

ASSESSMENT BASIS FOR VAT APS QUESTION – NOVEMBER 2019

Structure

A simple pass or fail will be awarded. In arriving at the grade for this skill, the following factors will be considered:

- Overall format
- Introduction and conclusion
- Clear layout with headings
- Flow of answer
- Appropriate style
- Grammar and spellings

Identification and Application

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

1	20%	Identifying company residence and exposure to corporation tax and VAT; in particular, the relative advantages of a subsidiary over a branch structure. Identifying tax treatment of transactions between head office/parent and branch/subsidiary; and tax issues relating to start-up of a UK business.
2	25%	Identifying the tax treatment of the conference trade, including special place of supply rules and possible exposure to TOMS; and, in the case of Dublin conferences, the need for Irish tax advice.
3	30%	Identifying tax issues for the distance-teaching trade and the greater complexity of the VAT position: single composite supply (for which exemption, or supply-splitting, will not be available); likely characterisation as an “electronically-supplied” service; B2C rule and availability of MOSS facilitation.
4	20%	Comparing tax treatment of property sale with acquisition of shares in the property company, highlighting potential problems with the latter. Identifying tax treatment of letting income, capital allowances and the effect of the option to tax.
5	5%	Identifying availability and effect of group relief, SDLT grouping and VAT grouping.

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. Thus, supposing a candidate scores 3, 3, 3, 4, 2, and 2 respectively on the above topics, this will equate to weighted scores of 1.05, 0.3, 0.3, 0.4, 0.5, and 0.2. The total of these scores is 2.75. 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. In this example, the candidate will score a grade 3 overall and secure a pass for this skill.

Relevant Advice and Substantiated Recommendations

The following are the topics for assessment with their weightings:

1	25%	Recommending early incorporation of a UK subsidiary to carry on the conference trade (funded by a combination of debt and equity, with profits extracted through dividends and management charges, explaining the tax treatment of each). Recommending VAT registration as an intending trader. Recommending a similar structure for distance-teaching.
2	20%	Recommending how to avoid TOMS. Recommending separate treatment of Dublin conferences and need for advice on Irish tax position.

3	30%	Recommending treating distance-teaching as a single composite supply; careful monitoring of customer status and belonging; and use of MOSS.
4	25%	Recommending freehold purchase route, option to tax and SDLT/VAT grouping.

The final grade will be determined for this skill in the same way as for Identification and Application. Candidates will be given credit for reasonable alternative structures supported by valid arguments.