

CIOT - ATT-CTA

Paper: **CTA Awareness**

Part/Module: **Module A**

Answer-to-Question-\_1\_

As this is a service, the service must have been supplied for the purpose of the business in the six months prior to registration. The input tax can be recovered on the traders very first VAT return

If this advice was classed as goods this can be recovered up to 4 years prior to registration as long as the goods are still within the business at the time of registration

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-----ANSWER-1-ABOVE-----  
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 -----ANSWER-2-BELOW-----  
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Answer-to-Question-\_2\_

				VAT
Standard rated supplies		£62,000		£12,400
gifts exempt as exceed £50	£87.50 X 4	£350		£70
purchases exc VAT		£15,000		(£3,000)
Fuel exc VAT		£150		(£30)
Fuel scale charge		£205		£41
£105 exc VAT = £87.50				
VAT payable				£9,481

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-----ANSWER-2-ABOVE-----  
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-----ANSWER-3-BELOW-----  
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Answer-to-Question-\_3\_

The land is exempt however when there is a provision for accomodation it becomes standard rated

The electricity may be shown separately if it can be distinctly identifiable and taxed at a reduced rate of 5% however if it cannot be seapartely identificable it may be taxed as a multiple transaction and all can be taxed at 20%

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-----ANSWER-3-ABOVE-----  
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-----ANSWER-4-BELOW-----  
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Answer-to-Question- 4\_

For the assignment the basic tax point is the date of delivery which is 24th October 2021 however if the invoice is issued within 14 days the date of the invoice becomes the actual tax point, therefore the 30th October becomes the tax point

For the retainer this is a continuous supply of service so there is never a delivery point for the basic tax point, therefore the actual tax point is the earlier of invoice and payment, so it is 28th October 2021

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-----ANSWER-4-ABOVE-----  
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-----ANSWER-5-BELOW-----  
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Answer-to-Question- 5\_

- 1) Van £2,000 private use insignificant therefore full VAT paid can be recovered - £400 may be recovered
- 2) VAT is blocked on the purchase of the car as not 100% business use
- 3) Repairs to the sales directors car may be recovered on the business use of 85% - £22.67 may be recovered
- 4) VAT on a lease car 50% of the VAT may be recovered. £46.67 VAT is included in the payment 50% of which £23.38 may be recovered
- 5) The hire of a car, the VAT can be reclaimed on the business part of the use

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-----ANSWER-5-ABOVE-----  
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-----ANSWER-6-BELOW-----  
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Answer-to-Question- \_6\_

1) A company can join the cash accounting scheme if its sales does not exceed £1,350,000 in the next 12 months and will be asked to leave the cash accounting scheme if sales in the 12 months to 31st December exceed £1,600,000, for the quarters shown the sales total £1,715,000 - 1/1/21 to 31/12/21 so yes the company will need to leave the cash accounting scheme

2) The company can bring outstanding VAT into account on a cash basis for six months after they leave the scheme, this is only for transactions completed while in the cash accounting scheme

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-----ANSWER-6-ABOVE-----  
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-----ANSWER-7-BELOW-----  
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Answer-to-Question-\_7\_

With Norzer being late with returns and paying the VAT late HMRC will issue a warning for the first offence being 31st July 2020, this warning is for a period of 12 months, this is called the surcharge period. The next offence in the 12 months as conducted on 31st January 2021 will incur a 2% surcharge of the tax paid late, £24,000 X 2% = £480, the 12 month surcharge period gets reset to start from the 31st January 2021. The next offence will incur a 5% surcharge of the tax paid late - £7,700 x 5% = £385, however this will not be collected by HMRC as it is below the £400 minimum charge however the 12 months warning will again be extended to start from 30th October 2021

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-----ANSWER-7-ABOVE-----  
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-----ANSWER-8-BELOW-----  
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Answer-to-Question- \_8\_

1) If Mark opts to tax it means that he can recover the input VAT on the repairs.

Mark would then charge VAT on his services and will recover the input VAT charged by Tim

Susie would still be exempt as she occupies a residential dwelling and the option to tax would have no impact upon her

2) Tim must notify HMRC within 30 days of the option to tax being made, he can however revoke this within the first 6 months

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-----ANSWER-8-ABOVE-----  
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-----ANSWER-9-BELOW-----  
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Answer-to-Question- 9\_

If the transaction is though not to meet the criteria of a TOGC, then an invoice showing VAT must be charged by the seller and this needs to be paid in full by the buyer.

If however it then transpires that it is TOGC then this is outside the scope of VAT and no VAT should have been charged. The seller must cancel any VAT invoices and provide the new owner with a refund of VAT paid. If any VAT is not cancelled this is recoverable by HMRC from the seller. The new owner will not be able to reclaim this amount as input tax because there was no taxable supply

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-----ANSWER-9-ABOVE-----  
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-----ANSWER-10-BELOW-----  
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Answer-to-Question-\_10\_

1) The conditions are one of them controls the other and each has a permanent establishment in the UK. Control means greater than 50% of share capital as these rules appear to satisfy this situation then yes they meet the conditions to form a group

2) Consequences are

can be difficult to collect all of the necessary information if one is exempt it makes the group partially exempt all are jointly and severally liability for the VAT the default surcharge is much higher cash flow advantages may be lost

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-----ANSWER-10-ABOVE-----  
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-----ANSWER-11-BELOW-----  
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Answer-to-Question-\_11\_

1) Stamp duty on shares is payable where shares are transferred

Stamp duty on Bosmium will be  $\pounds 12,300 \times 0.5\% = \pounds 61.50$ , this is rounded up to the nearest  $\pounds 5$ , so stamp duty payable will be  $\pounds 65$

There is no stamp duty payable on the Biron shares as consideration does not exceed  $\pounds 1,000$

2) The share form is taken/ posted to the Birmingham stamp office where a physical stamp will be applied once it has been appraised and duty paid by HMRC, this is then sent back to the buyer for forwarding to the company registrar

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-----ANSWER-11-ABOVE-----  
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-----ANSWER-12-BELOW-----  
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Answer-to-Question-\_12\_

As Ytail, Npais are a subsidiary of Qrail and ownership is greater than 75% they form a Stamp duty group and therefore the transfer takes place at a no gain no loss scenario. As Qrali then sold its entire holding in Npais within 6 years the sold building then is liable for stamp duty land tax at £425,000

0 - £150,000 0% £0  
150,0001 to £5M 1% £2,750 is due to be paid

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-----ANSWER-12-ABOVE-----  
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