Module A
VAT including Stamp Taxes

1. Robert began trading on 1 July 2016, making standard-rated supplies of £10,000 per month. He incurred recoverable input VAT of £500 each month on purchases consumed. In October 2016 he agreed a one-off contract and supplied an additional £40,000 of standard-rated goods. He incurred recoverable input VAT that month of £2,500.

   Robert registered for VAT from 1 July 2017. He knew that he had registered late, and so changed the dates and amounts on invoices so that it appeared he had registered on time.

   **Calculate, with brief explanations, the maximum civil penalty payable by Robert for late registration.**

2. 
   1) Tum Ltd is a UK VAT-registered company, making wholly taxable supplies. Tum Ltd purchased goods for use in its business in October 2017 from Jolie SARL, a French company registered for VAT in France. Tum Ltd provided its VAT registration number to Jolie SARL.

   2) Mattre GmbH is a German company which is registered for VAT in Germany. On 1 January 2017, Mattre GmbH started making taxable supplies of £8,000 (exclusive of VAT) per month to UK individual consumers. In October 2017, one such sale was to Jeff, who purchased goods online from Mattre GmbH, for his personal use.

   **You are required to:**

   **1) Explain briefly the VAT implications of the supply by Jolie SARL to Tum Ltd.**

   **2) Explain briefly the VAT treatment by Mattre GmbH of its sale to Jeff.**

3. Hungri Ltd had submitted VAT returns and made VAT payments on time for all periods until, and including, the quarter ended 30 June 2016. For subsequent periods, the company submitted VAT returns and made payments on the following dates:

| Quarter ended | Date return submitted | Date VAT paid |
|---|---|---|
| 30 September 2016 | 30 November 2016 | 30 November 2016 |
| 31 December 2016 | 15 February 2017 | 15 February 2017 |
| 31 March 2017 | 30 April 2017 | 15 May 2017 |
| 30 June 2017 | 15 August 2017 | 31 July 2017 |

   Hungri Ltd's annual turnover has exceeded £1 million every year.

   **Briefly explain the default surcharges arising in respect of all VAT periods from 1 July 2016.**

4. Abigail Ltd purchased a newly constructed freehold commercial property on 1 April 2011 paying £6 million (including VAT). Abigail Ltd rented the property to tenants until 31 March 2015. On that date, it sold the property to Bartlett Ltd, an unconnected company, receiving £6.5 million. The same tenants continued to rent the property from Bartlett Ltd until 31 March 2016.

   On 1 April 2016, one tenant left, allowing Bartlett Ltd to use 25% of the property for its own trade of making taxable supplies.

   Both Abigail Ltd and Bartlett Ltd are VAT-registered and have VAT years to 31 March. Neither company opted to tax the property.

**Briefly explain the VAT treatment of the property from 1 April 2011 until 31 March 2017.**

5. Leaflea Ltd, Flowet Ltd and Pine Ltd, are registered in a VAT group. They make sales which are standard-rated supplies when sold in the UK.

The sales by group companies for the quarter ended 31 October 2016 were:

| | £ |
|---|---|
| Sales to unconnected UK companies | 80,000 |
| Sales from Flowet Ltd to Pine Ltd at open market value | 20,000 |
| Promotional sales to unconnected UK companies – see Note | 12,000 |
| Sales to business customers in the US | 5,000 |

Note: A discount of 5% was offered on the promotional sales (shown above before discount) if customers paid within 30 days. 25% of the sales were paid for within 30 days.

In September 2016, Leaflea Ltd discontinued a product line and gave away its remaining stock of the product to existing unconnected UK customers as free samples. The company could previously have sold this stock for £3,800.

All amounts are stated exclusive of VAT.

**Calculate the output VAT payable by the group for the quarter ended 31 October 2016, showing your treatment of each item.**

6. Tulisa makes taxable supplies, giving 14 days credit from the invoice date. She does not use the cash accounting scheme.

Tulisa made reduced-rated supplies to Mick on 20 February 2017 for £600 (VAT-exclusive) but has not received payment.

Tulisa made the following standard-rated supplies of goods to Simone:

| Invoice date | VAT-inclusive sales |
|---|---|
| | £ |
| 31 January 2017 | 1,200 |
| 28 February 2017 | 900 |
| 31 March 2017 | 450 |
| 30 June 2017 | 150 |

Simone paid £900 on 15 August 2017, stating that this was in settlement of the 28 February 2017 invoice. She paid a further £840 on 15 September 2017 with no indication which invoice this related to.

On 31 October 2017, Tulisa wrote off all outstanding amounts owing from Mick and Simone.

**Calculate, showing your treatment of Simone's payments, the amount of bad debt relief that Tulisa is able to claim in her VAT return for the quarter ended 31 October 2017.**

7. Rentre Ltd made the following supplies during the year ended 31 May 2017:

| | £ |
|---|---|
| Standard-rated supplies (exclusive of VAT) | 360,000 |
| Exempt supplies | 50,000 |

The standard-rated supplies included the sale of a machine (which had been used as a capital asset in the business) for £10,000 (exclusive of VAT).

The input VAT incurred by Rentre Ltd during the year was:

| | £ |
|---|---|
| Attributable to standard-rated supplies | 100,000 |
| Attributable to exempt supplies | 6,000 |
| Non-attributable | 40,000 |
| | £146,000 |

Rentre Ltd had initially recovered the full £146,000 input VAT as the company had met the de minimis test in the previous year. The simplified tests 1 and 2 are not met for the year ended 31 May 2017.

**Calculate the annual adjustment to be made for the year ended 31 May 2017.**

8. Bernard uses the annual accounting scheme as he likes to spread his VAT payments as much as possible while minimising time spent completing forms.

His VAT liability was £80,000 for the year ended 31 March 2017. Bernard is expecting his VAT liability for the year ended 31 March 2018 to be £90,000.

**Briefly explain, with supporting calculations, when Bernard's VAT payments and VAT return are due for the year ended 31 March 2018.**

9. Fix is a new UK charity, collecting donations of children's toys and providing them free to children in Birmingham.

Fix bought the freehold of a new building where it stores and sorts donations of toys. Fix also bought a van to collect the donations and to deliver them to children's clubs, hospitals, libraries and directly to families.

Fix has been paid to deliver welfare advice sessions on childcare matters to parents at the children's clubs. Fix bought projection equipment for use at these sessions.

Fix is not VAT registered and the trustees of Fix are concerned that VAT has not been considered previously.

**Briefly explain the VAT implications of the capital purchases and Fix's income.**

10. Sell plc uses a retail scheme (Apportionment Scheme 1) and has a VAT year to 31 March.

During the quarter ended 31 December 2016, the company received the following payments from customers:

| | £ |
|---|---|
| Cash customer sales | 80,000 |
| Receipts for credit sales made during: | |
| September 2016 | 20,000 |
| October 2016 | 17,000 |
| November 2016 | 25,000 |

The company had made credit sales of £35,000 during December 2016, and received full payment for these in January 2017.

In December 2016, a cash till containing £10,000 was stolen and not recovered. The amount had been included in cash sales above.

During the quarter ended 31 December 2016, the company made the following purchases of stock for re-sale:

| | Cost (exclusive of VAT) £ |
|---|---|
| Standard-rated goods | 70,000 |
| Zero-rated goods | 30,000 |

**Calculate the gross takings and the output VAT due for the quarter ended 31 December 2016.**

11. Noah completed the following share transactions, involving stock transfer forms, on 1 November 2016:

1) Sale of shares in Sofat Ltd to Oliver, his brother, for their market value in the form of cash of £9,600 and the transfer of a debt owed to Oliver by a friend of £4,000.

2) Gift of shares in Carpe Ltd, with market value of £7,000, to his daughter on the occasion of her marriage.

3) Transfer of shares in Tabel Ltd, with market value of £15,000, to his former wife as part of their divorce settlement.

**Briefly explain, with supporting calculations, the Stamp Duty implications of the share transactions.**

12. James owns many residential properties in England. In August 2016, James bought five flats on a new development as follows:

| Quantity and type of flat | Consideration paid £ |
|---|---|
| Four one-bedroom flats at £275,000 each | 1,100,000 |
| One two-bedroom flat at £380,000 | 380,000 |
| | 1,480,000 |

**You are required to:**

**1) Calculate the Stamp Duty Land Tax (SDLT) payable if no claims are made.**

**2) State, without further calculation, the alternative SDLT treatment available to James.**