

APS MAY 2022: VAT – ASSESSMENT NARRATIVE

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 35%	Identifying appropriate structures for carrying on the business and their respective features. Identifying and applying the relevant VAT rules (e.g., sole trader, partnership, LLP, limited company) including matters such as the VAT registration threshold, anti-avoidance (dis-aggregation) rules and input VAT deduction.
2	VAT 15%	Identifying and applying VAT rules relevant to self-employed or employed status (in particular, as regards 'chair-rental' arrangements).
3	Income/ corporation tax 15%	Identifying and applying the liabilities to income tax or, as the case may be, corporation tax, in so far as they relate to the appropriate business structures (including matters such as compliance, PAYE and treatment of dividends). Relevant allowances and deductions.
4	NICs 10%	As 3 above, in relation to NICs liability (self-employed, employer and employee).
5	VAT, capital allowances, SDLT 15%	In relation to the proposed lease, identifying and applying the incidence of these taxes (including as regards the rent-free period, landlord's contribution and the impact of the option to tax).
6	Commercial/ Compliance points 10%	Identifying other miscellaneous commercial and compliance points (e.g., profitability, VAT registration, adding VAT and the pricing of services; liability to third parties; filing of returns; employment obligations; lease terms; adding VAT to the landlord's contribution, if chargeable; and who is entitled to claim capital allowances on fit-out costs).

A grade of 0, 1, 2, 3, or 4 is awarded for 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 2.9 will be a grade 3.

Relevant Advice and Substantiated Recommendations

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

1	VAT 50%	Advising on and recommending the optimum VAT solution (e.g., remaining below the threshold and, subject to financial modelling, ensuring timely registration, input VAT deduction – perhaps via voluntary registration - or use of the Flat Rate Scheme).
2	Income/ corporation tax 20%	Comparing and contrasting the income/corporation tax liabilities arising from the possible business structures (in particular, whether to take income as partnership drawings or a combination of company salary and dividends) and recommending the optimum position. Advising on the advantages and disadvantages of treating Merle as employed, alternatively self-employed; recommending the optimum (risk-free) solution.
3	NICs 10%	As 2 above, in relation to NICs liability (self-employed, employer, employee).

4	VAT, capital allowances 10%	In relation to the lease, recommending amendment and clarification of terms to ensure mitigation of VAT and to claim capital allowances.
5	Commercial/ Compliance 10%	Advice and recommendations in relation to commercial and compliance points (e.g., balancing savings against compliance and other costs when choosing certain business structures; cashflow projections; documenting agreements, pricing of services and products; negotiating lease terms etc.).
	NOTE:	Credit will be given for example calculations illustrating topic 2 or 3 above, although this is not a specific Requirement.

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

Credit will be given for other valid recommendations supported by appropriate reasoning.