

The Chartered Institute of Taxation

Awareness

Module A VAT including Stamp Taxes

May 2021

Suggested answers

Answer 1

Part 1)

The company did not breach the VAT threshold as at 30 April 2021 as at that date, taxable turnover for the previous 12 months (or in this case, since it started to trade) did not exceed £85,000. 1

The company's taxable turnover at 30 April 2021 was:

Standard-rated sales	£84,000	
Less, sale of plant and machinery (capital assets are disregarded)	(£5,000)	1
Add, zero-rated sales	£2,500	1
Total (exclude exempt sales)	£81,500	1

Part 2)

The company must notify HMRC no later than 30 days after the end of the month in which the limit was first breached. 1

Answer 2

Information required:

- 1) Whether or not the goods are samples. Samples are exempt from the deemed supply rules. 1

- 2) If the goods are not samples:
 - confirmation that the gifts were made in the course or furtherance of Barbara's business (i.e. not to family members), 1
 - the cost of the gift per person, excluding VAT, and 1
 - the cost of all gifts made to the same person in the previous 12 months. 1

Goods gifted in the course of a business are exempt from the deemed supply rules where, in the case of single gift to a person, the cost is **£50 or less excluding VAT** and, in the case of a series of gifts to a person, the total cost of gifts made in the previous 12 months does not exceed £50. 1

Answer 3

Part 1)

The basic tax point is 30 April, being the date on which the goods were collected. 1

Provided the invoice is raised within 14 days of this date, the date of the invoice – (planned to be 12 May)– will be the actual tax point. 1

The date of payment is not relevant. 1

If the invoice is not raised within 14 days, the tax point will revert to the basic tax point. Saleem may also stick with the basic tax point if he wishes. 1

Max 3

Part 2)

This is a supply for a consideration not consisting, or not wholly consisting, of money.

The value of the supply is equal to the cash to be received plus the cash value of the non-monetary consideration.

Therefore, the VAT charged on the supply is $(£4,000 + £1,000) \times 1/6 = £833$. 1+1

Answer 4

	VAT that may be recovered	Reason	
1.	None	Blocked as business entertaining	1
2.	Full amount: £480	Recoverable as staff entertaining (£2,400 x 20%)	1
3.	None	Blocked as event is for directors only	1
4.	Full amount: £80	Input VAT on the repair of a car is not blocked (£400 x 20%)	1
5.	50%: £30	50% restriction for leased cars ((£300 x 20%) x 50%)	1

Answer 5

	Total £	Taxable £	Exempt £	
Directly attributable to taxable supplies	3,800	3,800		
Directly attributable to exempt supplies	1,400		1,400	1*
Residual input VAT (see working)	600	504	96	
Total	<u>£5,800</u>	<u>£4,304</u>	<u>£1,496</u>	

De minimis test is passed as total exempt input tax of £1,496 is:

- Less than £1,875, and 1
- Not more than 50% of total input tax (£5,800 x 50%) = £2,900. 1

The company may recover all of the input VAT: £5,800 1

Working

$(£140,000 / (£140,000 + £28,500)) = 83.08\%$, round to 84%. £600 x 84% = £504 1

***1 mark awarded for correct treatment of all directly attributable supplies**

Answer 6

VAT charged on invoices (£7,200 x (1/6))	£ 1,200	
Less, VAT suffered on computer (£2,400 x (1/6))	(400)	
Less, VAT suffered on purchases (£600 x (1/6))	(100)	
Net VAT Payable if not FRS	<u>700</u>	1
FRS		
((£7,200 x (11% - 1%)) – £400	<u>(320)</u>	1+1+1
Saving under FRS	<u>£380</u>	1*

***For any reasonable calculation of saving/cost**

Answer 7

Whether the property is opted or not, the one-off payment is outside the scope of VAT as there is not a VAT supply. **1**

Part 1) no option to tax

The lease of commercial property falls within Group 1 of Schedule 9 of VATA 1994; therefore, the rent is exempt. **1**

The service charge has the same VAT rating as the rent and is therefore exempt. **1**

Part 2) option to tax is in place

The rent is standard-rated. **1**

As before, the service charge has the same VAT rating as the rent and is therefore standard-rated. **1**

Answer 8

Part 1)

Confirmation that Riley will be

- a taxable person at the time of the transfer, or
- will immediately become a taxable person as a result of the transfer. **1**

A taxable person is a person who is VAT registered or liable to be VAT registered.

Confirmation that Riley will carry on the same kind of business as Nathan. **1**

Confirmation that there will be no significant break in trading immediately after the transfer. **1**

Note - No action is required by Riley in respect of the unopted property

Part 2)

Nathan will be responsible for the VAT affairs of the business up to the point when it is transferred to Riley unless the business' VAT registration number is transferred to Riley in which case Riley will be responsible for the VAT history of the business. **1+1**

Answer 9

Part 1)

Company	Part of VAT group?	Reason	
Alepp Ltd	Yes	Under common control ; fixed establishment in UK	1
Deast GmbH	No	No fixed establishment in UK	1
Cotarr Ltd	No	Not more than 50%	1

Part 2)

Group VAT registration is simpler; eg only one VAT return to complete. 1*

Increased central control over the VAT affairs of the companies 1*

Can ignore supplies made between the companies 1*

***Max 2 marks for Part 2. Mark awarded for any reasonable point made.**

Answer 10

Part 1)

An assessment must be raised by the later of:

Two years from the end of the relevant quarter – 30 June 2020, and 1

One year from the date that the evidence on which to base the assessment comes to light – 8 February 2022, 1

therefore, by 8 February 2022 assuming all the evidence was obtained at that time.

This is subject to a cap of 4 years from the end of the relevant quarter – 30 June 2022. 1

The assessment was made before the deadline of 8 February 2022.

Part 2)

Error is careless and prompted

	PLR	Penalty	
Minimum	£12,000 x 15% =	<u>£1,800</u>	1
Maximum	£12,000 x 30% =	<u>£3,600</u>	1

Answer 11

Acquisition	Stamp duty payable	Reason/calculation	
Aworr Ltd	£nil	New issue of shares	1
Blotte Ltd	£nil	Consideration is not more than £1,000	1
Caltte Ltd	£nil	No consideration; market value is not relevant	1
Dlodod Ltd	£25	£4,970 x 0.5% = £24.85 round to nearest £5 = £25	1+1

Answer 12

SDLT

Property 1

Amount £	Rate	SDLT £	
125,000	0%	Nil	1
125,000	2%	£2,500	1
90,000	5%	£4,500	1
<u>£340,000</u>		<u>£7,000</u>	

Property 2

Amount	Rate	SDLT	
£120,000	0% + 3% = 3%	<u>£3,600</u>	1

Property 3

No SDLT is payable as Molly is a first-time buyer, the property is to be her main residence and the consideration does not exceed £300,000. 1

LBTT

Property 1

Amount £	Rate	LBTT £	
145,000	0%	Nil	1
105,000	2%	£2,100	1
90,000	5%	£4,500	1
<u>£340,000</u>		<u>£6,600</u>	

Property 2

Amount	Rate	LBTT	
£120,000	0% + 3% = 3%	<u>£3,600</u>	1

Property 3

No LBTT is payable as Molly is a first-time buyer, the property is to be her main residence and the consideration does not exceed £175,000. 1