

Candidate Number

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Chartered
Institute of
Taxation
Excellence in Taxation

The Chartered Tax Adviser Examination

9 May 2019

AWARENESS

Module A – VAT including Stamp Taxes

Where appropriate, you may answer by reference to Stamp Duty Land Tax or Land and Buildings Transaction Tax.

3. Sophie is a freelance journalist making only standard-rated supplies. She uses the VAT flat-rate scheme. For the quarter ended 31 March 2019 Sophie's taxable turnover was £7,500 and her purchases of relevant goods were £175. Both figures are VAT exclusive.

Explain, with supporting calculations, the VAT payable to HMRC for the quarter ended 31 March 2019.

<p>As Sophie uses flat-rate scheme she can pay output VAT in accordance with her percentage provided by HMRC.</p> <p>This will be 12.5%.</p>	
	£
Output - $7,500 \times 12.5\%$	938
Input -	<u> </u>
VAT payable to HMRC	938.
<p>Output VAT flat-rate percentage replaces std rate -</p> <p>However, Sophie cannot claim an input tax credit as value is less than £2,000.</p>	

4. Lewis is a VAT registered trader making both taxable and exempt supplies.

For the year ended 31 March 2019, his VAT exclusive turnover was as follows:

	£
Standard-rated supplies	150,000
Zero-rated supplies	25,000
Exempt supplies	22,000

His input VAT for the year was as follows:

	£
Directly attributable to standard-rated supplies	18,000
Directly attributable to zero-rated supplies	2,000
Directly attributable to exempt supplies	8,000
Unattributable	6,000

Input VAT recovered during the year was £27,850.

Calculate Lewis's annual adjustment for the year ended 31 March 2019. Ignore the simplified tests.

	£	£	£
	Std	Zero	Exempt
Directly attributable	18,000	2,000	8,000
Non-attributable:			
Std - 76.1% → 77%	4,620		
Zero - 12.6% → 13%		780	
Exempt 6,000 - 4,620 - 780			<u>600</u>
	22,620	2,780	8,600
Exempt input tax greater than £625 p/mth - therefore not recoverable.			
Total recoverable =	22,620 + 2,780 =		£25,400
(less): recovered:			<u>(£27,850)</u>
Input VAT repayable (negative input)			£2,450

7. Jonah is a VAT registered trader. During the quarter ended 31 March 2019 he had the following VAT exclusive sales:

	£
Standard-rated sales to UK customers	62,000
Standard-rated sales to customers in the EU:	
VAT registered business customers	21,000
Non-business customers	9,000

Standard-rated purchases and expenses in the UK were £30,000 (VAT inclusive).

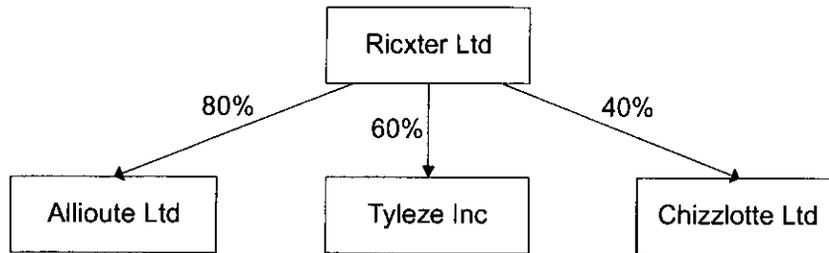
Standard-rated purchases from VAT registered suppliers in the EU were £6,000 (VAT exclusive).

Jonah does not use the VAT Flat Rate Scheme.

Calculate the VAT due for the quarter ended 31 March 2019.

	£
Output VAT -	
Std rate to UK cust. - $62,000 \times 20\%$	12,400
Std rate - VAT reg cust in EU - zero rate	-
Non-business - $9,000 \times 20\%$	<u>1,800</u>
	14,200
Input VAT -	
Purchases/Expenses in UK - $30,000 \times 16\%$	5,000
- VAT reg in EU - $6,000 \times 20\%$	<u>1,200</u>
	6,200
Net payable to HMRC - $14,200 - 6,200 =$	8,000

9. Ricxter Ltd has the following interests in other companies:



Ricxter Ltd, Allioute Ltd and Chizzlotte Ltd are all VAT registered and resident in the UK. Tyleze Inc is resident and trades entirely overseas.

Ricxter Ltd makes wholly standard-rated supplies, Allioute Ltd makes wholly zero-rated supplies and Tyleze Inc and Chizzlotte Ltd make wholly exempt supplies.

Allioute Ltd completes VAT returns monthly.

Briefly explain which companies are eligible to form a VAT group and whether or not it would be beneficial to do so in the circumstances.

	<ul style="list-style-type: none"> • Only companies resident in UK and held at 51% holding can form group - therefore, Ricxter, Allioute and Tyleze are group members for VAT purposes. • Being part of VAT group may put a strain on admin of returns - same period and rules for effectively three companies. • Allioute must now adapt to VAT return conditions to incorporate other members. • All companies are equally liable to account for VAT. • As Tyleze is totally exempt, the group, now treated as one entity can benefit from partial exemption. • However, all things considered, would not be beneficial. 	

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