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Chartered
Institute of
Taxation
Excellence in Taxation

The Chartered Tax Adviser Examination

2 May 2018

AWARENESS

Module A – VAT including Stamp Taxes



1. Jilly is a VAT registered trader. She purchased the following assets for use in her business during the quarter ended 31 March 2018:

	<u>VAT exclusive</u>
	£
Computer equipment (used 10% privately by Jilly)	5,000
A car for use by an employee (40% private use by employee)	25,000

Jilly pays for all fuel for the car, both for business and personal journeys.

Briefly explain the VAT which Jilly may recover on each asset, and her options assuming she wishes to recover at least some of the VAT on the fuel.

Computer equipment:	
Jilly will be able to recover 90% of the input VAT on the computer equipment. There is no requirement for a period of adjustment under the capital goods scheme as the cost of the computer equipment was less than £50,000.	
Car & Fuel:	
Input VAT on the purchase of the motor car is allowable to the extent that it is used for business purposes, i.e. 60% of the input VAT is recoverable.	
3 choices in respect of the fuel:	
1) reclaim none of the input VAT on any of the fuel purchased	
2) only reclaim the input VAT on the fuel in respect	

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of the business journeys. Strict records will need to be kept.

3) Use HMRC approved fuel scale charges for the business mileage

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8. Crabco Ltd offers children's play activities for £15 per child to include the provision of a t-shirt. Crabco Ltd does not sell the t-shirts to anybody not joining them on one of their sessions. Normally, the supply of the play activities would be standard rated and the supply of the children's t-shirts would be zero rated.

Briefly explain the VAT treatment of the supply of the play activity.

where there is a single supply for services, for example the provision of the children's play activities which is standard rated and an another element of the supply, i.e. provision of the t-shirt (zero rated supply) the legislation does not require the supply to be artificially split between the two elements but will treat the supply as a single supply at the appropriate VAT rate for the principle supply, i.e. the standard rated VAT will be payable on the supply of the play activity as the provision of the t-shirt is ancillary to the principal service.

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11. Kate purchased the following properties:

- 1) New freehold commercial premises for use in her business for £300,000.
- 2) A second residential property to let out to tenants for £180,000.

Both prices are quoted exclusive of any applicable VAT.

Calculate the Stamp Duty Land Tax payable, if any, on each of the two properties.

1) New freehold commercial premises		
	£	
£0 - 150,000 @ 0%	nil	
£150k - 250k @ 2%	2,000	
£250k - 300k @ 5%	<u>2,500</u>	
SDLT payable	<u>4,500</u>	
2) 2nd residential property:		
	£	
£0 - 125k @ 3%	3,750	
£125k - 180k @ 5%	<u>2,750</u>	
SDLT payable	<u>6,500</u>	

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12. Cath and Art agreed to exchange shares on 1 March 2018.

Cath will transfer 10,000 shares in Pier Ltd to Art worth £2.50 each and Art will transfer 8,000 shares in Bay Ltd to Cath worth £2.80 each plus cash of £2,500.

Briefly explain, with supporting calculations, the Stamp Duty payable, if any. Your answer should clearly state who is liable to pay.

Stamp duty reserve tax @ 0.5% is payable on agreements to transfer shares.

SDRT is payable by the transferor on the amount or value of the consideration for the sale.

Cath: 10,000 shares @ £2.50 = £25,000

SDRT @ 0.5% = £125.00

Rounded up to nearest £5 \Rightarrow £130

Art: 8,000 @ £2.80 plus £2,500 = £24,900

SDRT @ 0.5% = £124.50

Rounded up to nearest £5 \Rightarrow £125

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