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

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID [redacted]

Count(s)	Word(s)	Char(s)	Char(s) (WS)
Section 1	**1280**	**6199**	**7446**
Section 2	**794**	**3740**	**4516**
Section 3	**534**	**2570**	**3092**
Section 4	**508**	**2381**	**2876**
Section 5	**860**	**4237**	**5079**
Section 6	**678**	**3194**	**3854**
Total	**4654**	**22321**	**26863**

Answer-to-Question-_1_

In order to establish the VAT treatments of each entities supplies, each entities UK VAT regustration position/requirement and their eligibility to VAT Group it is key to determine which entities have UK establishments and where Uk establishments exist, which estbalishment of the entity is making or recieving the supply in question.

In order to have a fixed establishment in the UK a business would need to have permanent human and technical resources situated in the UK that could make and recieve suplloies (Berkholz).

it is also of note that other businesses and subsidiairies can create an establishment for a parent company such as BetBarb, where it does not already have one in the UK (Welmory). However in order to do so case law suggests that the subsidiary or other business's resources and staff etc must be under the direct control of the non-established business (Hastings Insurance, Cabot Plastics and Berlin Chemie all evidence this). Zbet is acting as agent for BetGib, but this will not be a fixed establishment of BetGib.

Establishments

BetBarb

BetBarb has its business establishment in Barbados where the central managment and main functions are carried out.

However, as noted above, the office and permanent staff making supplies in the UK will create a fixed establishment in the UK for BetBarb Ltd. This can impact the supplies

made and recieved by the fixed establishment (the UK branch). It will also mean that the business can avail of the £90,000 VAT registration threshold before regustring and accounting for VAT. Further as the business has a fixed establishment in the UK it will be eligible to VAT group with any other group entity established in the UK, subject to the control requirements (which are clearly met).

ZBet UK

From the information provided ZBet has its central management and control, all staff and offices situated in the UK. Its business establishment appears to be the UK, with no fixed establishments elsewhere. All supplies it makes and recieves will therefore be made from the UK establishment.

BetGib

BetGib has its business establishment in Gibraltar, with no permanent human and technical resources in the UK, therefore it has no UK establishment/fixed establishment. All supplies will be made and recieved from Gibraltar.

As a non-estasblished entity (NETP), will not be able to avail of the VAT registration threshold in the UK and will be required to register and account for UK VAT from the first supply it makes where Uk VAT is due.

It would also not be eligible to join a UK VAT group as it would not meet the establishment criteria.

VAT Treatment of Supplies

BetBarb

The managment and accounting charge of £100,000 per month, are most closely connected with the Barbados establishment. These will be general place of supply rule B2B services, taxable where the recipient is located.

The charge to BetGib will be outside the scope of UK VAT.

The supply to ZBet will be subject to UK VAT, however, ZBet will be required to account for UK VAT under the reverse charge mechanism, once it breaches the VAT registration threshold. The reverse charge purchase from BetBarb (in the absence of a VAT Group see below), will count towards the VAT registration thereshold for ZBet. The charge alone is enough to exceed the VAT registration threshold in the first month under the future test. ZBet will be required to register for VAT from 1 May 2026 on this basis and will have 30 days to notify HMRC. The reverse charge VAT incurred by ZBet will be recoverable subject to its partial exemption recoverability as discussed below.

The supplies of IT support will be made from the UK fixed establishment of BetBarb. They will be a general place of supply rule service. The supply to BetGib will be outside the scope of UK VAT. There will be no supply from the UK fixed establishment to BetBarbs establishment in Barbados on the basis they are the same legal entity (FCE Bank). The supply to ZBet will be a UK to Uk B2B supply and within the scope of UK VAT, however, this will only be £25,000 per year and will not breach the VAT registration threshold for BetBarb and it would not be required to account for and charge UK VAT on this basis.

The business could voluntarily regsiter to allow VAT recovery, however it would need to charge VAT (unless it VAT grouped) with ZBet who would be unable to recover all of it.

ZBet

ZBet will be required to be VAT registered in the UK as above. However its supplies of booking making/gambling services, whilst having a place of supply of the UK, will be VAT exempt under Group 4 Schedule 9 VATA 1994.

ZBets provision of promotion/agency services to BetGib will be B2B intermeidary supplies (importantly not B2C as the place of supply would then be where the underlying supply takes place), this is a general place of supply rule service, where the recipient belongs and the commission recieved will be outside the scope fof UK VAT. As ZBet is promoting BetGib, it seems evident the supply is being made as a disclosed agent, however this should be confirmed to be the economic reality (Secret hotels) and it should be clearly outlined in the contract that this is the case (Airtours).

The suply to BetGib will be a foreign supply for VAT partial exemption purposes as it would be taxable if it were made in the UK. this will create a right to recovery in relaiton to this supply.

ZBet is therefore operating a partly exempt business. Any input VAt incurred cirectly attributable to its exempt supplies will not be recoverable (such as if any VAT is incurred on opted to tax leases) and any VAt directly attributable to its agency supplies will be recoverable. Any overhead vat incurred should be apportioned under the standard method, unless the business applies for a sectoried PESM based on its 2 sepearate business operations, this would need to be approved by HMRC.

BetGib

BetGib as an NETP is providing electronically supplied services (eletroncially supplied app with minimal/in this case no human intervention) to B2C customs, the place of supply under the exception to the general rule is where the customer is located, in this case being the UK. the supply will not fall under the betting exemption as the consideration recieved (i.e. the amount deducted) is for use of the app not for betting. As an NETP BetGib will be required to register and account for UK VAT on the amount recieved from B2C customers from the first supply.

The commission from bookmakers will be for agency services provided bet BetGib as an disclosed agent, the place of supply will be the UK under the general rules and the bookmakers will be required to account for UK VAT under the revrse charge mechanism.

VAT Grouping

The UK has a whole entity approach to VAT grouping. Meaning if Bet Barb and ZBet did VAT group all supplies from BetBarb to Zbet would not be subject to VAT (or require Zbet to reverse charge the managment services).

However, when grouped they would be treated as one entity for VAT purpoises and as ZBet is partially exempt, this would impact VAT recovery on costs incurred by BetBarb.

Provided Uk input VAT incurred by betBard is minimal, which it may appear, this could still be beneficial to avoid irrecoverable input VAT on the signifcant £100,000 a month costs received from BetBarb.

Consideration would also need to be given to the anti avoidance rules in section 43 2 (a) of the VATA 1994, for any services bought in bet BetBarbs overseas establishment and

resupplied to ZBet.

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

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

Answer-to-Question-_2_

On the basis the supply of ttransport services are to customers moving home it is assumed all supplies are B2C.

The place of supply would be partly in the UK, however the supply of services of transporting goods by the business from the EU to the UK or from the UK to the EU will be zero-rated for VAT purposes under Item 5 Group 8 Schedule 8 of the VATA 1994. Overseas advice should be taken in relation ot any overseas transport.

Accomodation

Hotels

Consideration needs to be given as to whether EU move is acting as a disclosed or undisclosed agent (/principal) in relation to this supply as this will affect the VAT treatment and the application of the Tour Operators Margin Scheme (TOMS).

Just because EUmove pays the bill and the cash flows through the business does not determinatively mean it is 'buying in and selling' on the servcies. However the contractual position will be the first port of call here (Airtours) and should be confirmed.

In the absence of the contractual arrangement in the facts, the economic reality (Secret Hotels), appears to show that Eumove is acting as a disclosed agent on the basis that the

hotel charges are passed on without mark-up, a service charge is added and separately indicated on the invoice.

it is important that EU move does not recover an VAT on the inovice from the hotel on this basis as it is not input VAT in the hands of EUmove, the supply is directly to the end customer.

Therefore Eumove is acting as a disclosed agent in relation to the supply to the customer B2C and the commission from the hotel B2B.

The place of supply of the agency/intermediary services B2C will be where the underlying supply is made. Hotel accomodation will be a land related supply of services and the place of supply will be where the hotel is located. If this is overseas the arrangment fee will be outside the scope of UK VAT, however as a non-established business Eumove is likely to be required to account for local VAT in the EU Member State where the hotel is located, it would be beneficial to account for this under the Non-Union OSS as the business can account for VAT due across all member States under one quarterly return. It will need to regitser in one Member State only. Where the hotel is in the UK Uk VAT should be accounted for on the commission.

The place of supply for the B2B commission/agency supply to the hotels will be a general place of supply rule service, taxable where the recipient is located. Where this is the UK UK VAT should be charged and where it is overseas the supply will be outside the scope of UK VAt and subject to the reverse charge by the recipient.

Where a discount is made from the commission paid by the customer or the hotel, where the supply was initially subject to UK VAT and adjustment can be made to the output VAT accounted for subject to the invoice stating the discount is available.

Private Homes

Conversely to the above, the private homes appear to be undisclosed agency/principal arrangement on the basis EUmove negotiates the prices separately. Thi supply will fall within the scope of TOMS on the basis the supply is short-term holiday accomodation bought in and resupplied without material alteration (Sonder).

UK VAT will only need to be accounted for on the margin (cost less sale amount) made by EUmove and only in relation to Uk properties. Overseas proeprties will be outside the scope of UK VAT and local advice should be taken as several EU member States have currently voiced their displeasure (Germany and Croatia) at TOMS supplies being made in their state without local VAT being accounted for.

Any VAT incurred on the acquisition of the property would be irrecoverable (although this appears unlikely).

The tax point for the supply in this case would generally be when the traveller first occupies the accomodation under method 1, however it can be, under method 2, the occupation date or the date of receipt of payment in this case. the business cannot switch between methods without HMRC approval.

Flats

The flats will be in-house supplies and effectively subject to normal VAT accounting rules. the supply will be a land-related service and subject to local VAT where the property is located, which is London and therefore UK VAt will be due as a stadard rated supply of short-term accomodation. VAt can be recovered in relation to these supplies

subject to the usual VAT recovery rules (evidence , correctly charged etc.) The tax pooint will be when the service is carried out unless the invoice is issued within 14 days

---

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

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

Answer-to-Question-_3_

Aggregates Levy (AGL) will be due whenever taxable aggregate is commercially exploited by Gritsea in the UK.

the full exemption for shale has not been reintroduced and this shale is not extracted as a by product or other non-taxable material. Both the shale and sand will be taxable aggregate.

Commerical exmploitation can occur when taxable aggregate is removed form its originating site, subject to an agreement to supply it to any person , used for construction purposes or mixed (other than specific purposes or with water). Where aggregate has been won from the seabed its originating site will be where it is first landed after being won.

Aggregate means any rock, sand, gravel together with any other substances incorporated into it or naturally occuring mixed with it.

The amount exported to the Republic of Ireland will be an export/not subject to AGL if it never lands in the UK. It will be relieved from AGl either way.

Aggregate landed in Morecambe will have Morecambe as its originating site. The aggregate that is then transported on to Fleetwood and the Lake District is removed from this site, however this will not be commercial exploitation on the basis it is moved

between sites with the same AGL registration (assuming the business is already registered for AGL).

The aggregate moved to the Fleetwood site is put to two uses:

1. To make a road: this is commerical exploitation on the basis the aggregate is used for construction purposes and AGL will fall due at this time on this amount.

2. Sold to third parties: This is also commerical exlpoitations and will be subject to AGl when an agreement is made to supply it ot the third parties.

The Morecambe aggregate is also used to make roads, however this will be relieved from AGL on the basis it is won by a fostery business from its own site and used in an unmixed state for the purposes of that business.

The aggregate from the gas pipelines will be relieved from aggregate levy provided the necessary permissions are held as material arising from utility works.

The aggregates of sand and shale are mixed at the Morecambe and fleetwood sites, however this will not consitutue commercial exploitation as it is permitted mixing as the aggregates are mixed with aggregate that has not previosuly borne AGL, at its originating site (or a site registered under the same name). Commerical exploitation will occur when the agreement is made to sell the AGl to third parties. For the customers on demand this will be at the time of sale. For the contracted half of the aggregate provided this is separately set aside for the agreement and is separately idenitifiable AGL will arise at the time of the agreement. if this is not the case it will arise when it is removed from the site.

The sand used for manufacturing sandpaper and glass is used for a specified industrial process and will be exempt from AGL.

Resin processes are also exempt industrial processes and exempt from AGL. However the use of the samd should be confirmed specifically to determine if the exemption applies i.e is the sand used in the resin processes and exempt.

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

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

Answer-to-Question-_4_

VAT

The receipt of the waste clothing is not a supply for consideration.

Northern Ireland has a specific position for VAT purposes in relation to goods and is subject to EU rules.

The clothing is 'at risk' of moving to the EU on the basis it could be sent to ROI. However this will have little impact for VAT purposes.

the donation of the clothing to the Charity will be a zero-rated supply for VAT purposes under Group 15 of the VATA 1994.

The supply of services by the business in ROI will be a general place of supply B2B service, taxable where the recipient is located. Proruse should account for UK VAT under the reverse charge mechanism. (Northern Ireland is not part of the EU in relation to services although this has minimal impact anyway). The reverse charge VAT will be fully recoverable as it is directly attributable to taxable supplies 9see below).

The sale of the yarn and polyester chps will be subject to UK VAT as this is a business activity the place of supply of the goods will be Northern Ireland.

The movement of goods to an from Northern Ireland to Ireland will be a temporary movement of goods for processing to an EU member State, with the goods being returned to Northern Ireland. On this basis no deemed supply will arise. Proruse should record the movement in a temporary goods register, hold commercial documentary evidence that the goods were removed from Northern Ireland, account for VAT on the services under the reverse charge as above. The business may be required to complete an intrastat return to record the movements where the threshold is exceeded.

Landfill Tax (LFT)

The garments disposed of to landfill will be subject to LFT at the standard rate.

The garments that are at the site but are not to be disposed of will not be taxable provided they are distinguished as non-taxable material. They should inform the HMRC officer that an information area will be created and used for this purpose going forward to avoud LFT becoming due on clothing that is not ot be disposed of. HMRC can actually require this area to be designated.

it will be specific to the landfill site, have a determined date that it comes into operation, HMRC will specificy the uses of material to be temporarily deposited into the area, this can be one use or mulitple different (clealry here it will be for the cloithing that is to be re-used/removed from the site), will specify the type of material to be deposited (the clothes/fabrics0 and set specific boundaries. In the absence of the inofrmation area any amounts deposited at the site can becomne subject to LFT, although a credit may be claimed if it is later removed.

The material needs to eb wieghed entering and leaving the infomrmation area and a specific information area account kept by the business.

Any breach of conditions in the area can lead to the material held their to be treated as a taxable disposal.

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

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

Answer-to-Question-_5_

Customs Duty will be due on the cars and parts when they are declared to free-circulation. The goods imported and delcared into the Customs Warehouse will defer duty indefinitely until the goods are removed to free-circulation.

The customs value will be the value of the goods when they leave the warehouse.

Any goods exported from the Customs Warehouse (CW) will mean duty never arises.

Damaged Cars

Currently, the business must account for duty when it releases both the cars and parts to free-circulation before any repair processes. this is inefficient on two fronts, firstly for obvious cahs flow reasons. Secondly the business would be required (although it is crediting equivalent imports at the minute this is discussed below) to account for the duty on the transaction value under Method 1, this is the invoice value (plus usual inclusions) and this is prior to any credit being recieved. Although the business can adjust the value at a later date when the credit note is issued this is again inefficient for cash-flow purposes and adminstratively burdesome.

In addition the business has outlined proposals to repair and post-import modify the cars still held under CW. This should not be done as this level of processing and work goes beyond the 'usual forms of handling' allowable under the CW regime. This breach can

lead to duty becoming due, penalties and interest and potentially revocation of CW authorisation.

Inwards processing would allow for the repairs and modifcations to be carried out without customs duty arising.

Customs Warehousing can be used in tandem with inwards processing (IP) procedure, i.e. goods can be delared from CW to IP and back to CW without any customs duty arising.

The business should seek authorisation for IP on this basis. IP authorisation can be done via declaration however this can only be done up to 10 times in a rolling year and for a maximum import value of £500,000. It appears this may not be sufficient. therefore the business should apply for full authorisation. It can also apply for retrospecitve authorsation where this has already occured, this can only go back 12 months and the business will require evidence the goods were eligible and conditions were met, where the goods were already sold in free circulation this may be of little benefit.

For full authorisation the business may need ot provided a guarantee for the duty suspended, however this is not always required and can be a combined guarantee if one is already held for CW.

The business is UK established and clearly already has a GB EORI and any required import licence. It will require a good histroy of compliance with customs requirements.

It will need to outline to HMRC. the goods (commodity code (8 digit code will be required for equivalence goods (see below)))), how the goods will be valued upon release (i.e. the value of the finished product or at the time of import), the number and avlue of goods to be processed, number and value of finished products, rate of yield, records and

storage of records, where the goods will enter IP and the names and addresses of any subcontractors used to repair the goods 9dont have to carry out the work themsleves).

the economic condition will also be required to be met, effectively that UK producers are not disadvantaged, this is likley to be met here.

Any costs during storage or increase in value in this time will be excluded form the customs valuation.

Equivalence or the standard exchange system can be used with IP and CW respectively and should be sought as part of authorisation. However care must be taken specific spec cars or parts as equivalent goods are less likely to be available. For example

The goods planned to be temporarily moved to display in show rooms and test drive must be declared to free circulcation then duty will be due or to temporary admission procedure. This will allow the goods to be used and returned without duty arising, authrosation should be sought from HMRC.

Credit Notes

Where the seller makes an adjustment to the price actually paid or payable for imported goods, and the goods were defective at the time of acceptance tp free circulation and the adjustment is to compensate Newacrimp for the defect in the goods under a contractual obligation (that was entered inot prior to the import) and the adjustment is made within one year after the declaration was made the amount of import duty can be adjusted in line with the change in customs value and remitted/repaid to the business.

However, here the business is automatically aplying the credit to later imports. HMRC

are likely to take issue with this. The matter should be disclosed to HMRC as this will assist in mitigating any penalties they may apply.

Gebecar

The cars can be transferred to another GB customs warehouse provided Gebecar also holds authroisation for CW procedure under the tranfer of rights under Regulation 42 of the CSPOP 2018.

this means duty will not become payable until gebecar as the importer releases the cars to free ciruclation. Any cars re-exported will not become subject to UK customs duty.

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

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

Answer-to-Question-_6_

1)
Customs Duty valuation Methods from 1 through 6 must be considered in hierarchical order (subject to Methods 4 and 5 being interchangeable).

Under Method 1, the transaction value of the goods when sold for export to the UK is used. Under Method 2 and 3 the business would be required to to find the same or similar goods imported at the sameish time. Under Method 4 (sales minus method) would be a sales minus method where the onward sale to the UK customer less usual profit and Uk expenses would be used . Method 5 all of the costs of producing the supply and above inclusions with amounts for usual profit etc included would occur. Method 6 would be a fallback Method where the others were unavaible and would be any reasonable method to determine the value.

The parties are unrelated and it appears this information is available so Method 1 is appropriate. HMRC may challenge the use of Method 1 on the a basis that the some included items make up a significant value of the goods, however the values can be determined clearly and HMRC cannot direct a business which valuation Method to use, on this basis, provided Method 1 is providing a full value for the goods there is a strong argument to apply Method 1.

The transaction value is the total amount payable for the goods and payable in connection with the importation of the goods into the UK. there are also specific inclusions and

exclusions as Method 1 is subject to Regulation 109 of the CIDEER.

Plastic Moulds

The value of these items would need to be included as per Regulation 112 1(c) of the CIDEER. They have been provided by the buyer to the seller free of charge. The value can be apportioned across the produced items.

£24,750/250,000 = £0.099 (£0.10p rounded per processor)

Electric Motors

it is not stated if these items are supplied by Glyno to Malymach free of charge (or for less than full value), but on the assumption that they are they will also need to be included in the customs value as per Regulation 112 1(a) of the CIDEER. Agin the amounts can be approptioned.

£36,000/1000 = £36 per item (assuming each processsor has one motor).

Other Costs

Under Method 1 here, noting that the entities are not related parties. The transaction value is £150,000 per 3,000 food processors. The freight and insurance to the GB border would be included (with the internal GB freight only included in the value of import VAT purposes and no customs duty purposes).

The 3% fee paid to Bucl, partly relates to buying commission which can be excluded, however it also partly relates to services of sampling and testing which could be argued

by HMRC to be included as part of the development services. As the buying commission from the facts cannot be readily identified the full 3% must be included. Glyno should ask Bucl to invoice the buying commission separately under a separate arrangment which will reduce the customs value and in turn duty payable.

Retrospective adjustments can be carried out where sufficient evidence is held to support the reduction.

2) Calculation

Customs Value = £150,000 + (0.10 x 3,000) + (36x3,000) + £6,500 + (£150,000x 3%) = £262,800 customs value

@2% CD = £5256

3) The purchase of the electric motors will be outside the scope of UK VAT on the basis the place of supply of the goods appears to be Malaysia where they are made available to Glyno. Local VAT/GST advice should be sought.

Import VAT will be due at 20% of the duty inclusive value, include the GB freight and insurance to the first destination in the UK.

262,800+5256+700 = £268,756 x 20% = £53,751.20 import VAT, Glyno dhould elect to account for the import VAT on the import declaration via postponed VAT accounting, acocunting for the VAT as output VAT and recovering it in the same VAT return. This will be beneficial for cashflow and administratively simpler. HMRC will provide a

monthly PIVA statement.