

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)	30%	<p>Option 1 (HTL constructs facility at a projected cost of £12.5m, plus VAT using its own resources).</p> <p>Identify scope of zero rating where facility used for a non-business activity.</p> <p>Consider and conclude on the extent to which publicly-funded research may constitute a non-business activity (a) lack of consideration in return for funding (b) accounting for funds not seen as consideration.</p> <p>Scope of the "solely" test and HMRC's application in practice (a) 95% (b) any fair and reasonable basis (c) readily auditable.</p> <p>Has "solely" test been met on the basis of the client's projections (credit to be given for all reasonable calculations)?</p> <p>If zero rating not in point, consideration of, and conclusion on basis of deduction of input tax; identifying that the asset will be a "capital project" under the PESH and falls within the scope of the CGS.</p> <p>Irrecoverable VAT quantified on construction of laboratory (credit to be given for all reasonable answers based on say, weighted research staff time, projected income).</p> <p>Irrecoverable VAT on remaining costs (1) preparatory works - not capital project, 94% irrecoverable (2) CGS adjustments on input tax initially claimed on research plot.</p>
2 (VAT)	15%	<p>Option 2 (HTL grant a 175 year superior lease for a peppercorn to the Fund, with HTL to take a 25 year under lease on completion of the laboratory).</p> <p>Candidates are expected to consider and conclude upon the possible disapplication of HTL's and the Fund's options to tax ("OTTs") (candidates will be assessed on their analysis of the anti-avoidance rules), and thereafter identify and conclude upon the financial implications of the disapplication of the respective parties' OTTs.</p> <p>Quantify irrecoverable VAT on (a) preparatory works and (b) fit out costs.</p>
3 (VAT/SDLT)	20%	<p>Option 3 (Option 2 with the variation that the Fund pay a premium of £400,000 for the grant of the superior lease).</p> <p>Candidates to consider and conclude upon whether payment of a market value premium will take the transaction outside the scope of the anti-avoidance rules and quantify the VAT Cost under this option. The SDLT charge which will be borne by the Fund should be computed. Identify that the underlease granted to HTL will be exempt from SDLT.</p>
4 (CT)	10%	<p>Identify availability of capital allowances, though recognising possibly of little value to HTL/THE due to Gift Aid.</p> <p>Capital allowances may be of value to the Fund; consider and conclude upon its eligibility to claim AIA and WDAs if it meets the cost of the fit out of the laboratory.</p>

5 (Customs duty/VAT)	10%	(a) Consider possible reliefs from VAT and Customs Duty on importation of the Triterpene. (b) Summary of HTL's responsibilities as the designated importer/agent.
6 (Customs duty/VAT)	15%	Consider and conclude upon VAT and Customs Duty on the options presented by Stanford Panalytical Inc ("SPI"). Basis (A). Quantify Customs Duty and irrecoverable VAT where HTL opts to purchase the Triterpene and acts as the importer. Basis(B): operating lease supply of goods or services? Time of supply and value. Basis (B) - if a supply of services: has candidate addressed: (a) value of Triterpene for Customs Duty (b) that SPI should be designated as importer to mitigate HTL's VAT cost, recovering the VAT paid under the refund procedure for non-EU established traders and (c) HTL should account of VAT on lease payments under the reverse charge mechanism, with right to recover part of the tax as input tax at the rate applicable to general overheads?

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 (VAT)	20%	Unlikely that the construction of the facility will qualify for zero rating. Nevertheless, projected use should be reviewed and/or HTL change the relative mix of income derived from, or staff deployed in relation to publicly funded research.
2 (VAT)	40%	Option 3 identified as the most favourable option on account (a) deferment of irrecoverable VAT over an extended period, (b) construction risk passes to the Fund, (c)HTL relieved of the administrative burden of managing the project, (d) the potential to secure further VAT savings on the fit-out of the building and the preparatory works. Credit given for other reasoned advice and recommendations.
3 (CT)	10%	Identify the additional benefits which may accrue to the Fund and HTL by the former taking on the financial obligation to fit-out the facility, with the Fund possibly securing tax relief of up to £200,000.
4 (Customs duty/VAT)	30%	Weigh up the Customs Duty and VAT implications of the options put forward by SPI and make a recommendation to the client. Quantify irrecoverable VAT and Customs Duty under Basis (A) Quantify irrecoverable VAT and Customs Duty under Basis (B) and recommend it on account of the cash flow benefits which will accrue to HTL.

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