

**ASSESSMENT NARRATIVE – APS VAT
November 2021**

Structure

A simple pass or fail will be awarded.

Identification and Application

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

1) VAT	20%	<p>The extent to which zero rating extends to the use of a building (or identifiable parts thereof) by a charity for non-business purposes.</p> <p>Identify and consider the scope of the non-business activities undertaken by the Trust i.e., the absence of consideration and an economic activity.</p> <p>Under the self-funded option, identify and comment on the benefits which may accrue to the Trust by concluding a design and build contract with XYZ Developments Ltd.</p> <p>Zero ratio conditional on certification by the Trust, its duty of care and penalty regime.</p>
2) VAT	10%	<p>Candidates expected to quantify the VAT cost under the lease and lease back arrangements taking account of the extent to which the grant of the major interest by RG Assurance Plc may be zero rated, its ability to reclaim VAT incurred on the construction of the office, etc. Credit given for all reasonable answers which not necessarily reflected in the suggested solution.</p>
3) VAT	20%	<p>Candidates required to quantify the VAT cost under the self-funded proposal (credit given for all reasonable answers which not identified in the suggested solution).</p>
4) VAT	5%	<p>Basis for recovery of VAT incurred on pre-grant construction costs to reimbursed by RG; option to tax unnecessary, so revoke; conditions and timing of revocation. Entitlement to recover under change of use rules.</p>
5) VAT	10%	<p>Application of the Domestic Reverse Charge to the Trust.</p>
6) SDLT	10%	<p>Identify quantum of consideration on which SDLT is chargeable and compute the charge on grant of headlease. Identify charitable exemption available on the grant of underlease.</p>
4) Corporation tax	15%	<p>Grant of headlease a venture in the nature of a trade? If not, part disposal chargeable to corporation tax?</p>
5) Construction Industry Scheme	10%	<p>Applicability to the Trust and brief outline of requirements.</p>

A grade of 0,1,2,3, or 4 is awarded to each topic. The weighting is applied to that grade to produce a weighted average grade. This is then converted to a final absolute grade by rounding up or down to the nearest grade. Thus, scores in the range 2.5 to 3.49 will be a grade 3.

Relevant Advice and Substantiated Recommendations

The following are the topics for assessment with their weightings:

1) Commercial	25%	<p>Concluding and recommending a preferred option having regard to matters such as:</p> <ul style="list-style-type: none">• the small differential between the options• the issues involved with the lease and leaseback arrangement including local opposition to the size and RG's investment policies.• Loss of rental income and finding a tenant.• the effect of the administrative, etc burdens (application of Construction Industry Scheme).• the potential for cost increases under the Cost Plus Rent mechanism.• Future rent increases in the lease payments.• Issues regarding future expansion (office space on smaller build vs ability to extend).• Simplicity of option.• the tax implications of the options, identifying assumptions by the Trust under the lease and leaseback arrangement. <p>Credit given for sensible commercial recommendations identified by candidates not reflected in the suggested solution.</p>
2) VAT	50%	<p>Conclusion and recommendations in respect of the completing options (credit allowed for all reasonable conclusions/recommendations).</p>
3) SDLT	10%	<p>Conclusion and recommendation relating to the charge identified, claiming the charitable exemption and removal of RG's buy back option under heads of terms.</p>
4) CT	15%	<p>Conclusions in relation to the nature of the transaction, part disposal and scope of the exemption on the capital gain</p>

The final grade will be determined for this skill in the same way as for Identification and Application.