

THE ADVANCED DIPLOMA IN INTERNATIONAL TAXATION

June 2022

MODULE 3.02 – EU VAT OPTION

ADVANCED INTERNATIONAL TAXATION (THEMATIC)

TIME ALLOWED – 3¼ HOURS

This exam paper has **three** parts: **Part A**, **Part B** and **Part C**.

You need to answer **five** questions in total. You will **not** receive marks for any additional answers.

You must answer:

- **Both** questions in **Part A** (25 marks each)
- **The** question in **Part B** (20 marks)
- **Two** questions from **Part C** (15 marks each)

Further instructions

- All workings should be made to the nearest month and in appropriate monetary currency, unless otherwise stated.
- As you are using the online method to complete your exam, you must provide appropriate line breaks between each question, and clearly indicate the start of each new question using the formatting tools available.
- Marks are specifically allocated for clarity of presentation of your answers.
- The time you spend answering questions should correspond broadly to the number of marks available for that question. You should therefore aim to spend approximately half of your time answering Part A, and the other half answering questions in Parts B and C.
- There is no separate reading time, so you can start typing your answers as soon as the exam begins. However, we recommend that you set aside some time to thoroughly read each question and plan each of your answers.

PART A

You are required to answer BOTH questions from this Part.

1. Omega Ltd (Omega) is VAT registered and established in Bordonia, an EU member state. It processes and recycles electrical goods which have come to the end of their useful lives. Omega purchases these waste electrical goods from both EU and non-EU suppliers; it also receives free donations of electrical goods from charity groups and community collection points, all of which are in Bordonia.

When Omega purchases waste electrical goods it takes ownership of all goods in the country in which they are collected, then brings the goods to its premises in Bordonia for processing along with the electrical goods purchased and donated in Bordonia.

The recycling of the waste goods results in the recovery of valuable metals, which Omega sells to business customers in Bordonia and other member states. Omega arranges transport of the metals to the customers in all cases.

Part of the recycling process involves cleaning and stripping down the goods to their raw materials for recovery and reuse. Omega has become very successful at doing this and has patented the method for stripping cables and circuit boards. The company is preparing to sell the patented rights to a group based in the United States and will be receiving monthly payments in US dollars.

You are required to write a report identifying the VAT aspects of Omega's activities, with reference to relevant EU VAT legislation, and the procedures that need to be followed to support the suggested VAT treatment. (25)

2. The Boldon group (Boldon) is established and VAT registered in Theta, an EU member state. It is engaged in the extraction of gravel and sand under licences granted by the site owners from land quarries and the seabed. The land quarry sites are in several EU member states, including Theta. The seabed extractions take place partially within the territorial waters of Theta, and partially within the territorial waters of a country outside the EU.

The following arrangements are in place:

- 1) Gravel is extracted from a site in Cresia. The site is owned by a company established in a different member state, which granted the licence permitting Boldon to remove the gravel.
- 2) The rights to extract gravel at a site in Nordia, a member state, have been sold on by Boldon to a business established in Theta.
- 3) The rights to extract from the seabed exist for an area which is partially within the territorial waters of Theta and partially outside. The extracted material is brought to port in Theta. The finance director of Boldon is aware that the VAT treatment of material extracted from each part of the site may differ.

You are required to write a letter to Boldon's finance director, identifying the place and type of supply for each of the arrangements relating to the supplies made to and by Boldon. Your answer should be supported with reference to relevant EU VAT legislation. (25)

PART B

You are required to answer THIS question.

3. Falcon GmbH is an EU business, whose activities include issuing fuel cards to business customers that allow those customers to obtain road fuel from fuel stations in several EU member states. Falcon's customers are then charged on a monthly basis for the fuel they have obtained.

Falcon adds a 3% mark up to the price it is charged from the fuel stations, and raises charges for late payment of monthly invoices. Falcon receives invoices each month from each of the fuel businesses which have provided fuel to its card holders.

You are required to identify the main supplies that are being made, and discuss their VAT treatment. You should also discuss any alternative treatments that may apply. (20)

PART C

You are required to answer TWO questions from this Part.

4. Infringement proceedings can be instigated by the EU Commission against member states when it identifies practices which give rise to concerns.

You are required to describe the circumstances in which the Commission can take infringement proceedings, the stages that apply, and how proceedings are progressed. (15)

5. A taxpayer's right to recover tax which has been paid in error exists, and may include recovery from the tax authority that received the tax when it was charged in error.

You are required to outline the principles and case law that a taxpayer can rely upon when seeking repayment of tax that was paid by mistake. (15)

6. **You are required to identify the conditions which need to be met for an EU business to zero rate the supply of goods to a business customer in another member state.**

Your answer should include particular reference to changes that have been introduced in the last three years, concerning documentation and transport requirements. (15)

7. A business, VAT registered and established in Sveka, an EU member state, arranges for goods to be supplied and delivered to non-business customers established in several other member states. The goods are manufactured in Sveka and are only dispatched after full payment has been received.

Goods are advertised on the business's website and priced in euros, the currency adopted in Sveka, although some customers are established in member states which have not yet adopted the euro.

You are required to write a memo identifying the VAT requirements that the business needs to meet in Sveka and other member states, and describe how it should account for VAT on all of its sales. (15)