

CIOT - ATT-CTA - 2020 November Exams

Paper: **CTA Awareness**

Part/Module: **Module A**

Answer-to-Question-_1_

- For compulsory registration there is the historic test and future test
- The VAT registration threshold is £85,000
- Future test would not apply to Abi as she would have to make taxable supplies of more than £85,000 in the next 30 days.
- However, when she gets to her 11th month of trade, assuming projection correct of £8,000 per month, she would satisfy the historic test of having more than £85,000 taxable supplies, looking back at last 12 months at end of each month end
- Therefore $11 \times £8,000 = £88,000$, being at the end of 11th month.
- Notify HMRC within 30 days, registered and charge VAT from start of following month, month 12.
- Annual accounting can be used which applies to SMEs, to pay VAT on an annual basis, with one annual return and payments in the year
- Cash accounting allows to not use normal tax points but on a cash book basis
- Potentially use global accounting approach

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

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

Answer-to-Question- _2_

QE 31.10.20 recovery of input VAT

- 27.12.19 advertising, is outside the 6 month per registration period for input VAT on services to be recoverable, so should be excluded

- Food and drink at party would not be recoverable anyway as it is business entertaining and not staff entertaining. And before registration limits too.

- Computer for use in business is within the 4 year limit pre registration and still in use so £160 recoverable

- Cars with 100% business use can have input VAT recoverable but not if for partial private use, £2,000 not recoverable

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

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

Answer-to-Question-_3_

1)

Delivery on 28.06.20 -

- Goods basic tax point is date of delivery, made available or collected.

- Deposits treated separately for tax point purposes and tax point earlier of invoice issued or money paid, therefore £1,200 tax point is 12 June 2020.

- Balance of £2,300, invoice issued within 14 days so basic tax point of 28.6.20 overridden by late tax point of 8.7.20

2)

QE 30.6.20 VAT return

$£96,000 \times 1/6 = £16,000$ output VAT - $£2,300 \times 1/6$

$2,300 - 383 = £1,917$

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

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

Answer-to-Question-_4_

QE 30.9.20

- Companies in a VAT group if UK established and > 50% common control, which is the case for Ztwei
 - Vfier Inc established overseas therefore excluded from VAT group
 - Drei Ltd also excluded from VAT group as 45% is < 50% level required for ownership in VAT group
 - Intragroup supllies disregarded from VAT return#
 - £25,000 + 18,000 = £43,000 - Vfier Inc £9,500 - others 5,000 - £2,000
- = **£26,500**

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

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

Answer-to-Question-_5_

- Annual accounting can be used whcih applies to SMEs with annual taxable supplies of < £1.35m
- Must leave if turnover more than £1.6m annually
- Allows VAT to be paid on an annual basis, with one annual return and 9 payments in the year
- 90% of estimated VAT liability paid by direct debit on last day of months 4 to 12
- Or can make 3 payments of 25% in months 4, 7 and 10
- When VAT return submitted the balance of VAT actually due is paid at the same time

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

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

Answer-to-Question-_6_

- 1)
- Bad debt relief possible when invoice is at least 6 months overdue
 - the debt must have been written off in Flora's books
 - debt not paid or sold
- 2)
- Invoice due 30 days after invoice date of 31.01.20, therefore payment normally late if not received by 31.07.20
 - as notificaiton received that Disney bankrupt, money will not be received in the future and therefore can be written off
 - $\pounds 5,000 \times 1/6 = \pounds 833$ of VAT
 - therefore include $\pounds 833$ on return 30.06.20 in Box 4.

-----ANSWER-6-ABOVE-----

-----ANSWER-7-BELOW-----

Answer-to-Question-_7_

QE 30.09.20

- Test 1

if total input tax incurred is < £625 pe month on average
and value of exempt supplies < 50% of value of all supplies
then it meets the de minimis test

- Test 2

if total input tax incurred less input tax directly
attributable to taxable supplies is < £625 per month on
average and value of exempt supplies < 50% of value of all
supplies, then all input tax recoverable

-----ANSWER-7-ABOVE-----

-----ANSWER-8-BELOW-----

Answer-to-Question-_8_

QE 30.6.20

- Error of output VAT £42,800 to be paid + Error of too much input VAT included of £16,700

= £59,500

- The error is more than £10,000 and;

- Error is less than 1% of turnover but above the upper limit of £50,000

- therefore cannot be included in next VAT return

- Finance director should write to HMRC informing of the error as soon as practicable

- Penalties may be charged but as assumed careless could be as low as 30% of the lost revenue £59,500

-----ANSWER-8-ABOVE-----

-----ANSWER-9-BELOW-----

Answer-to-Question- _9_

1)

- Silk ties to Spain - UK to EU country sales therefore a dispatch for VAT purposes
- Therefore UK place of supply
- Spain company not VAT registered therefore output tax charged on the goods

2)

- Goods to France - UK to EU country sales therefore a dispatch for VAT purposes
- Therefore UK place of supply
- France company VAT registered therefore output tax not charged on the goods
- France company VAT number on invoice and no output VAT charged, Outside scope
- UK compnay does a reverse charge of VAT

3)

- Goods to non-EU country being an Export for VAT purposes
- UK place of supply
- Goods zero rated
- Evidence needed of goods leaving EU

-----ANSWER-9-ABOVE-----

-----ANSWER-10-BELOW-----

Answer-to-Question-_10_

Part 1)

1)

- Ignore cost of repairs for 2nd hands good scheme
 $\pounds 15,000 - 3,000 = \pounds 12,000 \times 1/6 = \pounds 2,000$

2)

- Ignore sales at a loss for 2nd hands good scheme

3)

- $\pounds 6,000 - 4,800 = 1,200 \times 1/6 = \pounds 200$

Part 2)

- Gloabl accounting when many goods sold by trader and volume is such that impractical to use 2ndn hand margin scheme

- Ouput tax calculcated on overall marhin for accouting period

- Excluded motor cars and items costing more than $\pounds 500$

-----ANSWER-10-ABOVE-----

-----ANSWER-11-BELOW-----

Answer-to-Question-_11_

- 1)
- Group companies with > 75% ownership can be part of SDLT group
 - Unoh and Dose can be part of group for SDLT purposes
 - Warehouse transfer therefore has no SDLT chagre
 - Workshop to Trezz £0- 150,000 @ 0%
 - £150k - 250k @ 2% = £2,000

2) If sale of shares then no longer in a group and charge would have been levied as degrouped from eachother

-----ANSWER-11-ABOVE-----

-----ANSWER-12-BELOW-----

Answer-to-Question-_12_

- 1)
- Transfer of shares in divorce exempt for Stamp Duty (SD) purposes, tehrefore no SD on transfer from David to Victoria
 - Victoria to Harper, eachanges must be for cash and not other assets. therefore transfer of £819,620 subject to SD @ 0.5% = £4,098

- 2)
- Form should have been transferred within 14 days of transactino, being 14 July 2020
 - Max penalty lower of £300 and mount payable of SD,
 - Minimum therefore £300

-----ANSWER-12-ABOVE-----
