

## ASSESSMENT NARRATIVE FOR NOVEMBER 2024 APS VAT AND OTHER INDIRECT TAXES

### Structure

A simple Pass or Fail will be awarded.

In determining whether a Pass or Fail is awarded the following will be considered:

1. Overall format
2. Introduction and Conclusion
3. Clear layout with headings
4. Flow of answer
5. Appropriate style
6. Grammar and spelling
7. Appropriate calculations
8. Lack of irrelevant material

See detailed guidance on what will amount to a MINOR fault or a MAJOR fault.

For each of the headings above, a candidate will receive a single result of NO fault, MINOR fault or MAJOR fault. Thus 4 MINOR faults in one heading will not result in 4 MINOR faults. They will either be graded as 1 MINOR fault or if, cumulatively, they are sufficiently serious, as a MAJOR fault.

A candidate will pass Structure if they have either:

- 1) NO MAJOR faults; or
- 2) 1 MAJOR fault and no more than 3 MINOR faults.

A candidate will fail Structure if they have either:

- 1) Two or more MAJOR faults; or
- 2) One MAJOR fault and 4 or more MINOR faults.

### Identification and application

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

1.	<b>VAT treatment of Option 1</b> <b>20%</b>	Option 1: Identify ZR sale of completed dwelling Set out conditions for ZR treatment and apply to facts Outline implications for AD. Outline commercial and practical benefits of Option 1 to AD (largely the result of simplicity)
2.	<b>VAT treatment of Option 2</b> <b>25%</b>	Identify exempt sale of land and former non-residential building with no OTT. Analyse heads of costs and identify their VAT treatment. Identify reduced-rate for Development's supplies; identify RR rules Identify SR for building materials Identify SR for Constantius Consulting Apply above to calculations of total cost
3	<b>DIY Builder's Scheme</b> <b>20%</b>	Identify availability of DIY refund claim and provide clear summary of DIY scheme requirements and process; restrictions; apply DIY rules; identify non-recoverability of certain items (project management; GS's labour for non-building materials; non-building materials); identify burglar alarm may be building materials Identify and apply likely VAT refund figure
4.	<b>SDLT Analysis for Acquisition of Barn</b> <b>15%</b>	Option 1: Identify residential rates relevant; identify additional 3% because AD is retaining main residence in London Option 2: Identify non-residential rate is relevant Both Options: Identify importance of MV on connected party transaction Option 1: Apply SLP and uplifted residential rate to liability Option 2: Define land as non-residential for SDLT purposes, and then calculate SDLT liability, applying SLP and the correct non-residential rate Note SLDT saving under Option 2

5.	<b>IT Implications of Options 1 and 2</b> <b>5%</b>	Identify that sale of Barn is an Income Tax event for the Partnership Identify need for MV to be used for connected party transactions Apply IT and NIC rates to impact for Partnership and personal IT impact for AD. Note that, based on detail provided, IT position is essentially the same under either Option. Apply MV based on information provided.
6.	<b>Disposal of Investment Properties CGT</b> <b>15%</b>	Identify CGT at 28% for residential property Identify PPR relief available on Property 1 Calculate inherent CGT charge for all three properties Apply PPR relief for Property 1, including last 9 months' deemed occupancy rule

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.

#### Relevant Advice and Substantiated Recommendations

1.	<b>Disposal of Investment Properties CGT</b> <b>15%</b>	Weigh up figures, note that Property 2 is more heavily taxed than 3 Advise of the greater net proceeds after CGT compared to a sale of Property 1 and 2 Recommend selling Properties 1 and 3
2.	<b>Comparison of Options on tax grounds (VAT/SDLT)</b> <b>30%</b>	Compare the two estimated cost figures, including brief breakdown of the supporting figures. Advise that the VAT cost is very similar under either Option, and therefore of limited weight in deciding which Option to pursue. Advise that Option 2 is cheaper because of lower SDLT. Note that the direct tax costs are the same under either Option, and therefore not a determining factor.
3	<b>DIY VAT Refund; Other Miscellaneous VAT Points</b> <b>20%</b>	Advise on DIY Scheme, which is onerous; Cashflow problems of DIY Scheme; Take this factor into account in overall recommendation Advise that the cost of the burglar alarm system will need to be separately identified to correct the figures, because it will be regarded as building materials, unlike the other items., but advise that this is GS's responsibility. Recommend apportionment should be applied as appropriate.
4.	<b>Comparison of Options: Overall Recommendation General Commercial Points; Advice on Direct Tax Position (VAT; IT)</b> <b>35%</b>	Advise on the advantages of Option 1, including: single price to be agreed; simple for AD; if something goes wrong, only Partnership will need to be dealt with. Advise on main disadvantage of Option 1, namely loss of control of the Project. Advise on key advantage of Option 2, namely control of materials and suppliers, which is attractive to AD as an architect. Advise on disadvantages of Option 2, including: Complexity of Project for AD, dealing with multiple suppliers, etc.; Risk of having to deal with multiple insurers, etc, if something goes wrong; Need to obtain insurance (cost unknown) Recommend Option 2 on grounds of cost and greater control. Credit given for reasoned alternative conclusions Recommend that MV is used for direct tax purposes, with brief allusion to negative consequences of failing to do so.

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. Credit will be given for alternatives to the Suggested Solution, provided these are realistic, commercial and supported by appropriate reasoning.