the internet and likely with minimal or no human intervention, these will be considered electronically supplied services.

These are therefore subject to an override and the place of supply is where the recipient belongs so in the UK.

As BG has not UK establishement, it does not have access to the registration threshold

and is therefore required to register in the UK when it intends to make UK supplies in the next 30 days so from 2 April 2026 as a non-established taxable person.

It can use a tax representative to help with it's VAT obligations if needed.

App:

BG will also offer an app to the customers, the £100 float will be a deposit for the bookkeeping services, not a separate supply of access to the app. The aapp is just for better enjoyment of the services under CPP principles.

GB will be acting as an undisclosed agent for the UK bookmakers as the customers will place the bets through GB's app and will not necessarily know the identity of the UK supplier.

For UK VAT purposes, these is therefore a deemed supply from the UK bookkeepper to BG and from BG to the UK customer.

BG's agency services will be subsumed in this onward supply to the customer.

The supply from the UK bookmaker to BG is therefore a B2B supply. Under the general rule, the place of supply is where the customer, BG, belongs so in Gibraltor.

However, as this is an ESS as it is provided by electronic means with minimal human intervention. It will subject to the use and enjoyment overvide.

As these are used in the UK, this will be liable to UK VAT. As BG will be VAT registered anyway, it will account for the VAT under the reverse charge.

The onward sale to the customer is a B2C supply of intermediary services so the place of supply is where the underlying service takes place so in the UK. BG wioll therefore need to charge VAT on the £100 charge to customers and any other sports bets placed. The commission paid from the bookmakers is subsumed in this amount.

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

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

Answer-to-Question-_2_

The Tour Operators Margin Scheme (TOMS) applies where a UK established business such as Eumove (E) buys in and resells travel facilities as a principal or undisclosed agent.

This applies to margin scheme supplies such as accomodation, passenger transport, hires or means of transport etc when they are bought in and resold without material alteration or further processing and a resupplied from a UK established business for the direct benefit of a traveller.

E is UK established.

Hotel:

Where the accomodation is in a hotel, E seems to be acting as a disclosed agent.

E will provide agency services of booking the room, paying and paying the bill.

However, the invoice to the customer will show the hotel charges seperate from the arrangement charges.

It therefore seems likely that the customer is aware that they are purchasing the accomodation services from the hotel and therefore E is acting in it's own name as a disclosed agent.

This should be supported by the economic realtiy and contracts which should support the fact that it is the hotel who has the obligation to provide the service.

On this basis, the supplies are outside the scope of TOMS as they are not provided by E as principal or an undisclosed agent.

The accomodation is therefore provided directly by E to the customer for VAT purposes. This is a B2C supply so under the general rule, the place of supply is where the supplier belongs.

Where the hotel is in the UK, this will therefore be liable to UK VAT. Which the hotel will account for but will be charged to the customer on the invoice issued by E. Where the hotel is in Europe, this is outside the scope of UK VAT.

The services provided by E to the end customer or arrangting the hotel is an intermediary services so subject to an override.

The place of supply is therefore where the underlying supply is made. So where the hotel is in the UK, this will be subject to UK VAT. E will need to account for the VAT on it's UK VAT return.

If the hotel is in Europe, this will likely to be liable to VAT in that country and E may need to register there. Where the hotel is in the EU, E may consider registering under the OSS scheme instead of registered for local VAT in each EU country.

The supply of agency services to the hotel operator is a B2B supply of agency services. Under the general rule, the place of supply is therefore where the customer belongs. So will be subject to UK VAT if the hotel is in the UK and E should account for this VAT.

Where the hotel operator is established in the EU, the hotel will likely account for the VAT under the reverse charge so should not create an obligation for E to register for EU VAT. But local advice should be taken.

Note that where the services are discounted, this will reduce the amount liable to VAT.

Private home:

Where the accomodation is in a private home, E will negotiate prices separately with the owner and the customer.

E will issue one invoice to the customer will the full charge.

As such, it seems likely the customer will not know the identity of the home owner.

As such, it is acting as an undisclosed agent is respect of this supply.

The accomodation is bought in from the home owner and resupplied to the customer without material alteration.

As such, this supply is within the scope of TOMS.

Under TOMS, E will not have any right to input VAT recovery, however it is likely the home owners will not be VAT registered anyway.

It also cannot issue VAT invoices for these supplies.

E will be making a single supply to the end customer of the accomodation.

As E is a UK estbalished business, the place of supply under TOMS is the UK.

E is liable to account for VAT in the UK on the margin i.e. the income received from the customer (including any VAT) less the costs incurred in providing the supply.

Where the accomodation is in the UK, E is liable to VAT on this margin at 20% which it should account for on it's UK return.

It may need to use a provisional amount and adjust this once it know's it's exact margin. The tax point will be when the advance payment is received.

When the accomodation is outside the UK, the margin is zero-rated. The net value of the sale should still be recorded in box 6 of the UK VAT return.

The EU operates a similar TOMS scheme so as E is not EU established, it should not have any EU VAT obligations in resepct of these supplies.

Flat owned by E:

Where the flat is owned by E, it is making the supplies as prinicpal.

However, this will not fall within TOMS as shown by the Sonder case as the flats are not supplied without material alteration it is therefore an in-house supply. It is also not provided as part of a package with any other margin supplies so is not part of a margin scheme package.

The provision of accomodation by E is a B2C supply so under the general rule, the place of supply is where E, the supplier belongs.

However, as this is provision of the specific flat accomodation, this is subject to the land related override.

As such, the place of supply is where the land is located.

Where the flat is in the UK, E will therefore need to account for UK VAT on it's UK VAT return.

Where the flat is outside the UK, E should obtain local advice on it's VAT obligations but may be able to use the OSS scheme to account for the VAT due within the EU on a single return.

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

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

Answer-to-Question-_3_

Aggregates levy is due when taxable aggregate is subject to commercial exploitation in the UK.

Aggregarte includes, rocks, gravel and sand as well as substances that naturally occur mixed with it.

Commercial exploitation occurs when aggregate is removed from a specified site, becomes subject to an agreement to aupply it, is used for construction purposes or is mixed with any substance or material other than water in the course of a business.

It is not liable to AL if it has already been subject to AL, has previously been used for construction purposes, or is exempt.

AL is charged at a rate of £2.08 per tonne of aggregate.

<u>Removal of sand and shale:</u>

The removal of sand and shale from the seabed, occurs within the UK as it is within 12 nautical miles of the UK coastline.

This is therefore commercial exploitation as it is removed from it's originating site.

It is also aggregate as it comprises of sand with shale which is naturally occuring mixed in with it.

There is an exemption from AL for aggregate which is won from dredging the bed of a river, canal or watercourse or in approach to a port or harbour for the purpose of improvintg or maintaining that water course, however, this will not apply the seabed is not a water course (which must flow under the action of gravity as shown by case law) and is not in approach to a harbour or port.

It is for the purposes of obtaining aggregate, not improving the waterway.

Removal to ROI:

Where the aggregate is moved t5o Gritsea's (G's) site in the ROI, this will be an export from the UK. As such no AL should be due. If already paid, this can be recovered as a credit on the next AL return after export.

Removal to Morecambe:

The removal to the site in Morecambe will also not be subject to AL.

Whilst the aggregate is removed from it's originating site, it is moved to another site registered in G's name, as such this is not commercial exploitation.

Removal to Fleetwood and Lake District:

AS per the above, these sites are also registered in G's name so the removal to these sites is not commercial exploitation and therefore not liable to AL.

Use at Fleetwood site:

Where the aggregate is sold to third parties, this will be commercial exploitation as the aggregate becomes subject to an agreement to supply it. As such, AL will be due on these sales.

Where the aggregate is instead used to make a road to access the quarry workings, this is commercial exploitation as it is used for construction purposes.

However, aggregate is not considered to be subject commercial exploitation where it is returned to the originating site without mixing with any other substance, in connection with being used for the purpose of winning aggregate.

As this is used to make a road for quarry access, this is for the purpose of winning aggregate, and it ha not been mixed with any other substances.

However, as the Fleetwood site is not the originating site, i.e. where the material was won, this provision will not apply.

As such, AL will be due on the aggregate used to make a road.

Use at Morecambe site:

Similar to the above, where aggregate is used for the purposes of an agricultural or forestry business, it is not subject to commerical exploitation if it is returned to the originating site or other site owned by the same registered person, without mixing with any other substance.

As therre is a forestrey business at the Morecombe site, and the road is used in the course of this business to make timber and the site is also owned by G, this is not commercial exploitation.

Therefore this is not liable to AL.

Gas pipeline drilling:

This is commercial exploitation of the removal of aggregate.

However if the removal is for the purposes of extraction of quartz, this is removal for application of an exempt process of the extraction of gems and semi-precious stones. If this is the case, then no AL will be due on the removal.

AL would also not be due on the granite remaining after the process if it is all spoil and not suitable for further use.

However, if the granite are simply mixed together, then the separation/sorting is not considered extraction and therefore all of the granite removed from the seabed will be liable to AL.

Similarly, any granite remaining after extraction which is not spoil or waste is liable to AL.

Case law has also shown that if the main purposes of the extraction is to obtain the granite, then this will be taxable to AL. The amount of each substance removed should be taken into accounnt in determining the purpose of the drilling.

Mixed at Morecombe and Fleetwood:

Where the aggregate is mixed with other substances, this is commercial exploitation and G will be liable to AL.

The subsequent swales to customers and mixing my customers will be outside the scope of AL as the aggregate will have already been subject to AL.

However, as G has already contracted to sell some material, this is the first commercial exploitatin of the aggregate. Therefore AL should have been accounted for when the contract was entered.

The subsequent mixing of aggregate subject to this aggrement will not be liable to AL as it will already have beenm accounted for.

Sold for making glass or snad paper or binding with resin.

The sale of the sand is commercial exploitation and therefore subject to AL.

G may be able to claim credit for AL where aggregate is used in agricultural or industrial processes.

G should check if these processes included making glass or sandpaper or binding with resin.

If so, G should obtain evidence of this use and claim a credit on the next AL return.

Other:

If G is not already registered, it will need to register as soon as it intends to commercially exploit taxable aggregate in the next 30 days as there is no registrationh threshold.

Returns will be submit quaarterly and due for submission and payment by the end of the following month.

Shale:

Note that where aggregate consists of shale, it use may be exempt if not for construction p;urposes or mixed to form construction materials.

This exemption will therefore not apply where used to make roads etc. as this is construction.

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

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

Answer-to-Question-_4_

Landfill tax:

Landfill tax id due on taxable disposals at a landfill site.

Landfill tax is due based on the weight of the disposal and therefore is not affected by whether a charge is made for the diposal.

It is the operator, Prouse (P) who is liable for the LFT due.

Note for LFT purposes, NI is within the UK and subject to the same rules as GB.

Waste clothing:

Where the clothing is sent to the landfill site in Newry, this would normally be considered a disposal at the landfill site and therefore liable to LFT.

The tax point would be when the clothing is disposed of on the site, or the invoice date if issued within 14 days of the disposal.

However, if P operates an Information Area, material can be placed in this area without being liable to LFT. This would allow P to sort the material without LFT becoming due.

Material should be weight when entered and removed form the Information Area.

P does not require HMRC's authoirsation to operate an Information Area, however, it should notify HMRC of the area and the non-taxable uses and the area should be a visually identifiable, designated area and separate from the landfill cell on the site.

If P uses an Information Area then where the clothing is subsequently removed for reuse or recycling, not LFT will become due.

LFT would therefore only become due when the clothing is disposed of as landfill on the site.

However, it seems that P has not used a separately identifiable Information Area.

On this basis, LFT would have been due on all the clothing when it arrived at the Newry site for sorting.

AS clothing is not a qualifying material, LFT would be due at the standard rate of £126.25 per tonne.

However, where the clothing is subsequently permanently removed from the site for reuse or recycling, a credit can be claimed for the LFT on this clothing provided it is removed from the site within 1 year of the initial disposal.

This should be claimed on the LFT return for the period of the removal from the Newry site.

VAT:

P receives the clothing free of charge, it therefore does not incur input VAT on the supply.

Movement to NI:

P receives the clothing in collection centres in GB and moves them to NI.

This is treated as an export/import.

No export declaration is required in the UK, but an import declaration is required and import VAT will be due on this movement.

P will account for the VAT as domestic VAT on it's own VAT return in box 1.

It will only be able to recover the VAT inh box 1 to the extend that it is making taxable supplies using the clothing.

Donation:

When it donates the clothing to a charity for reuse for the homeless, this is not a zero-rated donation to a charity as the clothing is not used by the charity for sales, exports or letting.

However, this is not a business activity as P donates the goods for free and therefore there

is not consideration for the supply and P does not do so for the purposes of obtainig an income.

As such, this is non-business activity and outside the scope of VAT. The import VAT will therefore not be recoverable whereas if this was a zero-rated donation, it would have been recoverable in box 4.

Recycling:

When the clothing is sent from NI to ROI, this is an intra-EU movement of goods.

This is a movement of own goods. It cannot be disregarded for VAT purposes as a temporary movement of own goods as it will be processed in ROI.

P must therefore either account for UK VAT on the movemennt of register for VAT in ROI and treat this as a zero-rated dispatch and accoun t for acquisition VAT in ROI. THis should be recoverable as it will relate to it's taxable sales in NI.

Simialarly, t

When it sells the finished products to businesses in NI, this is a UK domestic sale of goods subject to standard rate of UK VAT.

Discard of the goods;

The discard to landfill will not be a supply for VAT purposes.

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

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

Answer-to-Question-_5_

(Note New Means of Transport rules only apply within the EU, as Nercarimp and it's customers are based in GB, this is not relevant.)

Import of cars and spare parts:

When Newcarimp (N) imports these goods into the UK, it will delcare these to it's private customs warehouse (CW).

As such, the customs duty (CD) and import VAT which would normally be due on importation is suspended. It is N who would be liable for the CD as it is the importer/declarant.

This can be suspended indefinitely while the goods are stored in the CW.

Release to free circulation:

When cars and parts are released to free circulation on request of the dealers, the customs duty will become due on removal.

N will be liable for the CD as declarant.

The CD will be due based on the rated applicable at the time of removal and will be determined by the country or origin, commodity code, transaction value and applicable duty rate.

The transaction value will be based on the value of the sale from the manufacturer to N.

Damage and repairs - current position:

Where the goods are damaged before arriving in the CW, N should declare the damage to Customs.

Provided this occured due to accident, or natural causes, no CD should be due on the damaged goods if they are disposed of.

However, where the damaged goods are still sold in the UK, CD will be due on release to free circulation but the value for customs purposes can be reduced by the loss of value due to the damage.

As the manufacturer is liable for the damage, this is effectively a discount which reduces the transaction value of the sale and therefore the customs value under Method 1.

However, the manufacturer may only issue the credit note a couple of months later when the cost of repair is agreed.

Normally, N would need to acount for CD on the full initally agreed value of the car when it releases the car to free circulation.

It will also need to pay the CD due on the parts released to free circualtion on the repair.

Once the credit note has been issued to evidence the discount, it could then submit a claim to recover the overpaid CD.

However, provided it is also appoved under the CW authoisation to use equivalence, instead of claiming repayment, it can treat the credit note as applying to a car that is subsequently released from the CW.

In order to use equivalence, the goods must be of the same tariff code, commercial quality and technical characteristics.

Therefore, this can only be used where the cars are both of the same standard stock models.

Where the cars have factory modifications and are ordered for specific customers, it is unlikelt that equivanlence is suitable as the cars are bespoke and it would therefore be difficult to argue that they are of the same commercial quality.

This is the system currently used by N whereby it reduces the customs value of an equivalent vehicle by the value of the credit note when it is next released form CW.

Using equivalence this way is beneficial as it reduces the adminsitrative burden and cash-flow issues of waiting for a separate claim to be reviewed and approved for the original goods.

<u>Future repairs in CW:</u>

In future, N intends to carry out repairs and post-import modifications while subject to the CW regime.

In order to do this, N should obtain approval from HMRC to apply these processes in the CW.

This should be allowed provided all of the operations are simple processes or usual forms of handling (UFH). This would include elementary repairs of damage incurred during transport or storage as well as reconstruction of the goods after transport.

The value of these services would be disregarded when calculating the customs duty due on removal from the CW.

However, if the processes required are more complex, N may need to obtain approval for inward processing.

This would allow the cars to be subject to more complicated processes approved by HMRC in duty suspension and then moved back to customs warehouse. If needed, they may still be able to take place at the site of the CW.

Once again the customs duty when released to free circualtion could be calculated based on the value of the goods prior to processing.

<u>Temporary removal:</u>

N can apply to HMRC to allow temporary removal of the cars from the CW for test drives under duty suspension.

This is likely to be aprroved for a maximum of 3 months.

N would need to ensure it meets any requirements in order for the cars to be allowed to be driven in the UK.

Gebecar (G):

N can transfer the goods to another public CW under duty suspension as requested by G.

N would be responsible for the goods up until the receipt is recorded by the public CW. So it would be responsible for the CD on any losses during transport.

Once received byt the public CW, it should record the discharge to another CW and will have no further responsibility for the goods.

When the goods are released to free circulation from the public warehouse, G will be liable to account for the customs duty.

It will need to pay this prior to clearance of the cars or defer the customs duty on a duty deferment acccount.

Where the goods are exported directly from the CW, the CD will not become due.

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

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

Answer-to-Question-_6_

Requirement 1:

Overview

Glyno (G) will purchase finished food processors from Malymach (M) form Malaysia.

Generally, customs duty should be calculated using the CIF value of the goods, meaning the cost plus insurance and freight to the UK border.

There are 6 methods for determing the customs value which should be considered in hierarcharal order except method 4 and 5 which are interchangeable as prefered by the importer.

Note that as G is GB established, it is subject to UK customs legistation and the UK Global Tariff rates of customs duty and valuation rules.

Method 1:

Method 1 must be considered first and is based on the transaction vaule of the last sale prior to import into the UK, i.e. the sale from M to G.

If the supplier and customer are connected, this method can only be used if HMRC are

satisfied that the value has not been affected by the relationship. HMRC will deem that the value is affected unless evidence is provided to the contrary.

Method 1 also cannot be used if the sale if free or charge, the goods are leased or in certain other circumstances.

In this case, there is a sale of the goods from M to G and they are not connected.

As such, it should use method 1 to value the goods.

The starting point for method 1 is the invoice value from M to G, however certain items must be included in the value, and certain items can be excluded to reduce the customs duty (CD) due.

Inclusions:

Items that must be included in the customs value include the freight and insurance up to the UK border.

AS such, the £6,500 must be included.

The Freight and Insurance within the UK, can be excluded for customs purposes, but must be included to the first destination in the UK for import VAT.

Selling commission must also be included.

Where the buyer, G, provides certain goods to the seller such as tools, moulds and

components, M free of charge, or below full value consideration, for use in the supply of the food processors, this must also be included in the customs value.

This applies to the injection moulds G provides free of charge to M as they will be used only to manufacture G's goods.

The value to be included will be based on the cost to G of purchasing the moulds to £24,750.

This should be apportioned over all of the imports for the 250,000 food processors it will be produce.

For the electric motors, assuming these are also provided to M free of charge, this is a component of the goods and therefore comes within theses provisions. AS such, the cost of G purchasing these motors should be included in the customs value.

Exclusions:

Freight and insurance within the UK can be excluded for customs purposes, as can any buying commission.

As G uses an agent, Bucl (B) to find the supplier, this is a buying commission and therefore excluded from the customs value.

The amount relating to the testing of the goods is part of this single supply of buying agency services and is therefore also excluded as part of the buying commission.

Other exclusions include processing in the UK and financing interest as these do not relate to the goods being imported.

Method 2:

If method 1 cannot be used, method 2 should be considered next.

This is based on the transaction value of identical goods sold within a reasonable time frame (previously 90 days) and of a substantially simialr time frame.

Method 3:

As for method 2 but transasction value of similar goods.

The goods should be of the same commercial quality, same tariff code and same technical characterisitics.

Method 4:

Method 4 is the sales minus method.

Based on the transaction value of a subsequent sale in the UK less and the normal amount of profit on this sale and costs incurred in the UK.

Method 5:

Method 5 is the cost plus method.

Based on the cost of the supplier producing the goods plus the suppliers normal profit when selling these goods to unrelated customers.

To get this information G would lielkly need to be related to the supplier.

It is also unlikley this could be used as G is providing components and tools for the goods free of charge which will effect the cost to the supplier of producing.

Method 6:

This is any other fair and reasonable method as agreed with HMRC and is normally based on a combination of methods 1-5.

Requirement 2:

Calculation of CD on the import of 3,000 food processors

	Value £	Explanation	
Transactaction value on the invoice from M	150,000	I.e. cost of the goods under Method 1 last sale before import	
Insurance and Freight to UK border	6,500		
Injection moulds provided free of charge	297	24,750/250,000 x 3,000	
Electric motors	10,800	36,000/10,000 x 3,000	
Customs value	**167,597**		
Customs duty at 2%	**3,352**		

Requirement 3:

The moulds and motors will be purchased by G overseas and delivered directly to Malasia.

The purchase is therefore outside the scope of UK VAT, however G may incur overseas VAT and should take local advise on whether it can recover this VAT.

The import VAT on importation of the finsihed goods is based on the customs value plus customs duty and any incidental costs in the UK.

The buying commission is excluded from the import VAT value as it is a supply of services.

This is a B2B supply of services so under the general rule the place of supply is where the customer belonmgs so in the UK.

AS the supplier is an overseas business, G will account for the VAT under the reverse charge on it's VAT return.

	Value £	Explanation	
Customs value	167,597		
Customs duty	3,352		

Freight and insurance to first destinationh in UK	700		
Buying commission	nil	accounted for under RC	
Import VAT value	**172,649**		
Import VAT at	**34,330**	**Same rate as domestic VAT and standard rated goods**	

20%			