

# THE CHARTERED INSTITUTE OF TAXATION

## APPLICATION AND PROFESSIONAL SKILLS

### VAT and Other Indirect Taxes

**November 2025**

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TIME ALLOWED

3 HOURS 30 MINUTES

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- In order to secure a pass in this exam, you will be required to demonstrate competence in each of three skills.

You will be assessed across your answer as a whole for Structure. A pass or fail grade will be awarded.

You will be assessed for competence in a number of broad topics for the following skills:

- Identification and Application
- Relevant Advice and Substantiated Conclusions

For each topic for each of these two skills, a grade will be awarded. The grades for those topics will be weighted and averaged to produce a final grade for each skill of 0, 1, 2, 3 or 4. A grade of 3 or 4 is required to demonstrate competence.

- All workings should be shown and made to the nearest month and pound unless the question specifies otherwise.
- Candidates who answer any law elements in this paper in accordance with Scots law or Northern Ireland law should indicate this where relevant.
- Scots law candidates may provide answers referring to Land and Buildings Transaction Tax rather than Stamp Duty Land Tax.
- Unless otherwise indicated by the provision of additional information in the question, you may assume that 2024/25 legislation (including rates and allowances) continues to apply for 2025/26 and future years. Candidates answering by reference to more recently enacted legislation or tax cases will not be penalised.
- You must type your answer in the space on the screen as indicated by the Exam4 guidance.

You are a tax senior at Ingenuum LLP, a firm of Chartered Tax Advisers. Your partner, Jas Dillon, has received a letter from David Sangster (**EXHIBIT A**), Finance Director of Sangaveera Courses Ltd, which has recently become a client. Sangaveera Courses Ltd is a provider of education. It offers a variety of courses to students attending its UK colleges, including English language courses for foreign students, and various other academic studies such as computing and book-keeping.

Sangaveera Courses Ltd is considering certain changes to its business model. In addition to the English language courses, it is proposing to offer French, German, and Spanish courses. To meet the increased demand for distance learning, in future all the language courses will be delivered online by external teachers. Other courses will continue to be provided on site at its colleges. Two options are being considered for the language courses:

Option A

Sangaveera Courses Ltd will buy in the teaching services but continue to provide the language courses to students.

Option B

Sangaveera Courses Ltd will arrange for external teachers to provide the language courses direct to students.

Before undertaking more detailed planning, David Sangster requires a report for his Board on any tax issues likely to arise.

The following exhibits are provided to assist you:

**EXHIBIT A:** Letter from David Sangster

**EXHIBIT B:** Email to David Sangster from Dr Jonathan Elias

**EXHIBIT C:** Pre-seen information

**Requirement:**

**Prepare a report for the Board of Sangaveera Courses Ltd advising on tax issues arising from David Sangster’s letter and making appropriate recommendations.**

EXHIBIT A

Letter from David Sangster

Jas Dillon  
Ingenuum LLP  
Beaufort House  
Market Place  
Medhampton  
MD1 2AA

Sangaveera Courses Ltd  
Suite 22, Apex Triangle  
Exchange Plaza  
Medhampton  
MD1 4EP

28 October 2025

Dear Jas

Provision of Language Courses

It was a pleasure to meet you recently and discuss our thoughts about making certain changes to our business model to increase revenue and reduce costs. I am now able to provide some further details.

As you know, we operate from five sites around the country, employing experienced teachers who provide face-to-face teaching to students in real time.

Currently, we offer English language courses to foreign students for whom English is not their first language. Many students, however, now wish to receive their teaching online and in their own time, rather than physically attending lectures and tutorials. To meet this requirement, we believe the use of “simulive” webinars will prove an ideal solution. As I am sure you are aware, a webinar involves a presentation delivered over the internet which allows participants in different locations (including, as we propose, overseas) to see and hear the presenter. A “simulive” webinar differs by having the presenter’s content pre-recorded, but then delivered later in real time, with the opportunity for interaction e.g., by participants posting their questions.

We have estimated that, under this new webinar model, we could manage with four English language teachers rather than the eight we have at present. Fortunately, we have four that have indicated that they will be leaving, either because of retirement or to do other things. Consequently, redundancy should not be an issue. We intend to reduce our costs further by letting out some of the surplus classroom accommodation.

In addition, we may stop employing the English language teachers and outsource the teaching instead. In fact, from the initial discussions, the four remaining teachers have expressed an interest in going freelance and possibly setting up their own limited companies for the purpose.

If we stop employing teachers, we have identified two options:

Option A

We would buy in the teaching from freelance teachers (or their company) and continue to contract with students for the supply of courses. We would collect the course fees and pay an agreed fee for the teaching services; or

Option B

We would act as agents in arranging the courses for students. The teachers (or their company) would provide the courses direct to the students. We would collect the course fees, retain an agreed percentage as our commission, and pay the balance to the teachers.

Teaching would be done through simulive webinars, filmed in our dedicated studio, and delivered via our internet platform. As currently, our teachers would continue to be UK resident. In both cases, teachers would be involved in preparing the content, but this would be controlled by Sangaveera Courses Ltd in terms of quality and format. We regard it as important that all webinars are delivered to a uniform high standard and are subject to our quality control. We anticipate these and other matters will be covered in contracts between Sangaveera Courses Ltd and the freelance teachers: for example, we wish for exclusivity i.e., the teacher should not be free to offer the same webinar content outside of our arrangements or attempt to poach our students.

Continued

If the change for English proves successful, we may start courses in French, German, and Spanish, using one or other of the above options, signing up freelance teachers qualified in the appropriate language (or their companies).

For the avoidance of doubt, please note that we will continue to provide our non-language courses (bookkeeping, computing, and marketing) in physical form, using employed teachers, at our colleges.

My colleague, Jonathan Elias, has been engaged in developing the new business model for language courses and considering some figures for possible savings. I enclose a copy of his email (**EXHIBIT B**), in case it is helpful. As Jonathan mentions, we will no longer include a printed Course Manual but, if a student requires one, it can be ordered at extra cost. He also mentions that, although our English courses are popular, some of our competitors are undercutting us with prices which are some 12.5% lower than ours. I am wondering whether there is scope for us to make further savings here?

We are still discussing figures and are not seeking computations from you at this stage but, hopefully, you have enough information to prepare a report on any tax issues arising, with your recommendations.

We hope that one of the above Options will provide a framework for the future but obviously, if we have missed any salient issues or other viable alternatives, we would be pleased to learn of these.

I look forward to hearing from you.

Yours sincerely

David

David Sangster  
Finance Director

**EXHIBIT B**

Email to David Sangster from Dr Jonathan Elias

To: dsangster@scl.com  
From: jselias@scl.com  
Subject: Language Courses  
Date: 25 October 2025

David

Following our round table discussions with HR, here are my thoughts on the opportunities.

Current situation

Our English Language courses for foreign students attending our colleges are currently priced at £1,200 (£1,000 plus VAT) for each of the four terms a year, which includes the printed Course Manual. We typically have 250 students which means annual fee income of around £1 million plus VAT.

By moving to a webinar model, our costs could be reduced considerably. This should increase our profit margin which would be welcome as it has recently come to my attention that some of our competitors have been offering the same type of course for an all-in fee of around £1,050 per term (so some £150 per term cheaper than us at present). Despite our quality reputation, this has definitely been affecting our student numbers in recent years.

One of our major costs is our teachers, who are paid a salary of £40,000. Under the proposals, the four teachers required to deliver the courses would become self-employed or operate through their own service companies. My understanding is that they would not need to be registered for VAT but would welcome your confirmation of this.

Option A

Teachers (or their service company) would be paid a fee for their services. We discussed basing this on the number of students enrolled each term on the course. Given our reductions in in-house costs, I think we could maintain our fee structure whilst paying each teacher a fee of £50 per student per term. This would enable teachers to do quite nicely. For example, if a total of 250 students were enrolled, the fee paid to each of the teachers (or their service company) would be £12,500 per term, or £50,000 per annum. This would compensate for any additional costs of self-employment and also provide an incentive to make the switch.

We would continue to invoice students and collect payment and would then pay the teachers monthly.

Option B

Teachers (or their service company) would provide the courses and would then pay us a commission. Using the same £50,000 payment to teachers as a guide, this would give us a commission of 80% of the net of VAT course fees. Given our reputation and to protect the brand name, we will also control marketing for future students, and so I don't see the teachers incurring any additional costs under this option compared with Option A.

We should also like to keep control of enrolling and invoicing students and collecting payment, as per Option A. We would then invoice teachers for our commission and remit course fees net of commission to them, again monthly.

Course Manuals

Currently, for the English language courses, these are printed for us by Filum Print Ltd at a cost of £40 each and included in the course fee. We plan to move to an online, rather than a printed, manual for all the language courses. However, we discussed whether to provide a hard copy version on request for, say, £50 each. Let me know what you think.

Happy to discuss further once you have received some tax input.

Best

Jonathan  
Dr Jonathan Elias, PhD, Director of Education.

Continued

EXHIBIT C

Pre-seen information

Client background

Sangaveera Courses Ltd  
Private limited company incorporated on 2 July 2019  
Registered under Company Number 034563222

Share ownership

The share capital of the Company is divided into 1,000 ordinary shares of £1 each owned as follows:

| <u>Name</u>        | <u>Date of birth</u> | <u>Position held</u>              | <u>Number of shares</u> |
|--------------------|----------------------|-----------------------------------|-------------------------|
| Sangaveera Lal     | 14 April 1953        | Chief Executive Officer           | 925                     |
| Roman Katchko      | 4 July 1973          | Managing Director                 | 20                      |
| Jonathan Elias PhD | 10 April 1978        | Director of Education             | 20                      |
| David Sangster     | 3 March 1980         | Finance Director                  | 15                      |
| Paula Penman       | 1 May 1977           | Company Secretary                 | 10                      |
| Dolores Lal        | 2 June 1970          | Director (wife of Sangaveera Lal) | 10                      |

Registered office and principal place of business

Suite 22  
Apex Triangle  
Exchange Plaza  
Medhampton  
MD1 4EP

Contact details

Tel: 04313 22 7600  
Email: cosec@scl.com

Client background

Sangaveera Courses Ltd was founded by Mr Sangaveera Lal (known as “Savee”), who is Chief Executive Officer. The company carries on business as an education provider, offering courses including English language to foreign students, bookkeeping, computing, and marketing at its colleges situated in the UK cities of Barnbury, Chesterham, Lindonby, Medhampton, and Sowerton. Students are enrolled for one-year courses, beginning each September, comprising lectures and tutorials spread over four terms of 12 weeks each. A student completing his/her course is awarded a Diploma by the college.

The company has 45 employees.

Taxation

UTR: 505046631

The Company is UK-resident chargeable to UK Corporation Tax, and is a small company under the Companies Act 2006.

The Company is registered for VAT under VAT Number 405 9337 22 and pays VAT on all its turnover. Returns are made for the quarters ending on the last days of March, June, September, and December. In addition, monthly payments on account are made.

The Company owns the freeholds of the college buildings but has not opted to tax any of them.

Extracts from the draft Financial Statements for the year ended 31 March 2025

Profit and loss account

|   | <u>2025</u>    | <u>2024</u>    |
|---|----------------|----------------|
|   | £'000          | £'000          |
| Turnover                                      | 6,810          | 6,444          |
| Cost of sales                                 | <u>(3,288)</u> | <u>(3,020)</u> |
| Gross profit                                  | 3,522          | 3,424          |
| Distribution costs                            | (569)          | (575)          |
| Administrative expenses                       | (1,412)        | (1,387)        |
| Bad debts                                     | <u>(79)</u>    | <u>(61)</u>    |
| Operating profit                              | 1,462          | 1,401          |
| Interest receivable and similar income        | 21             | 12             |
| Interest payable and similar charges          | <u>(34)</u>    | <u>(29)</u>    |
| Profit on ordinary activities before taxation | 1,449          | 1,384          |
| Less: Taxation                                | <u>(336)</u>   | <u>(362)</u>   |
| Profit on ordinary activities after taxation  | <u>£1,113</u>  | <u>£1,022</u>  |

Balance sheet

|                                | <u>2025</u>   | <u>2024</u>   |
|--------------------------------|---------------|---------------|
|                                | £'000         | £'000         |
| Fixed assets                   |               |               |
| Premises                       | 3,315         | 2,982         |
| Plant and machinery            | 348           | 321           |
| Fixtures and fittings          | <u>374</u>    | <u>351</u>    |
|                                | 4,037         | 3,654         |
| Current assets                 |               |               |
| Stock                          | 18            | 21            |
| Debtors                        | 130           | 89            |
| Cash at bank                   | <u>185</u>    | <u>106</u>    |
|                                | 333           | 216           |
| Creditors falling due < 1 year |               |               |
| Trade creditors                | 17            | 13            |
| Interest creditor              | 12            | 12            |
| Corporation Tax                | <u>170</u>    | <u>134</u>    |
| Total current creditors        | 199           | 159           |
| Net current assets             | 134           | 57            |
| Net assets                     | <u>£4,171</u> | <u>£3,711</u> |
| Capital and reserves           |               |               |
| Ordinary share capital         | 1             | 1             |
| Profit and loss account        | <u>4,170</u>  | <u>3,710</u>  |
| Shareholders' funds            | <u>£4,171</u> | <u>£3,710</u> |