

# THE ADVANCED DIPLOMA IN INTERNATIONAL TAXATION

December 2024

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## MODULE 3.02 – EU VAT OPTION

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### ADVANCED INTERNATIONAL TAXATION (THEMATIC)

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TIME ALLOWED – 3¼ HOURS

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This exam paper has **three** parts: **Part A**, **Part B** and **Part C**.

You need to answer **five** questions in total. You will **not** receive marks for any additional answers.

You must answer:

- **Both** questions in **Part A** (25 marks each)
- **One** question from **Part B** (20 marks)
- **Two** questions from **Part C** (15 marks each)

#### Further instructions

- All workings should be made in appropriate monetary currency, unless otherwise stated. Any monetary calculations should be made to the nearest whole unit of currency. Any necessary time apportionments in your calculations should be made to the nearest whole month.
- You must provide appropriate line breaks between each question, and clearly indicate the start of each new question using the formatting tools available.
- Marks may be allocated for clarity of presentation of your answers.
- The time you spend answering questions should correspond broadly to the number of marks available for that question. You should therefore aim to spend approximately half of your time answering Part A, and the other half answering questions in Parts B and C.
- There is no separate reading time, so you can start typing your answers as soon as the exam begins. However, we recommend that you set aside some time to thoroughly read each question and plan each of your answers.

**PART A**

**You are required to answer BOTH questions from this Part.**

1. Landcom Ltd (Landcom) is a landscape planning consultancy business, working mainly for EU and non-EU business customers. Landcom is established in Merkia, an EU member state.

Some of Landcom's sales of consultancy services were made to businesses established in Merkia, but related to properties located in Arestia, a non-EU state.

Landcom has prepared landscaping plans for a Merkian client, in relation to the potential future development of a hotel. The hotel location has not yet been determined, but will either be in Merkia or in another EU member state.

Landcom has an unresolved issue with the Merkian tax authority, concerning VAT that the company charged in error on invoices issued to its customers.

In addition, Landcom recently overpaid a supplier by settling an invoice that included VAT at the standard rate of 20%, instead of applying the correct, reduced rate of 8%.

**You are required to provide a report to Landcom's finance director, identifying all relevant VAT aspects of the company's activities, with reference to relevant EU VAT legislation.** (25)

2. Livro Ltd (Livro) is a company established in Astoria, an EU member state. It is duly registered for VAT in Astoria, and is engaged in the retail sale of academic textbooks on a business-to-consumer (B2C) basis via its flagship shop situated in Astoria. On 1 January 2024, Livro launched an online bookshop in order to extend its reach and sell books from Astoria to other retail customers established in Bodonia and Calla, both EU member states.

Livro does not have any physical shops or other resources in Bodonia or Calla, as all of its sales in both countries are conducted remotely via its online bookshop; all books are stored prior to sale in Livro's warehouse in Astoria. Livro has made arrangements with a courier established in Bodonia, which undertakes delivery from the warehouse of all books ordered by customers in both Bodonia and Calla.

Livro has also made arrangements with a licenced online payment services provider established in Denares, a country situated outside the EU. Under this arrangement, Livro is able to accept and receive payments relating to online book orders made by customers in Bodonia and Calla. The online payment services provider charges a consideration to Livro for this service, based on a fee per payment transaction executed. The payment service consists of the execution of orders for the transfer of a sum of money from one bank account to another, entailing a change in the legal and financial situation that exists between the payor and the recipient, and between those parties and their respective banks.

Livro's book sales revenues for the financial year ending 31 December 2024 are expected to be as follows:

	€
Astoria	240,000
Bodonia	2,500
Calla	3,500

Livro's budgeted book sales revenues for the financial year ending 31 December 2025 are projected as follows:

	€
Astoria	280,000
Bodonia	4,500
Calla	5,000

Livro is currently exploring the possibility of extending its current online bookshop, from 2025, to enable it to conduct automated online sales of downloadable e-textbooks to retail customers in all EU member states.

**You are required to provide a report to Livro's board of directors, briefly outlining the VAT treatment and reporting implications of:**

- 1) the sale of books by Livro via its physical bookstore in Astoria; (4)
- 2) the sale of books by Livro via its online bookstore, including any alternative VAT treatment options available; (7)
- 3) the courier services supplied to Livro; (4)
- 4) the payment services supplied to Livro; and (4)
- 5) the proposed extension of the current online bookshop to enable automated sales of e-books to customers across the EU. (6)

Total (25)

**PART B**

**You are required to answer ONE question from this Part.**

3. Acropolis Ltd (Acropolis) is a footwear wholesale company established in Alesia, an EU member state. Acropolis sells its products through its associates established in various EU member states. Hence, its business operations entail significant cross-border supply chains, primarily on a business-to-business (B2B) basis.

**You are required to write a memo, advise Acropolis’s finance director on the VAT treatment of the company’s EU cross-border supplies, with particular reference to EU ‘VAT Quick Fixes’ and to any relevant decisions of the Court of Justice of the European Union. (20)**

4. **You are required to describe and discuss the following two VAT anti-abuse situations, with reference to relevant pronouncements of the Court of Justice of the European Union:**

- 1) **Abuse of law, in the context of a look through of an artificial or fictitious VAT scheme; and (10)**
- 2) **Denial of input VAT recovery, in relation to goods or services having been the subject of VAT fraud, where the person concerned knew or should have known of the fraud. (10)**

Total (20)

**PART C**

**You are required to answer TWO questions from this Part.**

5. The Tour Operators Margin Scheme (TOMS) is a mechanism introduced to create a level playing field for tour operators conducting business under their own name.

**You are required to discuss the above statement, with particular reference to any relevant decisions of the Court of Justice of the European Union.** (15)

6. A Ltd is a business established in Outopia, an EU member state. Its management has decided to write off certain trade receivables.

**You are required to describe the VAT treatment of the receivables written off, with reference to relevant pronouncements of the Court of Justice of the European Union.** (15)

7. **You are required to discuss, with reference to any relevant decisions of the Court of Justice of the European Union, whether and in which circumstances VAT incurred on costs relating to a sale of company shares may be recoverable.** (15)

8. **You are required to answer the following, in relation to the timing of chargeability to VAT:**

1) **Distinguish between the date of the chargeable event and the date on which VAT becomes chargeable, in the case of supplies of goods and services.** (4)

2) **Outline the applicable VAT timing rules for continuous supplies, giving one example of a continuous supply.** (4)

3) **Explain the impact, on the timing of chargeability to VAT, of a partial pre-payment on account of a supply of goods or services.** (3)

4) **Outline the extent to which the Principal VAT Directive offers EU member states flexibility in modifying the date on which VAT becomes chargeable.** (4)

Total (15)