

May 2025

Application and Professional Skills VAT and Other Indirect Taxes

Assessment narrative

Structure

A simple Pass or Fail will be awarded.

In determining whether a Pass or Fail is awarded the following will be considered:

1.	Overall format
2.	Introduction and Conclusion
3.	Clear layout with headings
4.	Flow of answer
5.	Appropriate style
6.	Grammar and spelling
7.	Appropriate calculations
8.	Lack of irrelevant material

See detailed guidance on what will amount to a MINOR fault or a MAJOR fault.

For each of the headings above, a candidate will receive a single result of NO fault, MINOR fault or MAJOR fault. Thus 4 MINOR faults in one heading will not result in 4 MINOR faults. They will either be graded as 1 MINOR fault or if, cumulatively, they are sufficiently serious, as a MAJOR fault.

A candidate will pass Structure if they have either:

- 1) NO MAJOR faults; or
- 2) 1 MAJOR fault and no more than 3 MINOR faults.

A candidate will fail Structure if they have either:

- 1) Two or more MAJOR faults; or
- 2) One MAJOR fault and 4 or more MINOR faults.

Identification and application

The following are the relevant topics for assessment with their weightings:

1.	Sale of Eggton Ltd VAT 30%	Identify VAT treatment of share disposal and VAT exemption for intermediary services in finance; foreign and specified supplies; agency Identify potential input VAT recovery in respect of exempt transaction where funds raised are applied to onward taxable supplies by the group (<i>Hotel La Tour</i> , contrasted with <i>BLP</i> : additional credit for good discussion of case law) Identify possibility of input VAT recovery available under Option 1; identify significant doubt of recovery under Option 2. Apply exemption appropriately, correctly identifying and applying standard-rating as appropriate. Identify possible difficulties of apportionment of professional fees and apply by way of brief commentary on relevant principles Apply input VAT restriction under <i>BLP</i> rule per CA decision in <i>Hotel la Tour</i> with reference to non-business/business issue of management charges with Eggton Ltd Apply input VAT recovery restrictions in context of figures: so small it can be ignored, but credit given if included
2.	Sale of Eggton Ltd CT 10%	Identify SSE conditions as they apply to disposal of Eggton Ltd Identify no CT on chargeable gain Apply SSE to calculations showing that the net proceeds will be unaffected by CT considerations
3.	Option 1	Identify input VAT implications of option to tax for land purchase Identify CGS aspects of building works

	VAT & Customs Duties; SDLT 20%	Identify possible <i>Ghent Coal</i> scenario Identify import VAT admin (brief) Identify and apply relevant VAT group implications (brief) Identify duties arising on goods of Sayonara origin Apply by linking input VAT on land purchase to onward taxable supplies. Apply CGS on same basis. Apply <i>Ghent Coal</i> to confirm input VAT if genuine intention can be evidenced Apply PIVA, etc, appropriately (brief) Apply customs duties briefly to business model in the absence of free trade agreement
4.	Option 1 Corporation Tax 10%	Identify possible group relief claims, apply only generally (brief). Identify no deduction for capital expenditure, and identify potential capital allowances claims. Identify possibility of R&D relief claim. Apply capital allowances point by stating that more detail needed to establish potential value. Apply R&D claim appropriately in calculations (i.e.: £5.6 million, but taxed at 25%, so worth £4.2 million)
5.	Option 2 VAT and CT 20%	Identify the VAT treatment of share acquisition, highlighting irrecoverable financiers' input VAT Identify non-business activity of holding company for Option 2, and implications of additional irrecoverable VAT on acquisition costs for Unumiota Ltd. Identify possible management charges. Identify possible CT group relief for profits and losses and apply in very general terms (brief) Identify no CT deduction for share purchase and financiers' costs Apply financiers' VAT cost to total cost of acquisition of Unumiota Ltd. Apply holding company input VAT implications by calculating potential impact and suggesting management charges Apply absence of CT deductions to revised calculations.
6.	Option 1 SDLT Option 2 Stamp Duty 10%	Identify SDLT liability on land purchase Identify relevance of Stamp Duty to the various transactions Apply SDLT correctly to calculate liability (note consideration includes VAT) Apply SD cost appropriately

A grade of 0, 1, 2, 3 or 4 is awarded for each topic. The weighting is applied to that grade to produce a weighted average grade.

Relevant Advice and Substantiated Recommendations

1.	Sale of Eggton Ltd VAT; CT and Other 35%	Question - "What are the net proceeds?" Advice - How VAT and CT will affect the net proceeds. 1) There are no options to weigh up. 2) Recommendations and advice in ES are supported by the body of the answer. Key areas of advice may include: amount of VAT to be incurred on the sale and the recoverability re the overseas element; whether other disposal costs will be subject to VAT; need to evidence input tax in relation to a specified supply to support the claim. Recommend various SSE conditions are confirmed, etc., owing to HMRC action. 3) The extent of narrative and advice reflects the impact/importance of the various elements. Advise on leaving the VAT group. Possible impact of Supreme Court decision.
2.	Option 1 vs Option 2:	Question - "Which option gives the best return after taking account of tax?" Advice - Best investment after VAT and CT is taken into account, though commercial issues to take into account.

	VAT; CT and Other 55%	<p>1) Weigh up the VAT, CT and SDLT/SD implications of each option. This will include balancing the possible R&D credit in option 1, Stamp taxes under each option. For VAT, comparing and contrasting CGS for option 1 with input tax recovery requiring management charges for option 2.</p> <p>2) Discussion is supported body of answer.</p> <p>3) Appropriate weighting of impact of the various taxes on the decision. Technology is untested and unproven. Consider option to tax to secure VAT recovery. Possible use of warehouse under Option 1. Appointment of different directors under Option 2</p>
3.	Option 1 vs Option 2 - Expected Cash Returns 10%	<p>Question - "Which option gives the best cash return?" Advice -</p> <p>Expected cash returns under each option</p> <p>1) Weigh up the differing cash positions under each option.</p> <p>2) Consider knock-on effect on capital allowances and recommend further review.</p> <p>3) Calculations in body of answer support conclusions.</p> <p>Advise on capital allowances impact.</p>

The final grade will be determined for this skill in the same way as for Identification and Application. Credit will be given for other valid recommendations supported by appropriate reasoning. Credit will be given for alternatives to the Suggested Solution, provided these are realistic, commercial, and supported by appropriate reasoning.