

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.**

2. Julie is a clothes designer and registered for VAT in the UK. She is planning on moving to Italy for three months with her family. Whilst there, she has agreed to provide services to a fashion house and may also do some design work for private individuals, which she expects to amount to about £30,000.

**Briefly explain whether the supplies made whilst Julie is in Italy will be subject to UK VAT, and how this may change depending upon Julie's actions.**

3. Bob and Claire have been married for many years, each operating their own business. Bob supplies exempt products only, whereas Claire supplies both exempt and zero-rated goods.

**You are required to:**

- 1) **Briefly explain whether Bob and/or Claire can voluntarily register for VAT.**
- 2) **Give three advantages of voluntary registration.**

4. Franko Ltd purchased a freehold property in January 2015 for £300,000 plus VAT. As part of the property was sub-let, the company immediately exercised an option to tax. Franko Ltd makes both taxable and exempt supplies.

The directors are considering selling the property before 31 December 2018 for £500,000 but want to understand the VAT position.

**Briefly explain the VAT implications of the proposed sale of the property during the year ended 31 December 2018.**

5. Steven became VAT registered on 1 November 2017. His first VAT return to 31 January 2018 was completed by a book-keeper who is unavailable to help complete the return for the quarter ended 30 April 2018.

Steven intends to complete the return himself, following the workings for the previous return. He has found that his returns are completed using the flat rate scheme and has seen some notes about limited cost traders, which he does not understand.

**Briefly explain how the relevant flat rate percentage is determined and the relevance of being a limited cost trader.**

6. Edna has decided to cease trading on 1 August 2018, when the lease on her property ends. She is negotiating with two potential buyers.

The first potential buyer is interested only in the stock and certain fixtures which they will purchase for use in their existing business.

The second potential buyer is interested in purchasing the business as a whole, which they will then continue to run out of their existing property.

**Briefly explain the VAT implications of the proposed cessation of trade and sale to each possible buyer.**

7. John uses the annual accounting scheme and prepares returns to 31 March each year. For the year to 31 March 2017, VAT of £138,000 was payable. For the year to 31 March 2018, the following information is available:

	£
Output VAT on sales	264,000
Input VAT on purchases and expenses	121,500

The input VAT includes £1,200 on the cost of entertaining customers and £4,100 on the purchase of a car for John. John used the car for business and personal journeys.

**Calculate the balancing payment for the year ended 31 March 2018 and state when this will be payable.**

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.**

9. When completing the VAT return for Fredsum Ltd for the quarter ended 30 April 2018, it was discovered that an error had been made on the previous quarter's return. £80,000 of sales (inclusive of VAT) made in January 2018 had been omitted from the return by mistake. Turnover for the quarter was £425,000.

**Briefly explain how the error can be corrected.**

10. Julia trades in antiques and memorabilia. As Julia purchases most of her items from members of the public and then sells them at fairs and online, she uses the second-hand goods margin scheme. During the latest quarter ended 31 March 2018 her sale and purchase records show the following:

Item A

Sold for £80

Purchased from Mr Brown for £150

Item B

Sold for £580

Purchased from Mrs White for £300

Item C

Sold for £660

Purchased from a local business for £400 plus VAT

None of the customers required a sales invoice. The only other costs incurred were some restoration costs totalling £100 exclusive of VAT.

**Calculate the VAT effect of each of the above transactions.**

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.**

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.**