The Chartered Institute of Taxation

Awareness

Module A: VAT including Stamp Taxes

May 2026

Suggested answers

Answer 1

On 1 December 2025 Pavel estimated that his VAT exclusive taxable turnover (excluding the sale of capital assets) in the next 30 days would be £(92,000 – 20,000) = £72,000. 1

As this is less than the VAT registration threshold of £90,000 the future test did not apply. 1

Under the historic test, Pavel must notify HMRC within 30 days of the end of the month in which taxable turnover in the previous 12 months (or fewer for new traders) exceeds the VAT registration threshold. 1

For Pavel, the threshold is exceeded on 31 December 2025 when taxable turnover in the previous 2 months was £(64,000 + 72,000) = £136,000, so Pavel must notify HMRC by 30 January 2026 1
and registration will be effective from the start of the following month, i.e. from 1 February 2026. 1

Answer 2

	£	
Output VAT		
Sales: £26,500 x 20%	5,300	1
Pens: deemed supply as cost > £50		
20 x £72 x 1/6	240	1
Input VAT		
Purchases and expenses (*Working*): £13,200 x 1/6	(2,200)	1
VAT payable	£3,340	

Working	£	
Total VAT inclusive purchases and expenses	66,000	
VAT inclusive cost of pens allowable	0	1
Less VAT inclusive cost of car (input VAT blocked)	(52,800)	1
Allowable VAT inclusive purchases and expenses	£13,200	

Answer 3

Simplified Test Two:

- Total input VAT less that attributable to taxable supplies is ≤ £7,500 per annum? 1

  £(9,500 – (4,900 + 900)) = £3,700 √ 1

- Exempt supplies are ≤ 50% of total supplies? 1

  £(7,000/49,000) = 14% √

	£	
Therefore all input VAT is recoverable	9,500	1
Less input VAT already recovered	(7,740)	
Annual adjustment (VAT reclaimable)	£1,760	1

Answer 4

As Chadde Ltd used the building in its trade making 70% taxable supplies, 70% of the input VAT on purchase will have been recovered in the VAT quarter of purchase so 70% x £600,000 = £420,000. 1

As the VAT exclusive cost of the building was ≥ £250,000, it is subject to the Capital Goods Scheme, where the balance of taxable use to exempt use will have been monitored at the end of every VAT year over the building's 10-year adjustment period. 1

No annual adjustments will have been required as the balance of taxable use to exempt use did not change. 1

At the date of sale, as the building was more than 3 years old no option to tax had been exercised, the sale was exempt. 1

No sale adjustment was required as the building was not sold within the adjustment period. 1

Answer 5

1) To be able to voluntarily register for VAT, the business must be making taxable supplies. 1

Rita is making exempt supplies and therefore cannot register, but both Sue and Brian are making taxable supplies and therefore could voluntarily register for VAT. 1

2)* Advantages:

- Brian can reclaim the input VAT on his standard rated purchases. 1
- If Brian's taxable turnover exceeds the VAT registration threshold in the future, voluntary registration avoids the risk of late compulsory registration and the associated penalties. 1

Disadvantage:

- As Brian is making standard rated sales to the public, he will either have to increase his prices by 20%, or keep his prices the same and absorb the VAT cost, in which case his profits will be reduced. 1

** Credit given for other advantages/disadvantages, e.g. adds credibility to the business, recovery of pre-registration input tax, increased admin etc.*

Answer 6

1) Arbol SL cannot be part of the VAT group with Treee Ltd and Branche Ltd because Treee Ltd only owns 45% of Arbol SL therefore it is not controlled by Treee Ltd (> 50%). 1

2) VAT payable

Output VAT	£	
Sales to third parties: £(19,000 + 15,000) x 20%	6,800	1
Sales by Branche Ltd to Treee Ltd	0	*
PVA: Sales by Arbol SL to Treee Ltd: £16,000 x 20%	3,200	**
Input VAT		
Purchases from third parties: £(7,500+ 2,800) x 20%	(2,060)	1
Purchases by Treee Ltd from Branche Ltd	0	1*
PVA: Purchases by Treee Ltd from Arbol SL	(3,200)	1**
VAT payable	£4,740	

** For showing zero for intragroup sales and purchases.*

*** For showing £3,200 as both output and input VAT under postponed accounting.*

Answer 7

1) Vivienne's registration is backdated to the date that she should have been registered for VAT, so from 1 November 2025. 1

She must account for output VAT on her supplies from the date on which she should have been registered to the day before HMRC are notified, so £9,600 x 4 x 1/6 = £6,400. 1

As the failure to notify was non deliberate, she will be liable to a maximum penalty of 30% of the potential lost revenue. 1

2) She can recover the input VAT on purchases of goods in the four years prior to registration (provided those goods are still in hand at the date of registration) and on the cost of services supplied to the business in the six months prior to registration. 1 1

Answer 8

1) Saiqa is a limited cost trader if her VAT inclusive expenditure on relevant goods is:

- Less than 2% of the business's VAT flat rate turnover (£30,000 x 2% = £600); 1

or

- If greater than 2% of the business's VAT flat rate turnover it is no more than £250 per quarter.

Relevant goods include gas and electricity and stationery but excludes capital assets, so £(315 + (3,180 – (2,500 x 120%)) = £495. 1+1

As £495 is less than £600, Saiqa is a limited cost trader.

2) Saiqa's VAT payable for the quarter ended 28 February 2026 is:

	£	
£30,000 x 16.5%	4,950	1
Less input VAT on printer as VAT exclusive cost > £2,000: £2,500 x 20%	(500)	1
	£4,450	

Answer 9

Output VAT		£	
Coat	Sold at a loss	-	1
Dress	Profit of £(1,200 – 300) = £900 x 1/6	150	1
Shoes	Selling price of £450 x 1/6	75	1
Input VAT			
Shoes	Purchase price of £90 x 20%	(18)	1
Repair costs	£50 x 20%	(10)	1

Answer 10

1) A fourth penalty point will be issued for the failure to submit the VAT return for the quarter ended 31 December 2025 which will result in a £200 penalty being imposed. 1

The failure to submit the VAT return for the quarter ended 31 March 2026 will not result in a further penalty point but will result in another £200 penalty being imposed. 1 1

2) Penalty points will be reset to zero when two conditions are satisfied:

- The next four returns are submitted on time (30 June 2026 – 31 March 2027); and 1

- All returns for the previous two years have actually been submitted. 1

Answer 11

1) A new freehold commercial building is standard rated for VAT and the SDLT is calculated on the VAT inclusive amount of £350,000 x 120% = £420,000. 1

£		£	
150,000	x 0%	0	
100,000	x 2%	2,000	1
250,000			
170,000	x 5%	8,500	1
£420,000		£10,500	

2) A newly-built residential property is zero rated for VAT, so SDLT is calculated on the purchase price of £230,000. However, as this is a second residential property an extra 5% charge applies.

£		£	
125,000	x 5%	6,250	1
105,000	x 7%	7,350	1
£230,000		£13,600	

Alternative answer Scottish LBTT:

1) A new freehold commercial building is standard rated for VAT and the SDLT is calculated on the VAT inclusive amount of £350,000 x 120% = £420,000. 1

£		£	
150,000	x 0%	0	
100,000	x 1%	1,000	1
250,000			
170,000	x 5%	8,500	1
£420,000		£9,500	

2) A newly-built residential property is zero rated for VAT, so SDLT is calculated on the purchase price of £230,000. However, as this is a second residential property the Additional Dwelling Supplement of 8% of the selling price applies.

£		£	
145,000	x 0%	0	
85,000	x 2%	1,700	1
£230,000			
Additional Dwelling Supplement at 8% x £230,000		18,400	1
		£20,100	

Answer 12

1) Consideration = 800 x £1.20 = £960
As this is ≤ £1,000, there is no SD to pay 1

2) Consideration = 4,200 x £1.20 x 95% = £4,788 1
SD = ½% x £4,788 = £23.94 rounded up to £25 1+1

Due 30 March 2026 1