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	**369**	**1772**	**2133**
Section 2	**604**	**2831**	**3435**
Section 3	**673**	**3032**	**3697**
Section 4	**501**	**2292**	**2788**
Section 5	**626**	**2816**	**3439**
Section 6	**619**	**2912**	**3545**
Total	**3392**	**15655**	**19037**

Answer-to-Question-_1_

Ash

Landfill tax applies to a disposal of material at a landfill site that is not specifically exempt.

The disposal of ash would qualify for the lower rate of LFT.

The rate that would apply is £3.30 per tonne.

The disposal of non-recyclable waste would be subject to the standard rate of £103.70 per tonne.

For the lower rate to apply, the disposal must comprise only of the qualifying material i.e. ash.

The trust should dispose the material seperately and provide sufficient evidence demonstrating that the ash qualifies.

Dredged Material

Materials removed from inland waterways and harbours by dredging and disposed of at an authorised landfill site is exempt from LFT.

To qualify as a watercourse, it must be possible to show that a body of water has a natural source of surface or underground waterflow, under the action of gravity, reasonably defined channel of bed and banks and a meeting point with another watercourse.

The waterways are liekly to qualify however, if the lake does not meet the criteria, which it is unlikely that it will, it will be a taxable disposal.

Harriers

There is a scheme for LFT known as the Landfill Community Fund (LCF).

The scheme encourages operators to fund local community environmental projects.

Under the scheme, a tax credit can be claimed by B Ltd for contributions made to approved environmental bodies.

These bodies are enrolled by ENTRUST.

A tax credit can be claimed of up to 90% of any qualifying contribution made.

The maximum percentage credit available is 5.3% x landfill tax liability.

Bad Debt

Where a customer becomes insolvent, bad debt relief is available if the following condtions are met:
- the business has carried out a taxable activity for a consideration in money
- LFT has been accounted for on the disposal and has been paid to HMRC
- The debt has been written off in the day-to-day account and transferred to the bad debt account
- A landfill invoice was issued showing the amount of LFT payable
- That invoice was issued within 14 days of the disposal

- 12 months has passed since the invoice was passed.

The amount of LFT unpaid by the customer can be recovered via BDR.

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

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

Answer-to-Question-_2_

Online Market Place

HMRC have implemented strict legislative rules in order to prevent fraudulant activity occuring and VAT evasion through online marketplaces.

The UK follows UK legislation for the supply of goods.

An online market place means a website which facilitates the sale of goods through the website other than the operator.

Meeple is an OMP for UK VAT purposes as it is facilitating sales between customers and sellers.

Where goods are imported into the UK and the value of the consignment is no greater than £135, the consignment is not of excepted goods or goods in relation to a postal operation, the OMP wil be required to make a deemed supply of the goods.

Where the goods are above this amount, the suppliers will be liable to account for UK VAT and import duties.

Meeple has a wide range of goods which it is selling online, the range of products would mean that those which are being sold for under the £135 limit, Meeple would be required

to account for VAT as a deemed supply.

However, where this amount is greater, Meeple would not be required to account for the VAT.

Where Meeple is making sales to business customers, it is possible for the business to account for the reverse charge on the supply.

This will only apply where the customer is VAT registered, the supply involves goods being imported and the low value consignment criteria is met (£135).

Where the above applies, Meeple will not be required to account for UK VAT on the supply.

Where sales are made from UK sellers to UK suppliers, the business will not be making a deemed supply as the goods are not imported.

Meeple is acting as an agent for UK sellers. It will be acting as a disclosed agent and the supply will be B2B to the UK seller. The UK seller would account for the reverse charge on the advetising supply.

Joint and Several Liability

HMRC deem OMP to have joint and several liability in relation to its sellers in certain situations.

This means that if the sellers do not account for UK VAT made on their supplies, the OMP can be held joint and severally liable, paying any outstanding VAT due.

Where HMRC deems that these businesses have an outstanding liability due, they can impose the amount on to Meeple.

The goods are being advertised on Meeples website by non-UK sellers to avoid any UK VAT registration requirements.

HMRC will give the operator of the OMP a notice stating that unless the sellers cease trading through the marketplace at any time between the period specified in the notice or the notice ceasing to have effect, the OMP will be joint and severally liable.

HMRC will potentially raise an assessment for the potential lost revenue. This will be payable by Meeple AG.

The assessment can be appealed by Meeple AG within 30 days of receiving it. HMRC will then have 45 days to review the appeal and give a response.

After that, Meeple would have 30 days to accept the review or escalate to FTT.

Alternatively, the business can appeal directly to FTT.

A cost saving alternative will be going to ADR to further discuss the situation.

Penalties may also be issued, which could be up to 100% of the PLR.

Recommendations

Meeple should review all sales being made and ensure the rules above are applied.

Where HMRC has pointed out sellers who are non-compliant, prevent them from making any further sales on the platfrom.

Meeple should be transparent with HMRC to avoid being made J & S liable and prevent any penalties.

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

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

Answer-to-Question-_3_

Place of Supply

I Corp is US established but is registered for VAT in the UK which means for services supplied falling in the UK, the UK rules/legislation will apply.

Where supplies are made on a B2B basis, the general rule for the place of supply would be where the business receiving the supply is located.

Where supplies are made B2C, the general rule would be the place of supply is where the business supplying these services is locatated.

These rules are subject to exceptions, which we will see below.

Basic Packages

The basic service is a single complex supply (CCP).

The service being supply does not have any human intervention and would be classed as an electronically supplied service.

The place of supply for ESS supplied to a non-relevant business person would be where the recipient is receiving the supply.

Where the supplies are made to UK customers, VAT should be charged on the subscription fee.

Where supplies are made worldwide, the place of supply would be outside the scope of UK VAT and local advice should be shought.

The supply of advertising to business customers would be a B2B supply of services with the place of supply being where the customer receiving the supply is located.

If the customer is based in the UK, the business would need to account for the RC on the supply as I Corp is based in the US. No UK VAT should be chargd by I Corp.

Supplies to a charity with no business would be seen as a B2C supply.

There is an exception for a B2C supply of advertising services being where the recipient belongs if the person belongs outside the UK.

The place of supply would be where the charity belongs, if this is the UK, the supply should have UK VAT on.

Outside the UK would be outside the scope and potential for liabilities in other countries.

Enhanced

Single v Multiple Supply

Clients are purchasing a package deal of services and we must look at whether it is a

single or multiple supply under the Card Protection Principles.

The six introductions, initial video, profile drafting and three follow up call would be a single, complex supply of services.

The photographer and fashion consultant would be a seperate supply, as this is optional.

Package

The services being provided need to be looked at closely to determine what is being provided.

They are not ESS as there is human intervention.

The services could be seen as consultancy services or an intermediary service.

The intermediary service is more likely given recent case law. The bringing togther of two parties is the service that I Corp is providing.

The supply is made under B2C rules however, there is a general exception as to the place of supply is made in the country which it relates.

If the business matches clients in the UK, the place of supply would be the UK and UK VAT should be charged on the supply.

Photographer

I Corp is acting as a disclosed agent for the photographer. The fees it charges to the photographers will be B2B, and if they are UK based, VAT will be charged.

Fashion Consultant

The supply of fashion consultancy under the general rule of B2C would be where the business is located which would be outside the scope of UK VAT.

UK Ltd

Uk Ltd is acting as an undisclosed agent with regards to I Corp.

As an undisclosed agent, UK Ltd will be joint and severally liable for VAT incurred. I.e. they are acting in their own name.

The fee it charges to I Corp will be a B2B supply of services. The place of supply would be the US and outside the scope of UK VAT.

Where events are hosted and paid for by I Corp. I Corp is not incurring these costs, UK Ltd is.

The business is just paying these costs on behalf of I UK Ltd.

I Corp will not be able to recvoer any VAT incurred on the costs.

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

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

Answer-to-Question-_4_

Aggregates Levy

Aggregates Levy is a tax charged on the commercial exploitation of aggregate.

Aggregate means any rock, gravel or sand together with whatever substances are for the time being incorporated in the rock, gravel or sand or naturally occur mixed with it.

Commercial exploitation means the aggregate is removed from its site, it becomes subject to an agreement of a supply, it is used for consturction purposes and it is mixed with any material or substance other than water.

Project 1

The 190 tonnes of limestone is being 'removed' from an unused area will need to be reviewed to determine whether commercial exploitation is occuring.

100 tonnes is removed and sold to A Ltd which will be subject to the levy unless exemptions are available.

The extraction of lime or cement from limestone is an exempt process. This would not apply as cement or lime is not extracted.

However, the extraction of a relevant substance from aggregate is an exempt process. Baryte being under that exempt substance and so relief would be available.

The subsequent sale of the mineral will not be subject to AL as it is not taxable aggregate.

The remaining 75t has been processed and is waste so not taxable under AL.

The remaining 90t is not removed from the site so is not commercially exlpoited or liable to AL.

250t which will be used by a consturction company will be liable as it will be used for construction purposes so the amount of: £2.03 x 250t = £507.50 will be due.

Project 2

Aggregate removed from a watercourse via dredging is exempt from the levy.

However, a watercourse means a body of water that is a natural source of surface or underground water which folows under the action of gravity. It would also have a reasonabl defined bed or banks and confluence with another watercourse.

The pond will not meet this exemption.

The removal from the original site of the 87.5t could be seen as commercial exploitation.

AL will be due on the 87.5t x £2.03 = £178.

However, where sand is used as play sand and held out/advertised as such, it would be

exempt from the levy so no levy would be due on the above.

The 62.5t is used for construction purposes so will be taxable.

62.5t x 2.03 = £127.

Project 3

The 15,000 tonnes is being commercially exploited from the orignal site under a contract for construction.

15,000 x 2.03 = £30,450.

Project 4

The 300 tonnnes will not be seen as aggregate as it has been used for a construction purpose. No AGL will be due.

For LFT to apply, there has to be a taxable disposal.

If the material being used is to construct a permanent cap to cover the landfill cell, then it will be exempt from LFT.

However, if the cover is a temporary cover, LFT will be due.

The material would likely qualify for the lower rate of £3.30 per tonne.

300 x £3.30 = £990 due.

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

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

Answer-to-Question-_5_

Incoterms and Importing into the UK

Incoterms are used to understand what terms have been agreed between a buyer and a seller.

They are not legally binding.

DDP is where the seller is responsible for everything including the duty being paid.

FOB would be where the seller is responsible for the goods up until they are on the boat. After that, the goods will be the responsibilty of the buyer.

DDP

Where V LLC is intending to use DDP, this would mean that the seller, V LLC, is fully responsible for import into the UK.

This would put all the risk on V LLC and mean they would need to pay import duties and VAT at the border.

This would also mean that the sale occurs within the UK (if title passes after ownership).

As V LLC does not have any fixed establishment in the UK nor the human and technical resources, it would be required to register for UK VAT under Sch 1A as an NETP.

NETP's do not get the advantage of the £90k threshold.

The business can then appoint an agent to deal with its duties and import VAT.

As a VAT registered business, if it owned the goods at import, VAT would be recoverable via a C79. Import VAT is payable at the border.

Import VAT can be deferred using PIVA which would mean that the business pays the import VAT and recovers it on the next VAT return.

For goods to be imported into the UK, the business will need a GB EORI number.

The goods will need to be valued using one of the six hierachical methods available. Given the businesses are not relatd, method 1 would be available which uses the transactional value.

Where the discount price is applied, this can be re-claimed after the goods have been imported.

The goods must be correctly classified too via the GIR.

Goods are declared in the UK on a SAD.

Under DDP, all the customs formalities will need to be completed by V LLC and so there will be no infringement on the businesses request.

Where preference duties are claimed, the business will need to ensure that the goods wholly originate in a UKDTS (developing country).

VAT Implications

As mentioned above, DDP means that V LLC would be responsible for importing the goods into the UK and having the goods delivered to E Ltd's premises.

V LLC would be liable to paying the import VAT at the border.

However, under a decided case, import VAT is only recoverable where the goods are owned by the importer so where the businesses are negotiating where the title of goods should pass, this should be within the UK, as the business will then be able to recover any import VAT due.

The import VAT amount will be the CIF plus duties paid UK transport costs up to E Ltd's premises.

VAT incurred on transport costs will be recoverable on the VAT return for V LLC.

PIVA can be used to defer the import VAT to the VAT return.

However, where FOB is used, the business would not be making a UK sale nor a UK import as the customer would be responsible for the import duties.

V LLC would be able to de-register for VAT if they do not make any further UK taxable supplies.

The goods are not detailed as anything other than electronic goods. Further infomration should be sought as HMRC implement specific rules around certain electronic goods via the MTIC arrangements.

For example, telephones and computer devices are closely monitored under the joint and several liabiltiy provisions by HMRC.

The reverse charge may also be implemented under s55A which would have the customer account for UK VAT and not V LLC.

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

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

Answer-to-Question-_6_

W Ltd is based in GB which means that the UK legislation applies to the business.

The sale of items within the UK will be a UK domestic sale.

As GB has left the EU, any sales outside of the UK will be treated the same, with the exception of goods sold to the EU potentially falling within the TCA for 0% duty.

W Ltd has a GB EORI which will allow them to import goods into the UK.

Special Procedures

Where goods are imported into the UK, processed and then either exported or released into free circulation, inward processing can be applied.

Where goods are exported, no duty will be due.

To apply for inward processing, the business will need to be established in the Uk, have an EORI number and check whether they will require a guarantee or license.

Since leaving the EU, GB importers using IPR have not required a guarantee as standard.

W Ltd meets the bbove requirements.

The business must also be financially solvent.

Further, any dirctors or senior empoyees must not have been involved in any breach of obligations for customs.

W Ltd must also maintain a logical system of records. This would mean that they would need to look at what is being imported and what is being purchased domestically.

Customs must deem W Ltd suitable to be able to carry out the process.

Before the application

Before applying, W Ltd must provide customs with information on the goods commodity codes, how goods will be valued if released into free circulation, then number of goods to be processed, the processes to be carried out, how long these processes will take, the number of products to be made, the rate of yield, where records will be kept, which goods will be entered into IP (goods not imported cannot enter the process).

Given that the duty rate of the finsihed goods is higher than the rate of the imported chemicals, when it comes to informing HMRC of the rate to be used, the lower rate of 3% would be recommeded. THis is for goods to be released into free circulation.

W Ltd will need to inform HMRC how they will be valuing the goods.

Application

There are 4 types of authorisation available: full, retrospective, by declaration and for

NI/EU.

The chemicals can be imported up to 3 times in a rolling year up to £500k per import.

Full authorisation will be useful if this is likely to be a common procedure/occurance and will be greater than the condtions above for declaration.

The agent cannot apply for IP, W Ltd will need to apply themselves.

Calculation

Currently

Assuming that all chemicals are imported:

CIF 72,500
F+I 2,500
75,000

Uk freight is not included in CD.

Duty due (3%): £2,250.

£150,000 x 5% = £7,500 duty on released goods.

IPR

£75,000 x 60% (40% exported) = £45,000

Duty Due (3% as elected): £1,350 duty due.

As demonstrated, with IPR, the duty payable would be significantly lower as it allows for goods to be imported and processed, with the duty payable on only goods released into free circulation.

Customs Warehouse

Given that the business is importing and processing products, in order to further defer the payment of duties, they could release the goods into a customs warehouse.

This can be either into a public warehouse owned by another business or a warehouse purchased and applied for by the business and operated as a private warehouse.

The first option would be more economically feasible and it would mean duty would be deferred indefinitely until the goods were removed from the warehouse and released into free circualtion.

If the goods are then exported, further duty savings would be made.