

**The Chartered Institute of Taxation**

**Awareness**

**Module A: VAT including Stamp Taxes**

**November 2025**

**Suggested answers**

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### Answer 1

Under the historic test, Liz was required to register for VAT when her taxable turnover in the previous 12 months exceeded £90,000.

This happened on 30 April 2025 when her taxable turnover from 1 May 2024 to 30 April 2025 was £92,000 as follows: 1

At 31 March 2025:  $£(53,000 + 31,000) = £84,000$  1\*

At 30 April 2025:  $£84,000 - 1/3 \times £(7,000 + 5,000) + 1/3 \times £(24,000 + 12,000) = £92,000$  1

Liz had to notify HMRC by 30 May 2025 and registration was effective from 1 June 2025. 1+1

\* For including zero-rated supplies and excluding exempt supplies.

### Answer 2

	£	
Office equipment: $£6,000 \times 1/6$	1,000	1
Leasing costs of car: $£4,800 \times 1/6 \times 50\%$	400	1
Purchase of a new car: input VAT blocked	0	1
Fuel for both cars: $£240 \times 1/6 \times 300/1,200^*$	10	1
Entertaining overseas suppliers: $£4,500 \times 1/6$	750	1
Input VAT recoverable	<u>£2,160</u>	

\* The full input VAT of  $£240 \times 1/6 = £40$  is recoverable if the fuel scale charge is used. Credit given if this assumption made.

### Answer 3

1) Ruben's VAT liability for the year ended 30 April 2025 will be paid as follows:

Nine interim payments of 10% of the VAT liability for the previous 12 months, so  $10\% \times £55,000 = \underline{£5,500}$  per payment. 1

The first interim payment is due on the last day of Month 4 of the year ended 30 April 2025, so 31 August 2024 and then monthly thereafter until nine interim payments have been made, the last interim payment being on 30 April 2025. 1

The final balancing payment will be the total amount due for the year ended 30 April 2025 less the interim payments made of  $9 \times £5,500 = £49,500$ , so  $£(57,000 - 49,500) = \underline{£7,500}$ . 1

2) Due date for the return and final balancing payment: 30 June 2025. 1

### Answer 4

	£	
Sales to the general public: $£45,360 \times 1/6$	7,560	1
Sales to Tardie Ltd : $£20,000 \times 98\% \times 20\%$	3,920	1
Sales to Suenodulce S.A: zero rated export	0	1
Trade samples: no output VAT – not a deemed supply	0	1
Consultancy advice: reverse charge $£15,000 \times 20\%$	3,000	1
Output VAT payable	<u>£14,480</u>	

### Answer 5

- 1) For residential property, the grant of a lease of more than 21 years by the person who built it is a zero rated supply, No effective option to tax can be made on residential property. 1+1
- 2) The sale or lease of freehold land is by default an exempt supply, but an option to tax can be made\*. 1
- 3) Although the building is new (less than three years old) the lease of any building is by default an exempt supply, but an option to tax can be made\*. 1+1\*

### Answer 6

Simplified test 1 has not been met as total input VAT for the year of £15,000 is more than £625 per month on average (£7,500 per annum). 1

Simplified test 2 is met as total input VAT of £15,000 less £9,200 that is directly attributable to taxable supplies is £5,800 which is less than £625 per month on average (£7,500 per annum) and exempt supplies (£8,000/£124,000) are no more than 50% of total supplies. 1  
1

#### Annual adjustment:

Total input VAT recoverable for the year	£ 15,000	1
Less amount recovered during the year	<u>(12,225)</u>	1
Further input VAT reclaimable from HMRC	<u>£2,775</u>	

### Answer 7

G&S Traders, Yunoe Ltd and Duea Ltd are eligible to be in a VAT group as G&S Traders controls both companies and each have a permanent establishment in the UK. 1  
1+1

Treay SpA is also controlled by G&S Traders but is based in Italy and therefore is not eligible to be in the VAT group. 1

One administrative advantage is that only one VAT return per quarter will need to be completed for the group\*. 1

\* *Credit given for any other relevant administrative advantages.*

### Answer 8

#### Year ended 31 March 2022

Amount recoverable: £120,000 x 70% = £84,000 1

#### Years ended 31 March 2023 and 31 March 2024

No annual adjustment\* needed as taxable use remained at 70%.

#### Year ended 31 March 2025

No annual adjustment\* needed as taxable use remained at 70%. 1\*

#### Sale adjustment:

£120,000/10 x (0% - 70%) x 6 = £50,400 repayable to HMRC. 1+1+1

### Answer 9

- 1) Air travel is zero rated.  
Food supplied in the course of catering is standard rated. 1
- However, this is a single supply as the in-flight meal was ancillary/incidental to the main supply of the flight, therefore the VAT treatment follows that of the main supply and the whole supply is zero rated. 1+1  
1
- 2) As the expenses were paid out of a round sum expense allowance, the input VAT cannot be reclaimed by Nour Ltd. 1

### Answer 10

	VAT inclusive £	£	
Turnover:			
Standard rated supplies: £29,500 x 120%	35,400		1
Zero rated supplies	<u>1,000</u>		1
	<u>£36,400</u>		
Output VAT at 12.5% x £36,400		4,550	1
Output VAT on sale of old coffee machine: £200 x 20%		40	1
Less input VAT on purchase of new coffee machine: £2,500 x 20%		<u>(500)</u>	1
VAT payable for the quarter ended 31 August 2025		<u>£4,090</u>	

### Answer 11

- 1 November 2022: on the sale of the freehold office building to Achtzehn Ltd, no SDLT was payable as Siebzehn Ltd and Achtzehn Ltd form a group for SDLT purposes as Achtzehn Ltd is a 75% subsidiary of Siebzehn Ltd. 1  
1
- 1 February 2023: on the sale of the freehold warehouse to Neunzehn Ltd, SDLT was payable as Neunzehn Ltd is not part of the SDLT group as it does not meet the 75% subsidiary test. 1
- 1 April 2025: on the sale of the shares in Achtzehn Ltd, as Siebzehn Ltd now only owns 40% of the company, Achtzehn Ltd leaves the SDLT group. As this is within 3 years of the intra-group transfer of the office building, SDLT becomes payable by Achtzehn Ltd on the £600,000 purchase price of the building. 1  
1

### Answer 12

	£	
Shares in Newnuovo Ltd; no SD on newly-issued shares	0	1
Shares in Potterr Ltd: £96,250 x ½% = £481.25, rounded up to nearest £5	485	1+1
Shares in Farringzingo S.L: no SD on shares in an overseas company	0	1
Shares in Oldviejo Ltd: no SD on inherited shares	0	1