The Chartered Institute of Taxation

Advanced Technical

Cross Border and Environmental Taxes

May 2026

Suggested answers

1. BETBARB LTD

For VAT, a business belongs in the UK if it is UK established or has a UK fixed establishment. A business is established where the essential management decisions are taken and where the central administration functions are exercised (e.g. *Planzer Luxembourg Sárl* [2007] EUECJ C-73/06). A business has a fixed establishment where it has sufficient permanent human and technical resources to make supplies (e.g. *Gunter Berkholz* [1985] EUECJ C-168/84) or to receive and use the services supplied to it for its own needs (e.g. *Welmory sp. z o.o*. [2014] EUECJ C-605/12]).

BetBarb

The essential management and control is in Barbados, so BetBarb is established in Barbados.

If made from the UK, the supplies of technical, management and accounting support would be taxable. As the Barbados resources will be providing this support, the supply will be made from Barbados. The place of supply is in the UK for ZBetUK (s.7A(2)(a) VATA 1994) and in Gibraltar for BetGib.

The services provided by the UK office will be distinct to those made from Barbados, so are separate supplies. The UK office has permanent human and technical resources in the UK. Although the property is leased, that is sufficiently permanent (e.g. *Berlin Chemie* [2022] EUECJ C-33/20). The UK office is therefore a fixed establishment. Where a company has multiple establishments then the establishment which is most directly concerned with the supply is treated as making the supply (e.g. *DFDS A/S*) . The minimal involvement of the head office means it would be irrational to treat the information technology supplies as made from Barbados. They will be made from the UK office so the supplies to ZBetUK will be taxable.

ZBetUK

The essential management and control of ZBetUK is in the UK, so it is UK established.

The fruit machines are dutiable gaming machines as the prize is cash and higher than the cost to play. Both bookmaking and making gaming machines available to play are exempt services (Group 4 Sch 9 VATA 1994).

The services that will be provided to BetGib are for a business and not within the place of supply exceptions. They will be supplied in Gibraltar where received. Whilst no VAT is due, the services would be taxable if in the UK so VAT would be deductible on these foreign supplies if ZBetUK were VAT registered.

ZBetUK must account for the s.8 VATA 1994 reverse charge on the supplies received in the UK, from BetBarb Barbados establishment.

BetGib

The essential management and control of BetGib is in Gibraltar, so it is Gibraltar established.

The internet-based bookmaking services of BetGib will be to customers. The place of supply will be where BetGib belongs, Gibraltar (s. 7A(2)(b) VATA 1994). In any case, the supplies would be exempt.

The supplies made through the app will be taxable intermediary services to a customer where the underlying service is in the UK (VATA 1994, Sch 4A, para 10). The float is not consideration, as the customer can withdraw funds at any time. Instead, the consideration is the amount deducted from the winnings.

The supplies to the bookmakers will be intermediary services to a business, received in the UK where the recipient belongs. They will be taxable but reverse chargeable by the customer. VAT registered bookmakers will need to account for this tax, but not those that are neither registered nor liable to be registered.

VAT Registration

BetBarb does not have a VAT liability in the UK due to the Barbados supplies as these are reverse chargeable. Its other UK supplies are below £90,000, so it has no obligation to register for VAT (para 1(1) Sch 1 VATA 1994). Betbarb has access to this £90,000 threshold by virtue of its fixed establishment in the UK (i.e. it is not a NETP). It can register (para 9 Sch 1 VATA 1994) and will be able to deduct input tax. However, its information technology support supplies to ZBetUK will then be taxable.

ZBetUK will be liable to register since the reverse chargeable supplies received by it will exceed £90,000 a year. As there are grounds for expecting this value to be exceeded in the first month, it will need to apply for registration within 30 days of commencing business. It will be registered with effect from the beginning of that month (para 6 Sch 1 VATA 1994). ZBetUK will be partly exempt and must use the standard method (reg 101 SI 2518 1995) but could apply for a special method and use that if approved by HMRC.

As a result of making taxable supplies in the UK that are not reverse chargeable, BetGib will be liable to register in the UK (para 1 Sch 1A VATA 1994). It must register as a non-established taxable person. There is no registration threshold.

Potential VAT grouping

To form a VAT group, companies must be under common control and be established or have a fixed establishment in the UK (s.43A VATA 1994).

The control condition is met because BetBarb is the holding company of the subsidiaries. BetBarb has a UK fixed establishment and ZBetUK is UK established, so they could form a VAT group. BetGib could not join the group as it is neither established nor has a fixed establishment in the UK.

If a VAT group were formed, the companies would be jointly and severally liable for VAT debts. However, the overall VAT costs would be reduced since ZBetUK cannot recover all the VAT incurred on the supplies from BetBarb. The VAT on the information technology supplies would be eliminated, although in turn BetBarb would not be able to recover all its VAT incurred. The reverse charge VAT could be accounted for under s.43(2A) VATA 1994 which is lower than the standard reverse charge, albeit more complex to administer. VAT would be due on the value of services received by BetBarb in Barbados that would be taxable if received in the UK to the extent they are used in making the supplies to ZBetUK. Overall, VAT grouping is likely to be beneficial.

However, HMRC could use their protection of the revenue powers to refuse such an application. The Tribunal recently found that HMRC could not use revenue protection powers to prevent a VAT loss caused by eliminating VAT on services brought in from group members overseas (*Barclays Services Ltd* [2024] UKFTT 785), but this has been appealed.

MARKING GUIDE

TOPIC	MARKS
Place of establishment tests and caselaw	2.5
BetBarb Barbados establishment and liabilities	1
BetBarb UK office fixed establishment and separate supply	2
ZBetUK establishment & betting supplies	1
ZBetUK supplies to Gibraltar	1
ZBetUK reverse charge	0.5
BetGib establishment & bookmaking supplies	1
BetGib App supplies	2
BetBarb registration discussion	1.5
ZBetUK registration and timing	1
ZBetUK partial exemption	1
BetGib registration	1
VAT Grouping eligibility	1
VAT grouping consequences including S43(2A)	2
HMRC Protection of the revenue discussion inc caselaw	1.5
TOTAL	**20**

2. EUMOVE LTD

Removals service

The removal service involves the transport of goods. The place of supply of such a service is where the transportation occurs (para 11(1) Sch 4A VATA 1994). The supply is taxable to the extent the journey takes place in the UK and must be apportioned based on the distance travelled. Where the place of supply is the UK, VAT relief may also be available (VATA 1994, Sch 8, Group 8, Item 5).

Accommodation in hotels

Given the customer and hotel agree the services provided and the hotel sets the price, Eumove is not acting as a principal, but an intermediary between the hotel and the customer. The taxable amount is the arrangement fee.

The hotel's supply is land related, so Eumove's intermediary supply to the customer also takes place where the hotel is located (para 10 Sch 4A VATA 1994).

For Eumove's supply to the hotel operator, the place of supply is where the hotel operator belongs. In practice, this will be where the hotel is, since the hotel creates a fixed establishment for the operator even if the operator has a business establishment elsewhere. Eumove must therefore account for VAT in respect of UK hotel stays only, as overseas hotel operators will account for the intermediary services under the reverse charge, so Eumove does not need to account for this VAT.

As the invoice is issued within 14 days of the stay, the time of the supply is the issue of the invoice, or payment if earlier (s. 6(5) VATA 1994). For discounts taken up, Eumove must either issue a credit note, or the invoice must include the discount's terms. This must include the date by which the payment must be made and a statement that the customer can only recover as input tax the VAT paid to the supplier.

Accommodation sourced from private individuals

In these cases, Eumove is acting in its own name. It is buying in accommodation and reselling it on its own terms to the travellers. This meets the conditions of the Tour Operators Margin Scheme (TOMS). Whilst the service doesn't involve travel, that isn't required; e.g. *Alpenchalets Resorts GmbH* [2018] EUECJ C-552-17 in which the Court ruled that for TOMS to apply, the provision of accommodation on its own was sufficient. Although Eumove may not consider itself a tour operator, it is providing supplies of the kind provided by tour operators, so TOMS applies (s.53(3) VATA 1994).

VAT is due on the margin between the cost from the supplier and the charge to the customer. Any VAT incurred on bought-in accommodation is not deductible but VAT on other costs is. The place of supply is the UK as Eumove is established here. VAT is due for UK accommodation but zero rated for accommodation outside the UK.

Eumove can choose to use a tax point when the customer occupies the accommodation or when the first is payment received. They must use the same tax point for all supplies they make (para 4(2) SI 1987/1808).

London flat

Although letting the flat is an "in-house" supply, it is not provided with bought-in services, so does not fall under TOMS. The provision of a short term furnished flat is excluded from the land exemption by item 1(d) Sch 9 VATA 94 as a similar establishment to a hotel and the place of supply is the UK. VAT is due on the supply, but input VAT is deductible. As the invoice is issued more than 14 days after the service is performed, the date of the stay is the actual tax point. Eumove could apply to HMRC for the 14 days to be extended so that the invoice date can be used instead.

Other issues

Where Eumove makes supplies overseas that are not reverse chargeable, it will need to account for VAT in the country where the hotel is based. It can either register in each of those countries or register in one EU country and account for all these supplies on one return using the "non-Union One Stop Shop."

To the extent VAT is incurred on business costs in the EU such as fuel, Eumove can reclaim this by making a 13th VAT Directive claim from the relevant country, including original invoices, provided the amount exceeds 50 Euros.

However, it will not be able to do this if it has made supplies in that country in the period of reclaim other than transport services or supplies which the recipient must self-account for VAT. Accordingly, it will not be able to claim in countries where Eumove has arranged hotel accommodation during the year.

MARKING GUIDE

TOPIC	**MARKS**
Liability of the removals service & apportionment	1
The services in respect of hotels are intermediary, reasoning, place of supply and liability.	2
Overseas hotels must reverse charge.	0.5
Time of supply and prompt discount choice	1
Eumove is acting in its own name for private individual accommodation and reasoning.	1
Eumove must use TOMS as meets conditions and caselaw	1.5
Effect of TOMS inc POS, liability and tax point	2
London flat not covered by TOMS, POS, VAT recovery, time of supply & extension.	2
Eumove choices to account for O/S VAT & process.	2
13th Directive claim & process, but not if made hotel supplies	2
TOTAL	**15**

3. GRITSEA LTD

Sand and shale are aggregates. Their extraction is potentially subject to Aggregate Levy if commercially exploited in the UK. To the extent the aggregate is taken to the Republic of Ireland, it will not be subject to Aggregates Levy (s.16 FA 2001).

Commercial exploitation includes removing it from its originating site. While Gritsea's site is within UK waters, the originating site is where the aggregate is first landed in the UK (s.20(1)(a) FA 2001). Moving it to Morecambe is not commercial exploitation, nor is moving it to a connected site (s.19(2)(b) FA 2001). The sites in Fleetwood and the Lake District are connected sites as they are operated by the same business, and so these movements will not in themselves be commercial exploitation.

If the aggregate is commercially exploited in the UK, and its uses are not all exempt, Gritsea will need to register for Aggregates Levy. It will need to provide details to HMRC, including the Ordnance Survey grid reference and details of each of the sites it operates. It must register within 30 days of commercially exploiting any aggregate. It must keep an aggregates levy account and evidence of its stock and invoices.

Use at connected sites

Commercial exploitation includes using the aggregate construction purposes such as making roads. There is an exception for aggregate which again becomes part of the land for a purpose connected with winning aggregate or other minerals from the site (s.19(3) FA 2001), but only the site from which it is won. This exception does not apply to the Fleetwood site, so Aggregates Levy will be due at the time the aggregate is used for this purpose.

However, the exception does apply to the Lake District site. S.19(4A) FA 2001 expands the exception to any site owned by the operator, even if it not for the purpose of winning aggregate, provided it is for the purpose of an agricultural or forestry business. No Aggregates Levy will therefore be due on the granite moved to and used at the Lake District site.

Sand and shale

Shale is specifically excluded from the "exempt processes" exemption if mixed with other materials as part of the process of making tarmacadam (s.18(2)(ca) FA 2001). Mixing the sand and shale is part of that process. The aggregate will accordingly be taxable if commercially exploited.

Commercial exploitation includes mixing aggregates with another substance apart from water. There is an exception if this takes place at the originating site, or a connected site to which it has been moved (s.19(7) FA 2001). In such cases, commercial exploitation will occur when the aggregate is moved from the sites or sold to customers. Accordingly, Aggregates Levy will be due when the mixed sand and shale is sold.

Commercial exploitation includes an agreement to sell if the aggregate is separately identifiable (s.19(6)(a) FA 2001). In this case, the aggregate subject to the agreement with the customer has not been extracted yet, so is not separately identifiable. Instead, the levy will be due when specific quantities are allocated to the agreement or when the aggregate is moved from one of Gritsea's sites, whichever occurs first.

Sand

Whilst commercial exploitation of sand is not exempt, its use in both glass and sandpaper making are industrial processes for which credit is available (Sch SI 2002/761). The levy is due when the sand is supplied, but relief from the levy can be claimed if it is used, or intended to be used, for those exempt purposes. To do this Gritsea will need documentary evidence. This must include customer details, details of the aggregate's use, a declaration from the customer of this use and a declaration to the customer setting out that they could be liable for a penalty if they have made a false statement. The supplier has a duty of care which goes beyond simply accepting the evidence, amounting to reasonable common sense. Does the evidence look right? Is it credible? With this evidence, the relief can be claimed when the sand is supplied.

Similarly, adding sand to resin is an industrial process for which credit is available.

Gas pipeline

The granite and quartz extracted for the purposes of the pipeline are aggregates and their sale is commercial exploitation. However, from the information provided, this aggregate will be removed from a site of infrastructure relating to utilities and not for purpose of extracting them (s.17(3)(g) FA 2001). In that case the extraction will be exempt and will not need to be reported on the return.

MARKING GUIDE

TOPIC	**MARKS**
Aggregate is being extracted from UK seabed, taxable if commercially exploited. Movement to Ireland not commercial exploitation.	2
Site where it is landed is originating site. Movement to connected sites not taxable.	1
Need to register. Process and requirements.	2
Use in road at Fleetwood site taxable & reasoning	1
Use in road at Lake District site not taxable & reasoning	1
Shale mixing liability and reasoning	1.5
Commercial exploitation if sold or removed from site. Agreement to sell is commercial exploitation, but only if separately identifiable. This isn't. Reasoning	2.5
Glass and sandpaper making are exempt processes, as is mixing sand and resin. Levy due, but credit can be reclaimed: immediately with declaration/evidence	3
Aggregate from pipelines exempt. Not reported on return	1
TOTAL	
	15

4. PRORUSE

(1) VAT implications

The movement of own goods between Great Britain and Northern Ireland is treated as an export and an import (para 3 Sch 9ZA VATA 1994). Proruse must account for VAT on this transaction but can deduct it to the extent it is used for business. The import value is the cost if Proruse were to buy identical goods.

To the extent the clothing includes garments designed for and suitable only for young children, it is zero rated (Item 1, Group 16, Sch 8 VATA 1994). This does not apply to clothing made of fur, except for headgear, gloves, belts and fur trimmed garments.

Proruse must make an import declaration which can be done using the Trader Support Service.

Charity clothes

The clothes donated to charity are not zero rated, as they are not within item 2, group 15, Sch 8 VATA 1994. They are being used for a non-business purpose and Proruse cannot deduct the import VAT to this extent. It must also restrict input VAT on other costs used for this purpose. There is no set calculation. It can use any methodology that fairly and reasonably reflects the business and non-business use.

Yarn and polyester chips

Temporarily moving clothes to the EU for processing is not treated as a supply. However, Proruse must record the movement in a temporary goods register and keep documentary evidence.

Proruse will need to self-account for VAT on the services it receives from the Republic of Ireland under the reverse charge but can deduct this as input tax. Proruse will not need to make an intrastat declaration when the goods are returned as the value is below the £500,000 limit.

Proruse will need to account for VAT on its sale of yarn and polyester chips but can deduct the relevant VAT on the import.

Discarded clothes

Discarding clothes is non-business, however as they were worthless, no VAT would be due on their movement.

(2) Landfill Tax

When Proruse initially accepts the clothing, it is not disposed of as waste, so no Landfill Tax is due. Tax is instead due on the element which eventually goes to landfill. The standard rate of £126.15 per ton applies. The tax point is the earlier of the date of disposal or invoice. As there is no invoice, it will be the date of disposal.

If HMRC are concerned that taxable and non-taxable material might not be properly distinguished, they could require Proruse to designate information areas on their sites [s.16A SI 1996/1527]. These areas must be clearly identified and HMRC will specify the permitted uses for the materials deposited in each.

If HMRC take this action, Proruse would need to keep an information area account. This must record materials deposited into and removed from the information areas, including weight, description and use. Material must be weighed upon entering or leaving the information area.

Proruse could appeal to the First Tier Tax Tribunal if it disagrees information areas are reasonably required.

MARKING GUIDE

TOPIC	MARKS
VAT	
Movement treated as import and export. Liability, value, children's clothing, import declaration	2
Donated goods are non-business and have consequence of no VAT recovery on import to that extent	1
Clothing sent to Ireland for processing is not a supply, conditions	1
Reverse charge, deduction, intrastat, liability	2
Landfill Tax	
No tax unless clothing is finally disposed of. Standard rated. Tax point	1.5
Information areas discussion and possible appeal	2.5
TOTAL	**10**

5. NEWCARIMP

As Newcarimp imports to a Customs Warehouse, the Customs Duty and Import VAT are suspended until the cars or parts are released to Free Circulation. Any re-exportation from the Customs Warehouse would mean that these never become due. [1 mark]

Minor repairs

The processing which may be carried out on goods covered by the Customs Warehousing regime is restricted. However, repairs to put right damage would most likely be allowed under the “Usual Forms of Handling” (UFH) rules. UFH allow for repairs of damage incurred during transport provided this only concerns simple operations. [0.5 mark] including simple repairs even where parts need to be replaced. [0.5 mark] UFH are usually included in the Customs Warehouse authorisation, but Newcarimp should check before using them. [0.5 mark]

Anything more complex would require the goods to be entered into Inward Processing (IP) or Free Circulation (see below). [0.5 mark] Discussion with HMRC about the processes that can be carried out under UFH and under IP would be needed. [0.5 mark]

UFH must not lead to a change in the commodity code or a change in the country of origin. Neither are likely here. UFH cannot be used where the goods would be subject to additional duties such as Anti-Dumping Duty, Countervailing Duty or Safeguard Duties. [0.5 mark]

Significant repairs and Upgrades

Works not allowed under UFH would need to be carried out outside of the Customs Warehousing regime. [0.5 mark]. e.g. by releasing the car to Free Circulation and carrying out the work. Alternatively, the work could be carried out after entering the car to IP and then either entering it to Free Circulation or declaring it back to the Customs Warehouse. [0.5 mark]

IP can be used regardless of whether the car is ultimately to be exported [0.5 mark] and may be beneficial for repairs and upgrades where Newcarimp knows the car is to be exported, or where component parts are replaced. In the latter case, for cars ultimately released to Free Circulation, a benefit is still achieved by delaying payment of Customs Duty. [0.5 mark]

Newcarimp must balance any Customs Duty saving against the administrative burden of operating IP. [0.5 mark] Newcarimp would either have to re-value the finished item and account for Customs Duty at the rate applicable to the car or account for Duty on the value of the car as imported and on the value of the parts, using their individual commodity codes. [0.5 mark]

If Newcarimp re-exports the defective parts removed from the vehicles, no Customs Duty will be due on these. [0.5 mark] If it wishes to dispose of the parts in GB it would need to discuss with HMRC whether these can be deemed to have been destroyed without attracting Customs Duty. However, any residual product, such as scrap metal in alloy wheels will need to be valued and declared to HMRC. [1 mark]

Adjusting Customs Values

Reducing the value of later imports by value of credit notes for previously imported vehicles is incorrect. [0.5 mark] HMRC may issue Civil Penalties if they audit Newcarimp and discover these errors themselves. [0.5 mark]

Newcarimp should make a voluntary disclosure to reverse these adjustments. [0.5 mark] It then needs to make post-clearance (C285) repayment claims against the individual vehicles where credit notes have been issued. [0.5 mark]

Newcarimp has three years to make a repayment claim against an entry where the price paid is reduced which runs from the date of release of the damaged car. In the example this is January 2026. [0.5 mark] Instead it has amended the value of a different car, released in April 2026. HMRC has until April 2029 to cancel the incorrect repayment claim but Newcarimp’s window to make a repayment claim against the correct entry ends around two months’ earlier. [0.5 mark]

Delay in advising HMRC of these errors risks making repayment claims in the correct way falling out of time. [0.5 mark]

Temporary Removal from Customs Warehouse

Goods may be temporarily removed from the Customs Warehouse whilst remaining under the Customs Warehousing regime, for example to allow the UFH to take place. However, removal for display at places open to the public is forbidden (Reg 17 SI 2018/1249). [1 mark] The details of any temporary removal must be agreed with HMRC but, given the restrictions, HMRC would not allow temporary removal for test drives or display. [0.5 mark] If cars were temporarily removed for this purpose HMRC would consider them to have been unlawfully removed from Customs supervision and to have entered Free Circulation on release. [1 mark] HMRC could issue demands for the Customs Duty and Import VAT and potentially issue penalties for the incorrect declarations. [1 mark] If it proceeds with this, repeated breaches could lead to revocation of the Customs Warehouse authorisation. [0.5 mark]

Other than internet sales, retail sales are forbidden within Customs Warehouses. There is no legal way to allow retail customers to inspect the cars while they are covered by the Customs Warehousing rules. [1 mark]

Inter warehouse sales

The sale from Newcarimp to Gebecar within the Customs Warehousing regime does not create a new Method 1 (M1) transaction value for Customs purposes. It is not considered a sale for export as the goods are physically within the UK, and there has already been a sale for export to the UK. [0.5 mark] Gebecar could theoretically declare the M1 transaction value between Newcarimp and its supplier but, without access to the commercial information such as the invoice, it is not possible to use this value. Gebecar will have to work through the other valuation methods. [0.5 mark]

It is highly unlikely that Gebecar could find data on imports of identical (Method 2) or similar cars (Method 3) or the costs of production (Method 5). Gebecar would need to declare cars based on the value it sells cars at with relevant deductions (Method 4). [0.5 mark]

Where Gebecar re-exports the car, no Customs Duty becomes due. The value declared for export will be based on the sale value of the car. [0.5 mark]

Goods may be transferred between GB Customs Warehouses without payment of Customs Duty and Import VAT. Both parties must ensure they update their stock records [0.5 mark] The receiving Customs Warehouse must declare receipt of the goods to HMRC [0.5 mark].

MARKING GUIDE

TOPIC	MARKS
Customs Duty and Import VAT are suspended until goods are released from CW. If goods are re-exported these never become due.	1
<u>Minor Repairs</u>	
Processing in CW is restricted but minor repairs likely to be allowed under "Usual Forms of Handling" (UFH) rules which allow for simple repairs to damage in transit.	0.5
This should include those repairs where replacement parts are used.	0.5
UFH usually included in CW authorisation, but Newcarimp should check.	0.5
Anything more complex means the goods must be entered to IP or FC.	0.5
Discuss with HMRC to agree individual cases or broad outlines of what is allowed.	0.5
UFH must not change commodity code or country or origin and can not be used where goods are subject to ADD etc.	0.5
<u>Significant repairs and upgrades</u>	
Anything not allowed under UFH must be done outside of the CW regime.	0.5
Either as now under FC, or enter car to IP, carry out repair or upgrade and enter to FC or CW.	0.5
IP can be used for any car	0.5
IP may be beneficial where cars are to be exported or for cashflow for repairs and upgrades where components are replaced and the cars are entered into Free Circulation.	0.5
Consider burden of operating IP not just Customs Duty saving when considering benefits.	0.5
Newcarimp must either revalue finished items and pay Customs Duty at rate for a car or account for Customs Duty on Customs Values at import of each part at relevant rate.	0.5
The defective parts removed can be re-exported with no Customs Duty being due.	0.5
If wish to dispose of them in UK must agree with HMRC whether they can be deemed destroyed or whether there is a scrap value that needs to be declared.	1
<u>Adjusting Customs Values</u>	
Reducing value of later imports by value of credit note is incorrect.	0.5
If HMRC discover these errors they may issue penalties.	0.5
Should make voluntary disclosure to reverse adjustments made.	0.5
Make repayment claim (C285) to claim reduction against the vehicles for which the credit notes were issued.	0.5
Have three years to make repayment claim from date of release of damaged car, January 2026 in example.	0.5
As Newcarimp amended the value of a different car in April 2026 HMRC has until April 2029 to reverse this. Newcarimp's window for making the claim against the correct car ends two months' earlier.	0.5
Delay in advising HMRC of the errors risks repayments falling out of time.	0.5
<u>Temporary removal from Customs Warehouse</u>	
Goods may be removed from CW whilst remaining under CW regime e.g. for UFH to take place. Display at public places is forbidden.	1
Must agree details of temporary removal with HMRC.	0.5
If cars were temporarily removed for display to the public HMRC would consider them to have been unlawfully removed from CW and to have entered Free Circulation.	1
HMRC could issue demands for Customs Duty and Import VAT and issue penalties.	1
Repeated breaches could lead to revocation of CW authorisation.	0.5
Retail sales are also forbidden with CW, so there is no legal way to allow customers to inspect cars whilst they are covered by the CW rules	1

Inter warehouse sales	
Newcarimp to Gebecar sales does not create a new M1 sale, not a sale for export.	0.5
Gebecar could use M1 sale to Newcarimp but would not have the information. So must work through other valuation methods.	0.5
Gebecar unlikely to have access to data for M2, M3 or M5, so M4 a value based on the value it sells cars for is most likely method.	0.5
If Gebecar re-exports a car no Customs Duty is due and the export value is based on its sales value.	0.5
Goods may be transferred between GB CWs without payment of Customs Duty or Import VAT, both CWs must update their records.	0.5
The receiving CW must declare the goods to HMRC.	0.5
TOTAL	**20**

6. GLYNO

There is a hierarchy of Customs Valuation methods. Method 1 (M1) must be used unless there are valid reasons why it cannot. M1 is the transaction value: the price paid or payable. This valuation must include all elements specified in the law, such as freight and insurance to the UK border, selling commissions and royalties where appropriate. [1 mark]

The situation here is complicated because Glyno contributes goods to help its supplier manufacture the goods but this is not a bar to using M1. [0.5 mark]

The starting point is the value charged by the Malymach for making the item. This is lower than would be the case if the Malymach had to pay for the moulds (referred to as tooling) and the electric motors (referred to as an assist). [1 mark] The tooling and the assist provided free of charge to the manufacturer must be included in the Customs Value of the imported goods. [1 mark]

There are two ways of accounting for the tooling:

i. adding the full value of the tool to the first import, or
ii. apportioning the value of the tool across the expected life of the tool - the number of units expected to be made. [1 mark]

The first option is worse for cash flow but is administratively simpler. The second requires an additional step for each import of goods until the tooling is accounted for. [1 mark]

Glyno should also consider whether the Customs Duty rate of the product is likely to go up or down over the expected life of the mould. This could impact the decision on how to declare the tooling. [1 mark]

As Malymach does not know the value of the tooling and assist these will not be reflected in the shipping paperwork. Glyno must ensure it has a system in place to ensure the correct value is added to each import. [1 mark]

Glyno could apply to HMRC for an Advanced Valuation Ruling (AVR) to get certainty on the correct method of valuation. However, this is of limited value in this case as the most certainty that would be gained is that M1 is the correct valuation method. [1 mark] An AVR does not give a ruling on the actual values declared. There is nothing to suggest that M1 cannot be used so an AVR is not worth it in this case. [1 mark]

As the additional Customs Duty due from declaring the full value of the tooling on the first import is only £489, Glyno should consider whether paying it all at once is the best option. [1 mark] The administrative effort to ensure an amount is calculated and declared for each import until the whole value has been declared may outweigh the cash flow saving from dealing with this once. [1 mark] If the production run ends at, say 150,000 units, and Glyno is apportioning the value it will have to account for the remaining value of the tooling on the last import. [0.5 mark]

<u>Bucl Sdn. Bhd.</u>

The functions of collecting samples and testing goods are consistent with those carried out by a buying agent. The commission of a buying agent can be excluded from the Customs Value declared provided conditions are met. [1 mark]

Glyno must be sure that:

i. it has evidence to demonstrate the terms of the arrangement;
ii. Bucl represents Glyno, not the seller;
iii. all the functions carried out are consistent with a buying agent; and
iv. the charges are separately identifiable from the other amounts invoiced.

Without these HMRC may argue that part of or the whole amount charged is not a buying commission and therefore should be included in the Customs Value. [1 mark]

Calculation

	Option 1 £ Customs Value	Option 2 £ Customs Value	Marks
Sales price of 3,000 food processors	150,000	150,000	
Freight and Insurance to GB border	6,500	6,500	
Sale from Molec to Glyno Ltd: Cost £36,000 per 1,000 motors for food processor	108,000	108,000	
Tooling Option 1 Whole amount in one	24,750		
Tooling Option 2 Apportion by quantity		24,750 * 3000/ 250,000 297.00	
Total Customs Value	**£289,250**		1
Total Customs Value		**£264,797**	1.5
Duty Rate	2.00%	2.00%	
Customs Duty Due	**£5,785**	**£5,296**	0.5 each
Difference	**£489**		0.5
Value For VAT			
Customs Value	289,250	264,797	
Customs Duty	5,785	5,296	
Inland Freight	700	700	
Total	**£295,735**	**£270,793**	
VAT due	**£59,147**	**£54,159**	0.5 each
Total Marks For Calculation			**6**

VAT buying commission and treatment of Moulds and Electric Motors

Buying commissions are services. VAT must be accounted for under the normal business to business place of supply rule and accounted for under the reverse charge procedure. [0.5 mark]

The purchase of the moulds and the electric motors which are then supplied to Malymach are outside of the scope of UK VAT. The value of these is included in the Customs Value which is the basis for the VAT value so import VAT will be due at importation which Glyno may reclaim in the normal way. [0.5 mark]

MARKING GUIDE

TOPIC	**MARKS**
There is a hierarchy of Customs Valuation methods. Must use M1 unless there are reasons that prevent that. Must include specified additions.	1
This situation is complex but no bar to using M1.	0.5
Starting point is amount charged by Malymach. This is lower than it would be without the mould (tooling) and electric motors (assist) being supplied free of charge.	1
The tooling and assist provided free of charge to the manufacturer must include in the Customs Value of the imported goods.	1
Two ways of accounting for the tooling: 1 add full value to first shipment; 2. Apportion across expected life of tool.	1
1 is worse for cash flow but administratively easier. 2 requires an adjustment on each import until full value accounted for.	1
Should consider whether Customs Duty rate of product could change over expected life of tool; could affect decision.	1
Malymach will not know the value of tooling or assist so Glyno must ensure it has system in place to ensure these are declared.	1
Glyno could apply for Advance Valuation Ruling to get certainty of method. But of limited use as it only confirms the Method.	1
It does not give a ruling on the actual values declared. Nothing to suggest M1 can not be used, so not worth the effort.	1
The additional Customs Duty from declaring the whole amount of tooling on the first import is only £489, so consider paying it all at once.	1
The administrative effort in declaring the right amount on each import may outweigh the cost saving when apportioning the value of the tooling.	1
If production run ends early and Glyno is apportioning the value it will have to account for remaining value on last import.	0.5
<u>Bucl Sdn. Bhd.</u>	
Bucl's functions are consistent with those carried out by a buying agent so Glyno can exclude its commission from Customs Value providing other conditions are met.	1
Glyno must ensure: a. it has evidence of the arrangement; b. Bucl represents Glyno not the seller; c. all functions are consistent with buying agent; and d. charges are separately identifiable. Without these HMRC may argue that some or all of the amount is not buying commission and so should be included in the Customs Value.	1
<u>Calculation</u>	
<u>Option 1 – Pay tooling on first import</u>	
Customs Value £289,250	1
Customs Duty £5,785	0.5
Value for VAT £295,735	
VAT due £59,147	0.5
<u>Option 2 – Apportion Tooling</u>	
Customs Value £264,797	1.5
Customs Duty £5,296	0.5
Value for VAT £270,793	
VAT due £54,149	0.5
Option 1 attracts £489 more Customs Duty on first import.	0.5
<u>VAT buying commission and treatment of Moulds and Electric Motors</u>	
Buying Commission is treated as a service for VAT and accounted for under normal B2B place of supply rule and accounted for under reverse charge procedure.	0.5
Purchase of these and supply to Malymach are outside scope of UK VAT. Value will be included in Customs Value which forms the value for VAT so Import VAT will be due at import and accounted form in normal way.	0.5
TOTAL	**20**