



The Chartered Tax Adviser Examination

November 2019

Suggested solutions

Module A - VAT and Stamp Taxes

1)

The basic tax point (BTP) is when the services are performed – 21 September 2019. 1

However:

- Where the invoice is raised or payment is made before the BTP, the actual tax point is the earlier of the date of invoice or payment. 1
- Where the invoice is raised within 14 days of the BTP, the date the invoice is raised is the actual tax point. (This is provided that the earlier point above has not already fixed the tax point.) 1

Therefore:

- The actual tax point for the deposit (£250) is 31 May 2019. 1
- The actual tax point for the balance (£750) is 2 October 2019. 1

2)

Part 1

Haifa's **monthly taxable turnover** is £6,300. 1

She will not have to register for VAT because at no point:

- will her taxable supplies for the previous **12 months** exceed **£85,000** ($12 \times £6,300 = £75,600$), and 1
- does she expect that her taxable supplies for the **next 30 days** will exceed **£85,000**. 1

Part 2

To avoid a late registration penalty if her taxable turnover is greater than expected and she fails to notify that she has breached the registration threshold. 1

To allow her to recover the input tax of £500 per month. 1

To disguise the size of the business, as VAT registered businesses are often perceived to be more established and larger. 1

Maximum of 2 marks for Part 2.

3)

Part 1

Karl will claim all of the input VAT suffered on the fuel: $1/6 \times £360 = £60$. 1

Karl will account for output tax of £42 ($£252 \times 1/6$) in respect of the fuel scale charge. 1

Part 2

Karl could make no claim for any of the input tax incurred on the fuel purchases 1

Karl could reclaim input tax in respect of business journeys only. 1

Karl could reclaim all of the input tax, but make a charge to himself for the private element and therefore account for VAT on the charge. 1

4)

Part 1

	£	
Staff event: (90/150) x £1,600 (restrict to staff members)	960	1
Directors' lunch (blocked as just directors)	Nil	1
Sales event (blocked in full as staff are hosts)	Nil	1
	£960	

Part 2

The cost of the gift per person.	1
The cost of gifts made to the same person in the previous 12 months.	1

Note - The cost of the gift, or of the series of gifts to the same person in the 12-month period, must not exceed £50.

5)

Part 1

Naimh should not have issued a retailer invoice as the value of the supply exceeded £250.	1
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Part 2

Sequential identifying invoice number	
Date of the document	
Customer's name and address	
Total amount excluding VAT	
Total amount of VAT	
Price per item excluding VAT	
Quantity of each item	4*

***1 mark for each of the above to a total of 4 marks.**

6)

Cash which is not identified as relating to a particular invoice is allocated to older invoices first:

1 February 2019: £960 - £960 = outstanding amount of £nil	1
1 March 2019: £2,400 - (£1,500 - £960) = outstanding amount of £1,860.	1

For bad debt relief to be claimed in a VAT return, the debt must have been written off, and it must have been outstanding for six months or more from the due date, not the invoice date (as the due date is later).	1
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The 1 March 2019 invoice is outstanding for more than six months at 30 September 2019 and so bad debt relief may be claimed in the VAT return for the quarter ended 30 September 2019.	1
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The bad debt relief due is £310 ((1/6) x £1,860).

Bad debt relief of £300 ((1/6) x £1,800) may be claimed in respect of the invoice issued on 1 April 2019 in the VAT return for the quarter ended 31 December 2019. Note: A claim for bad debt relief should be made on the VAT return for the accounting period in which the entitlement to make a claim arises.	1
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7)

Part 1

For the reduced rate to apply, it had to be the case that the property was:
empty for the two-year period 1
that ended on the date that works began. 1

Part 2

Builder: qualifying service: £8,000 x 5%	£400	1
Building materials: provided with a qualifying service: £2,000 x 5%	£100	1
Architect: not a qualifying service: £1,000 x 20%	£200	1

8)

	Taxable £	Exempt £	
Attributable to taxable supplies	24,000		
Attributable to exempt supplies		7,150	1
Non-attributable 89% taxable (see working)	8,811	1,089	
	£32,811	£8,239	

Total exempt input tax exceeds £1,875, therefore de minimis test is failed. 1

Input VAT recoverable for the quarter is £32,811.

Working:

Include zero-rated supplies in taxable supplies and total supplies 1

Exclude capital receipt from taxable supplies and total supplies 1

Therefore:

$$\frac{(\pounds 260,000 + \pounds 17,000 - \pounds 12,000)}{(\pounds 260,000 + \pounds 17,000 + \pounds 33,000 - \pounds 12,000)}$$

= 88.93%, round to 89% 1

9)

Part 1)

The place of supply is the UK as the goods are leaving the UK	1
The supply is to a taxable person in another EU member state. Therefore, it is zero-rated , assuming that Basool Ltd has the customer's VAT registration number and proof of dispatch.	1

Part 2)

The tax point is the earlier of: the 15 th day of the month following that in which the goods were dispatched – 15 October and the date of issue of a VAT invoice – 30 September.	1
	1

Therefore, 30 September.

The date on which payment was made is not relevant where the supply is to a taxable person in another EU state.	1
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10)

	£	
Output tax $[(£8,400 + £9,100 + £7,600 + £8,200)] \times (1/6)^*$	5,550	1+1
Less input tax $[(£4,700 + £5,300 + £1,200 + £3,000) \times (1/6)]$	(2,367)	1
Potential lost revenue	<u>£3,183</u>	
Maximum penalty (70%)	£2,228	1
Minimum penalty (20%)	£637	1

* Note: Threshold exceeded on 31 January 2019. Viv must charge VAT on supplies from 1 March 2019, based on VAT inclusive sales.

11)

Part 1

Consideration (£36,500 + £20,000*)	£56,500	1
Stamp Duty at 0.5%	£282.50	
Round up to nearest £5	£285	1

*Consideration is unascertainable and minimum amount is set. Therefore, consideration includes the minimum amount.

Part 2

Less than 12 months late	1
Penalty is equal to amount of stamp duty, capped at £300	1+1

Therefore, maximum penalty is £285.

12)

Part 1

Market value is used where the **purchaser is a company** and the vendor and purchaser are **connected**. Therefore, the consideration is £540,000. This applies for both SDLT and LBTT.

1+1

Part 2

Average value of properties ($£540,000/3$) = £180,000

	SDLT £	LBTT £
£125,000 at 3% / £145,000 at 3%	3,750	4,350
£55,000 at 5% / £35,000 at 5%	2,750	1,750
	<hr/>	<hr/>
	£6,500	£6,100
£6,500 x 3 / £6,100 x 3	<hr/>	<hr/>
	£19,500	£18,300

3*

***1 mark for average value and multiply by 3 plus 1 mark for correct rates plus 1 mark for correct use of bands**