



Chartered
Institute of
Taxation
Excellence in Taxation

The Chartered Tax Adviser Examination

6 November 2019

AWARENESS

Module A – VAT including Stamp Taxes

Where appropriate, you may answer by reference to Stamp Duty Land Tax or Land and Buildings Transaction Tax.

1. On 1 May 2019, Charlie engaged Tackz Ltd to prepare his Self Assessment tax return for 2018/19. It is the policy of Tackz Ltd to invoice 25% of the agreed fee on starting the work (a deposit) and the balance on completion. Charlie does not require Tackz Ltd's services beyond the submission of his tax return for 2018/19.

On 31 May 2019, Tackz Ltd issued an invoice for the deposit of £250. Charlie paid this amount on 6 June 2019.

Tackz Ltd filed the tax return on 21 September 2019. On 2 October 2019, Tackz Ltd issued an invoice for the remaining £750. Charlie paid this invoice on 14 October 2019.

Briefly explain how the tax point(s) will be determined in respect of the above.

	<p>As it is an ongoing service there is no basic point.</p> <p>tax point will be payment date or date of invoice (earlier)</p> <p>deposit: 31 May 2019 £250 tax point at time paid as it is agreed before work starts.</p> <p>filing of return: 2nd October.</p> <p>not ongoing - tax point at date of completion. earlier if paid; invoice issued or later if invoice in 14 days of completion.</p> <p>- 2 October 2019. - £750.</p>	
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2. Haifa commenced trading on 1 September 2019. She expects her monthly turnover (excluding VAT) to be as follows:

	£
Standard-rated supplies	6,300
Exempt supplies	500
	£6,800

Haifa expects to suffer input VAT of £500 per month. This will relate exclusively to her standard-rated supplies.

You are required to:

- 1) Briefly explain, with supporting calculations, why Haifa will not be required to register for VAT based on her expected turnover.
- 2) State two reasons why Haifa may wish to voluntarily register for VAT.

1.	<p>She would need to register if she was expected to go over the threshold in the next 30 days. or</p> <p>using historic test over £ £85,000 in the prev 12 months.</p> <p>$12 \text{ months} \times £6,800 = £81,600.$</p>
2.	<ul style="list-style-type: none"> • To reclaim the input VAT • To prevent late registration should she go over the threshold in the future.

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3. Karl is a VAT registered trader. On 8 August 2019, he bought a car which is used mainly for business purposes. During the quarter ended 31 October 2019, Karl bought fuel for the car totalling £360, including VAT.

The VAT fuel scale charge for the car for the quarter is £252.

You are required to briefly explain:

- 1) The VAT implications in respect of the fuel assuming that Karl applies the fuel scale charge.
- 2) Other options available to Karl for dealing with the VAT suffered on the fuel.

1.	would claim VAT on $360 \times 1/6$	
	= £60	
	but would have an odd back	
	from the charge of £42,	
	allowable VAT of £18 only.	
2.	He could keep detailed record	
	of the mileage and only	
	claim VAT on business miles.	
	or he could claim full full	
	VAT and have a charge on	
	Karl personally.	



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4. Micker Ltd manufactures sporting equipment. In September 2019, the company held the following events:
- 1) A 1920s themed ball for staff. Each staff member was allowed to bring one guest and in total, 90 staff members and 60 non-staff members attended. The cost of the ball was £8,000 plus VAT of £1,600. The company did not levy a charge on non-staff members.
 - 2) A lunch for the directors of the company only at a cost of £300 plus VAT of £60. The lunch was held in the company's boardroom.
 - 3) A sales event held at a local restaurant. The event was attended by 50 UK customers and 10 staff members who acted as hosts. The cost was £3,000 plus VAT of £600.

At the sales event, each customer was given a set of whisky glasses. Micker Ltd is entitled to recover the input VAT on the purchase of the glasses.

You are required to:

- 1) Calculate the amount of any recoverable input tax for Micker Ltd in respect of the events clearly showing your treatment of all items.
- 2) State the further information needed in order to determine if an output tax charge should be made in respect of the gift.

1.	1) as all employees attended + no charge to additional attendees VAT allowable under staff entertaining. VAT recoverable £1600.	
	2) lunch for directors only + not employees doesn't fall under staff entertaining, no recovery.	
	3) Although employees attended they were there as hosts +	

event is in the UK so business entertaining ~~is~~ is not recoverable.

2. need to know the cost of the gift >£50.

need to know if it had a clear logo for advertising.

If it was provided with alcohol.

5. Naimh sells pet accessories to the public. In September 2019, she received her largest order to date, from Mrs Cuthbert, who ordered a number of blankets, bowls and toys with a total value of £480 (including VAT). No discount was given.

Mrs Cuthbert collected and paid for the goods on 1 October 2019. Naimh issued her with a retailer invoice at the same time.

The invoice contained the following information:

- 1) Naimh's name, address and VAT registration number.
- 2) The date of the supply (1 October 2019).
- 3) A description of the goods (Pet accessories).
- 4) The total amount payable (£480).
- 5) The rate of VAT charged (20%).

You are required to:

- 1) Briefly explain why Naimh should not have issued a retailer invoice to Mrs Cuthbert.
- 2) State four additional pieces of information that Naimh should have included on the invoice in order for it to be a valid VAT invoice.

1.	It shouldn't have issued retailer invoice as it is over over the max allowance of £250.	
2.	<ul style="list-style-type: none"> • name, address + VAT no of purchaser. • individual rate charged per item. • Time of supply • Amount payable exc VAT and VAT charged. • individual price + VAT. 	

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6. Staler Ltd's VAT quarters are the quarters ended 31 March, 30 June, 30 September and 31 December. It does not use the cash accounting scheme.

Staler Ltd made the following standard-rated supplies of goods to Capen Ltd:

<u>Date of invoice</u>	<u>Date payment required by</u>	<u>Amount due (including VAT)</u>
1 February 2019	14 February 2019	£ 960
1 March 2019	14 March 2019	2,400
1 April 2019	14 April 2019	1,800

On 31 May 2019, Staler Ltd received £1,500 from Capen Ltd. No indication was given as to how this payment should be allocated.

On 30 September 2019, Staler Ltd wrote off all outstanding amounts from Capen Ltd.

Briefly explain, with supporting calculations, how Staler Ltd will obtain bad debt relief for the amounts written off.

Amount paid in May will be used to write off earliest payments first.
ie £960 for invoice 1.2.19
+ £540 for invoice 1.3.19.
over 60 Bad debt relief is only available on amounts written off in the accounts (which they are) plus outstanding for over 6 months.
on ³⁰ Sept 19 only the remainder of the invoice dated 1.3.19 is outstanding for bad debt relief.

1.3.19 remaining invoice due

$$£2,400 - £540 = £1860 \text{ inc VAT.}$$

Bad debt relief

VAT QTR 30 SEP 19.

$$1860 \times 1/6 = £310 \text{ VAT relief}$$

VAT QTR 31 DEC 19.

$$1800 \times 1/6 = £300 \text{ VAT relief}$$

7. On 1 March 2019, Heidi bought a residential property with the intention of letting it out. The building had been empty since 30 April 2017 and was in need of significant repair. Work at the property started on 1 June 2019. On 1 November 2019, Heidi's first tenant moved in.

Heidi's costs in respect of the property included £10,000 paid to the builder and £1,000 paid to the architect. The builder's fee included materials of £2,000. All amounts are stated exclusive of any applicable VAT.

You are required to briefly explain:

- 1) Why the reduced rate applies to qualifying services in renovating the building.
- 2) With supporting calculations, the VAT chargeable in respect of the above costs.

U.	because it is ^{not a new} anew property and one costs were required for the property to be occupied.
	reduced because its a house in multiple occupation conversions.
	it is a residential property being renovated + was empty for 2 years.

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2. as the builder provided the materials
with one service - VAT rated cost
together. £10,000 @ 5% = 500.

Architect fees are always standard
rated @ 20%. = 2000 x 20% = 400

8. Gopal Ltd made the following supplies (exclusive of VAT) for the quarter ended 31 October 2019:

	£
Standard-rated supplies	260,000
Zero-rated supplies	17,000
Exempt supplies	33,000
Total	<u>£310,000</u>

Standard-rated supplies include £12,000 received in respect of the disposal of plant and machinery used in Gopal Ltd's trade.

Input tax for the quarter has been analysed as follows:

	£
Attributable to standard-rated supplies	23,000
Attributable to zero-rated supplies	1,000
Attributable to exempt supplies	7,150
Non-attributable	9,900
Total	<u>£41,050</u>

The company uses the standard method to apportion input VAT and does not satisfy the simplified tests 1 and 2.

Calculate how much input VAT the company may recover for the quarter ended 31 October 2019.

<u>Standard</u> excl capital	$= \frac{260,000}{310,000} = 84\%$
total supplies	310,000
$260,000 - 12,000$	$= 248,000 = 83\%$
$310,000 - 12,000$	
input tax attributable to SR	
$9,900 \times 83\%$	$= 8,217$
ZR = $\frac{17,000}{298,000} = 6\%$	
$9,900 \times 6\%$	$= 594$

Output VAT

$$260,000 \times \frac{1}{6} = 43,333$$

$$(260,000 - 12,000) \times \frac{1}{6} = 41,333$$

$$\times 20\% = 49,600$$

~~(49,600)~~

Input VAT

SR supplies (23,000)

ZR supplies (1000)

+ 8,217 + 594 (8811)

16,789

$$\text{Input recovery} = 32,811$$

9. Basool Ltd is registered for VAT in the UK, making standard-rated supplies. Until recently, the company had sold goods to customers in the UK only.

In September 2019, it sold goods to a business registered for VAT in France. Payment was taken for the goods on 18 September and the goods were dispatched on 21 September. A VAT invoice was issued on 30 September.

You are required to briefly explain:

- 1) The place of supply and VAT rating of the goods sold to the customer in France.
- 2) The tax point of the supply to the customer in France.

	<p>1. B2B supply is at the place of the customer in France. providing a VAT number was not provided VAT could be charged at zero-rated.</p> <p>There will be an export charge at 20% on the goods.</p>	
	<p>2 Tax point for goods is date they were provided i.e 21 Sept. however as invoice issued within 14 days late tax point overwritten to 30 September.</p>	

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10. On 31 January 2019, Viv's taxable supplies for the previous 12 months were £87,000 and she became required to register for VAT. Viv notified HMRC of this on 1 July 2019. Viv's sales and purchases for the period from 1 February 2019 to 30 June 2019 were as follows:

	<u>Sales</u>	<u>Purchases</u>
	£	£
February 2019	7,700	nil
March 2019	8,400	4,700
April 2019	9,100	5,300
May 2019	7,600	1,200
June 2019	8,200	3,000

All sales are of standard-rated goods.

Purchases include VAT at the standard rate.

Viv's failure to register for VAT on time was deliberate but not concealed. HMRC were not previously aware of the issue.

Calculate the minimum and maximum penalty that Viv may be charged for her delay in registering for VAT.

Should have notified HMRC for registration in 30 days i.e. 2nd March + should be registered from 1 Feb 2019.

notified 4 months late so will be charged penalty of 70% of potential lost revenue as deliberate but not concealed.

AS she made an un-prompted disclosure this penalty could be reduced to 20%.

task 10

lost revenue

	sales ^{20%} × 1/6	purchase × 1/6
Feb	1540	-
march	1680	783
April	1820	883

may not included may + june
june as wouldn't be due until after 31 july
due August.

total sales VAT	5040
purchase VAT	<u>1666</u>
	3374

max penalty
 $3374 \times 70\% = \text{£}2362$

min penalty
 $3374 \times 20\% = \text{£}675$

11. On 1 May 2018, Mr Cup sold 10,000 Ordinary £1 shares in Bowl Ltd to Mrs Saucer. The agreement was that an initial amount of £36,500 would be paid on 1 May 2018, with an additional amount due on 1 May 2019 equal to 10% of the company's profits for the year ended 31 March 2019, subject to a minimum amount of £20,000.

Mr Cup received the £36,500 as planned and a further £22,000 on 1 May 2019.

The stock transfer form was executed on 1 May 2018 but was presented late for stamping, on 7 May 2019.

You are required to:

- 1) Calculate the Stamp Duty payable on the sale of the shares.
- 2) Briefly explain how the maximum penalty for late stamping will be calculated.

<p>1. As the condition for payment on company accounts has a write this is included for stamp duty on the initial payment.</p> $\begin{aligned} &\text{£ payment } (36500 + 20,000) = 56500. \\ &\text{@ } 0.5\% = \text{£}282.5 \\ &\text{rounded to } \text{£}285. \end{aligned}$ <p>due on 30</p> <p>additional payment due for extra £2000 received should be sent with an amended HT form</p> $= \text{payment } \text{£}2000 \times 0.5\% = \text{£}10.$	
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2. form due in 30 days of transfer,
initial penalty of £100
after 3 months penalty of £10 per day
to max 90 days.
6 months penalty for greente £300
of 5% tax £150
9 month additional penalty as
6 month charge.

12. On 1 November 2019, Ruth gifted three residential properties to R Property Ltd. Ruth is the sole shareholder of R Property Ltd.

The total cost of the properties for Ruth was £500,000. Their total market value on 1 November was £540,000.

You are required to:

- 1) Briefly explain what the chargeable consideration is for Stamp Duty Land Tax purposes.
- 2) Calculate the Stamp Duty Land Tax payable by R Property Ltd assuming that a claim for multiple dwellings relief is made.

Credit will be given for answers based on Land and Buildings Transaction Tax.

	1. chargeable consideration is the monetary value of the properties that is being gifted.	
	2. stamp duty will be payable on the MV cost £540,000.	
	companies pay 15% on purchases of properties > £500,000.	
	explan	
	0 - £125,000 @8% = 3750	
	125,001 - £250,000 @8% = 6250	
	250,001 - £500,000 @8% = 20,000	
	£500,001 - £540,000 @15% = 6,000	
	<u>36,000.</u>	

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