

**Awareness**

**Module A: VAT including Stamp Taxes**

**November 2024**

**Suggested answers**

### Answer 1

- 1)  
Smotly Ltd must hold the required evidence of the purchase in order to claim the input VAT on the equipment. As the invoice was destroyed, there is no such evidence, therefore the input VAT cannot be reclaimed. HMRC may accept other documentary evidence of the purchase, but this is at their discretion. 1
- The input VAT on the purchase of the car is blocked since there is personal use, therefore no input VAT can be claimed. 1
- The fuel element of the mileage claim amounts to £138, being 600 miles at 23p per mile. As long as the petrol receipts are for at least this amount, Smotly Ltd can claim 1/6 of the fuel amount, i.e £23. 1

### Answer 2

- 1)  
Reuben breached the VAT threshold as at 29 February 2024 as at that date, taxable turnover for the previous 12 months (or in this case, since he started to trade) exceeded £85,000. 1
- Reuben must have notified HMRC no later than 30 days after the end of the month in which the limit was first breached, i.e. by 30 March 2024. 1

2)

|   | £           |   |
|---|-------------|---|
| <u>VAT payable for quarter ended 30 June 2024</u>                           |             |   |
| Output VAT (£10,000 x 3 = £30,000 x 20%)                                    | 6,000       | 1 |
| Less: input VAT ((£6,500 + £1,500) x 3 = £24,000 x 20%)                     | (4,800)     | 1 |
| Input VAT on pre-reg'n services ( <i>Note 1</i> ) (£750 x 6 = £4,500 x 20%) | (900)       | 1 |
| VAT payable   | <u>£300</u> |   |

*Note 1 - Pre-registration input VAT can be claimed on Reuben's first VAT return on the monthly hire of office equipment for the six months prior to registration.  
Explanation not required for mark.*

### Answer 3

- Each payment is 10% of the prior year liability (£120,000 x 10%), i.e. £12,000. 1
- Instalments are due over nine months starting at the end of the fourth month, i.e. July 2024 to March 2025. 1
- Balancing payment will be £130,000 – (£12,000 x 9) = £22,000. 1
- Balance is due along with the annual VAT return on the last day of the second month after the VAT year, i.e. 31 May 2025. 1+1

Answer 4

|   |   |
|---|---|
| Sit in hot breakfast rolls – catering, therefore standard rated.  | 1 |
| Take away coffee – hot take out, therefore catering, therefore standard rated.  | 1 |
| Take away cold sandwiches – cold take-out food, therefore zero rated.   | 1 |
| Take away ice cream – cold take-out food, but excepted item, therefore standard rated.                                  | 1 |
| Take away freshly baked cookies (left on an unheated rack) – hot take-out food naturally cooling, therefore zero rated. | 1 |

Answer 5

|   |               |   |
|---|---------------|---|
| <u>Global accounting scheme</u>               | £             |   |
| Total sales: (£9,000 + £400)                  | 9,400         |   |
| Total purchases: (£450 + £500)                | (950)         |   |
| Margin  | <u>8,450</u>  |   |
| VAT £8,450 x 1/6                              | 1,408         | 1 |
| Less: Input VAT Necklace repair: £1,200 x 20% | (240)         | 1 |
| VAT payable                                   | <u>£1,168</u> |   |

|                                      |               |   |
|--------------------------------------|---------------|---|
| <u>Second-hand goods scheme</u>      |               |   |
| Output VAT                           |               |   |
| Necklace: (£9,000 - £450) x 1/6      | 1,425         | 1 |
| Chair: Sold at a loss, therefore nil | 0             | 1 |
| Input VAT                            |               |   |
| Necklace repair: £1,200 x 20%        | (240)         | 1 |
| VAT payable                          | <u>£1,185</u> |   |

Answer 6

1)  
Output VAT must be accounted for according to the VAT period in which the supply is treated as being made. This is determined by the tax point. The basic tax point is the date when the service is completed, which will be the date of the live show. 1

Where payment is received before the basic tax point, then this date becomes the actual tax point. The tax point for each 25% deposit is therefore the date that it is received. 1

Invoices are issued on the same day as the basic tax point, so this is the tax point for the balance of 75%. 1

2)  
Theatretime are not required to provide an invoice if the supply is to a non-VAT registered person. 1

As the supply of boxes exceeds £250, Theatretime cannot use simplified invoices when they do have to provide an invoice. 1

### Answer 7

|   | Taxable<br>£    | Exempt<br>£   |           |
|---|-----------------|---------------|-----------|
| Attributable to standard rated supplies                         | 80,000          |               |           |
| Attributable to exempt supplies                                 |                 | 5,000         |           |
| Non attributable  |                 |               |           |
| $\text{£}250,000 / (\text{£}250,000 + \text{£}40,000) = 86.2\%$ |                 |               | <b>2*</b> |
| Round up to 87% x £25,000                                       | <u>21,750</u>   | <u>3,250</u>  | <b>1</b>  |
|   | <u>£101,750</u> | <u>£8,250</u> |           |

Standard de minimis test:

Exempt input VAT is more than £625 per month ( $\text{£}8,250 / 12 = \text{£}688$ ) **1**

Therefore, annual adjustment = £8,250 payable to HMRC. **1**

*\*1 for excluding £15,000 incidental rental income plus 1 for calculation.*

### Answer 8

1)

|   | £              |          |
|---|----------------|----------|
| Sales to unconnected companies ( $\text{£}100,000 \times 20\%$ )  | 20,000         | <b>1</b> |
| Sales from Raeyd Ltd to Baeyd Ltd   | -              | <b>1</b> |
| Promotional sales:<br>( $\text{£}15,000 \times 70\% + (\text{£}15,000 \times 30\% \times 90\%)$ ) x 20% | <u>2,910</u>   | <b>1</b> |
|   | <u>£22,910</u> |          |

2)

The overseas company will not be eligible to join the VAT group as it is not established in the UK and does not have a fixed establishment in the UK. **1**

Gaeyd Ltd continues to meet the conditions for group registration despite being dormant. **1**  
Therefore, Raeyd Ltd is not required to remove it from the group registration although it is free to do so.

### Answer 9

#### 31 March 2022

|  |          |          |
|--|----------|----------|
| Taxable supplies (Standard + zero rated) | £120,000 |          |
| Total supplies                           | £160,000 |          |
| Taxable supplies percentage              | 75%      | <b>1</b> |

#### Year to 31 March 2024

|  |          |          |
|--|----------|----------|
| Taxable supplies (Standard + zero rated) | £145,000 |          |
| Total supplies                           | £190,000 |          |
| Taxable supplies percentage              | 76.316%  | <b>1</b> |
| Rounded up to                            | 77%      | <b>1</b> |

Capital goods scheme adjustment  
 $\text{£}625,000 \times 20\% = \text{£}125,000$  £500 recoverable **1+1\***  
 $\text{£}125,000 / 5 = \text{£}25,000 \times (77\% - 75\%) = \text{£}500$

*\*1 for calculation plus 1 for stating recoverable.*

Answer 10

|   |  |         |   |
|---|--|---------|---|
| 1)  |  |         |   |
| Potential lost revenue (£18,000 - £10,000)  |  | £ 8,000 | 1 |
| Maximum penalty 30%   |  | 2,400   | 1 |
| The penalty will be in addition to the extra VAT payable of £8,000.   |  |         |   |
| 2)  |  |         |   |
| Maria should disclose the error immediately, in order to avoid or reduce the penalty.   |  |         | 1 |
| However, as the error was careless, and since the error does not exceed the greater of:<br>£10,000; or<br>1% of turnover (£150,000 x 1% = £1,500) |  |         | 1 |
| Maria could correct the error by adjusting the VAT return for the quarter ended 30 June 2024  |  |         | 1 |

Answer 11

|   |                                   |                           |      |
|---|-----------------------------------|---------------------------|------|
| Stamp duty  | £575,000 x 0.5%                   | £2,875                    | 1    |
| Interest:   |                                   |                           |      |
| Due date  | 10 February 2024                  |                           |      |
| Paid  | 10 April 2024                     |                           |      |
| Overdue   | 2 months                          |                           |      |
|   | $2/12 \times £2,875 \times 6.5\%$ | £31, rounded down to £30. | 1+1* |
| Maximum penalty:  |                                   |                           |      |
| As the transfer is presented less than one year late, the maximum penalty is the lower of<br>£300 and £2,875. |                                   |                           | 1    |
| Therefore the maximum penalty is £300.  |                                   |                           | 1    |

\*1 for correct calculation plus 1 for rounding down to nearest £5.

Answer 12

|  |  |                |   |
|--|--|----------------|---|
| 1)   |  |                |   |
| Angustus Ltd has two elements of SDLT on the warehouse:  |  |                |   |
| <u>On the lease premium</u>  |  | £              |   |
| £150,000 x 0%  |  | 0              |   |
| £100,000 x 2 %   |  | 2,000          |   |
| £250,000 x 5%  |  | 12,500         |   |
|  |  | <u>£14,500</u> | 2 |
| <u>On the lease rentals</u>  |  |                |   |
| (£275,880 - £150,000) x 1%   |  | <u>£1,258</u>  | 1 |
| 2)   |  |                |   |
| Angustus Ltd must deliver a land transaction return to HMRC within 14 days of the effective date, i.e. 15 November 2023. |  |                | 1 |
| It can amend the return within 12 months of the filing date, i.e. by 15 November 2024.                                   |  |                | 1 |

*Alternative answer Scottish LBTT:*

1)

Angustus Ltd has two elements of LBTT on the warehouse:

|                             | £              |          |
|-----------------------------|----------------|----------|
| <u>On the lease premium</u> |                |          |
| £150,000 x 0%               | 0              |          |
| £100,000 x 1%               | 1,000          |          |
| £250,000 x 5%               | 12,500         |          |
|                             | <u>£13,500</u> | <b>2</b> |
| <br>                        |                |          |
| <u>On the lease rentals</u> |                |          |
| (£275,880 - £150,000) x 1%  | <u>£1,258</u>  | <b>1</b> |

2)

Angustus Ltd must deliver a land transaction return to HMRC within 30 days of the effective date, i.e. 1 December 2023. **1**

It can amend the return within 12 months of the filing date, i.e. by 1 December 2024. **1**