Institution **CIOT - CTA**
Course **Adv Tech Cross-Border Indirect**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID

Count(s)	Word(s)	Char(s)	Char(s) (WS)
Section 1	**442**	**1974**	**2415**
Section 2	**784**	**3342**	**4128**
Section 3	**314**	**1305**	**1618**
Section 4	**809**	**3753**	**4563**
Section 5	**614**	**2523**	**3136**
Section 6	**244**	**1072**	**1318**
Total	**3207**	**13969**	**17178**

Answer-to-Question-_1_

salafit (S)

S are poviding electronically supplies services, that is requires use of internet to use and can enjoy the service with minimal human intervention.

the b2B supply of cub memberships will take the place of supply override for ESS and the VAT liability is wher the goods are used ans enjoed - the UK. S inc will raise invoices and this will be subject to reverse chrge in the UK by the clubs

the signing up of 100 members abd getting a reduction of 50%, the economoc substance is that this is marketing hat S is buying. the clubs should really be raising invoices for this supply - a B2B supply of advertisig. this will be ouside the scope of UK VAT with right to recovery for he clubs under s26sb

nuritional coaching

although delivered by a dietician, in their registered field of work, this will not be eligile for the VAT exemtpion of healthcare as it is not being taken out to prevent, maintain and

restore one's health. the are not medically unwell therfore this supply will be considered as a consultancy srevice. that is a 1:1 nutritional advice service bespoke to the indivudual. however here S will act as an agent. UK and US dieticians will be the principal and they will be responsible for chaging UK VAT whre approporate.

the UK dieticians, as they are establisged in the UK may or may not be VAT registered. if this breaches their £85000 threshold they will have to VAT register and charge UK VAT on this supply. However US dieticians engaing with UK cliens directly are prividing B2C supply of services. basic pOS is where the suplier is based but there is a POS overide under VATA 94 sch 4a that switches the POS to where the service is enjoyed which will be UK. they will have to register as Non established taxable pesons (nil threhsold in UK_ and charge VAT on these supplies.

as S will contract wih dieticians to get their commission, they will charge 20% for hire of equipment. this will be B2B supply of services from S to dieticians. when thus is S inc to US dietcians ouside the scope of UK VAT but when this is US to UK dietcians,S inc will not charge VAT but it will be subjec to RC in UK (or count towards the non VAt reg dieticians VAT reg threshold).

the 3% fee for prcessing card payments is a processing fee nd subject to VAT in Uk per above. as it does not change the leal and financial situaion (just transfering info) then not elignle for VAT exmeption (bookit principles)

--------------ANSWER-1-ABOVE---------------

--------------ANSWER-2-BELOW---------------

Answer-to-Question-_2_

Pachtenon (P) will be providing goods and services to the UK market. at no point during the installation does P create a fixed establishement - although staff will be in the UK finalisng design, installing, testing eetc, they are there to service this project.

however as this supply involves moving the goods into the UK, for onward sale in the UK, P will have an obligation to register for VAT. as it will have to move Pax for testing, P can register voluntarily as an intending trader. the legal title to Pax does not pass until after installation therefore the goods will have a UK Place of supply (POS) and therefore will be subject to VAT at 20%. if the testing doesn't go to plan the goods will be removed to germany but understood that they will still be brought back at a laer date for sale. this proof of contracts should be supplied early with the VAT1 applicaiton to HMRC to show of its intending trade. this will allow any input tax incurred to be recovered - as at the time of spend there is an intention to make an onward taxable supply in the UK.

P will therefore be the importer when it brings the goods into the UK for testing. import VAT will be payable on the price that Z will pay (under method 1 this will be the £120k + any free of charge supplies) and cost of insurance and freight into UK and CD. import VAT at 20% will be payable or decalred hrough postpobed VAT accoutning on P's UK VAT return.

if PAX has to be eturned to germany, it will be a zero rated export on the UK VAT reutrn. when it comes back in to the UK P will be able to declare returned goods relief (as they were the exporter and now the importer again) as long as P can show export declaration and declares on the C88. retruned goods relief would be based on the fact that PAX has not been maerially altered since it left the UK. if it didnt meet this criteria improt VAT would be payable again by P (and delcared hrough PVA)

when the engineers accompany Pax, any input tax incurred on accom, subsistence will be recoverable through the UK return but any client entertaining would be blocked. at thsi point pax is now installed in the UK and legal title passes on the sale to Z. POS is UK therefore P charges Uk VAT on £120k of £24k and decalres as output tax on UK VAT return. any packagin materials - it is unclear if these are supplies to Z directly from the UK - it is assumed so, therefore these will be subject to VAT at standard rate.

the analysis of X's operations is a supply of services. although based in the UK this is not a land related supply of services. this is B2B supply from germany to UK - basic POS is where the recipeitn is based and there is no POS override therefoe Z should account for these services under the reverse cahrge mechanism when an invoice is recieved from P

the transport to he UK is a single supply of several elements of services - tranport with anciallary elements, unloading, installation. installing by engineers is a land relates supply of services sch 4A para 1(subjecto VAT in the UK), transport to germany and unloading in UK will be subject to VAT in UK under para 9A therefore B2B supply of services from germnay to UK ad Z will have to account for VAT under rc.

the extended cover is essentially an insuance cover - the first year is a warrant but extneded is insurance (undre prudential rules). therefore B2B supply of insurance - subjecto VAT inUK. as would be exempt in UK - no VAT due by Z

he repair costs P pays o the UK seld emplyes subcontractor this will be B2B supply of services where the Uk subcontractor will raise an invoice to P. this will be outside the scope of UK VAT but will be subject to a mandatory reverse chagre in germnay by P. note the repairs are not land related service

any parts shipped from Germany will be export on thir german VAT return but subject to UK VAT -if they are under £135 P should not pay import VAt but charge output VAT to Z. if they are over £135, P will be the importer and will have to pay import VAT. if these are covered under the 3 year warranty, P will have to pay import VAT but as they are not for onwards suply cannot recover

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--------------ANSWER-2-ABOVE---------------

--------------ANSWER-3-BELOW---------------

Answer-to-Question-_3_

tjre is a question whether S, by hiring Blendog (B) is creating a fixed establishement for S in he UK. it has been proved through the courts that this is very hard to esablish.

S is retaining title to the goods and is still the the importer of records when goods arrive into NI therefoe this has to assume remains.

S by importing into NI will suffer Customs duty at the EU rates. these will be slightly higher than if it were to import into the UK directly. B is not he importer, therefore any duties payable will be down to S. it will have to register for VAT, gain a EU EORI number.

alternatively B could operate a CW or if the process is more than normal means of handling of goods allowed in a customs warehouse (CW), an IP process, or to carry out the beldning, pacjkaing, on S's behalf. as NI is still int he EU for the movment of goods, the packaging imported into ireland will not incur further customs duty. a CW, or an IP, would allow the processing to happen before goods are relaesed for customs duty

service argeement between S and B will be a B2B supply of services where Place of supply is where he recipient is based - that is B, in UK. Ni is outside of EU for services. therefore B will subject the supply to RC in the UK

S cahrge to UK csutomers

as S is selling to private customes in te Uk it will have to regsiter as a non established taxable person asn charge UK VAT. if the goods are under £135 (likely) then no import VAT is due but domestic VAT is charged instead.

S charges to EU customers

S will have to register for he non union One stop shop to charge EU cusotmer (irish) customer local VAT

--------------ANSWER-3-ABOVE---------------

--------------ANSWER-4-BELOW---------------

Answer-to-Question-_4_

CWealth (CW) is prividing deposit accounts for UK customers and financial advisory services. financial advisory services where advise is the main supply is a taxable supply. in the case of Bloombsbury where an IFA was providing initial advice with a view to investing, the whol supply was deemed to be exempt. that is it was a single supply of financial intermediation servies which was exempt-the advice was deemed ancillary to the intermediation. here however on he assumtion that customes are receiving 1:1 advice on their bespoke finanical affairs, this will be a taxable supply when made to customers in the UK. the depository services will be an account for customers to retain cash - this is not an exempt supply as it is merely the holding of cash. no lgal or financial situation is changed by holding cash therefore will be standard rated if a fee is charged.

Luxembourg is in the EU therfore where a customer engages with the Lux FE, from lux, they will enter the contract with Lux FE as this is the closest establishment to the supply. th lux FE has sufficient humand and technical resources to make and receive taxable supplies so will engage with lux customers directly.
VAT at the local rate will be charged and put though local VAT return. if an EU customer, outside of lux, wants to engage CW then this will be a B2C supply of services unless overrides.

invesmtnet management services

qhen supplying these to wealthy customers CW will be not be managing SIF (special investment fund). a SIF means the fund carries the risks to he underlying investors, is available for the greater good. therefore these serviecs will be subject to VAT at 20%. the wealthy investors may have access to different markets, will want bespoke advice. it does not meet VAT exemption

however where CW manages collective funds then these have been determined to have the characteristics of SIFs. the end consumer is allowed to join a bigger fund to get access to marktes it cannot access alone, it bears the underlying risk if the fund appreciates or falls in value, in getting fewer returns. the case of ATP determined that dfined contribution schmese had the element of SIF and therefire were allowed to supply their serviecs as VAT exempt. CW's servics to CIFs will be VAT exempt when supplied to UK funds

similary as the ATP case is an EU case, the investment manahement services supplies to lux funds from the Lux branch will be subject to VAT exemption (unde the PVD).

whree a fund does not met he characteristics of a SIF, then VAT will be charged (as cannot be apportioned per the BlackRock case).

administration of SIFs, under Abbey national principles, are eleginle for the VAT exmeption. therefore the staff if they are offering these services to the funds can subject them to VAT exempt in UK and in LUX
if any services are pivide to once anoher, that is from CW uk to CW LUX will be outside the scope of UK.

the buying and selling of securities is an esxmept supply of finance. howver CW is only arranging these services for the funds ao will fall under admin fees per above and will be

exempt

wealth corpoation will be supplying marketing support (subject to VAT), software packages (when bespoke a supply of services when off the shelf a goods), and a loan (an exempt suply of finance). where the software is used for the management of the CIFs, then this would be exempt. when not collectively for both then subject to VAT.

if put into one supply under CPP need to access whether there is a predominant element or whether they ned to be invoiecd separately. if it is ivnoiced in 1 fee hen marketing ans software will be subject to VAT in he UK. WC is recharging all costs with 8%. the rechagre would lose is original VAT liability. therefore this is a B2B supply of services and he place of supply is in he UK, where the receipient is. CW will have to subject it to reverse charge and recoverable through its partial exmeption recovery rate. this will be a contunuous supply of services and the tax point will be at the earlier of when an invoice is raised or is paid.

to minimise the VAT cost in CW, WC could splut the supply into different invoices where only the marketing would be subject to VAT under the RC. if the other supplies are separaely identified then there may be more exempt supplies. they would not be subject to RC as would be exempt if bought in UK.

alternatively CW could apply for a PESM and consider using headcount for staff employed on sepcific clients or consider if there is a more fair ans reasonable apportionment of input tax

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--------------ANSWER-4-ABOVE---------------

--------------ANSWER-5-BELOW---------------

Answer-to-Question-_5_

G is importing ino GB whihc is now otuside of the EU for he movemebt of goods therfore UK Tariff will apply and valuation methods to its imports.

the valuations methods 4 and 5 are for related companies where the sale price to one another can be influenced. the rules on valuation methods mean that they cannot be picked - they are on a hierarchical order that is if method 1 works you use if not move on. however method 4 and 5 can be mixed depending on what information is available.

method 4 sales minus

this looks at G's onwards sales and is able to look at what its selling price is to an unrelated party (within 90 days) and ddeduct any of its processing / profit margins to get its oiginal value at import

£75 - 8 = 67

CD = CIF (per above) plus insurance and freight * 4% * 1500 units

£4020

method 5 cost plus

when buying in from a relatd party, G has access to U's costs and profit margin it has used for other customes which it should include in this value. as U does not sell to another custmer in the UK, it is hard to tell whether these profit markup values would be acheivable in the UK market so it may be an inflated price. the rules state to include all cost or value of materials and to include an amount for pofit and general overheads. thereafter to include the general assists that are applied to method 1, that is royality and trnasport and freiht to UK.

the CD value is CIF - value and insruance and freight to port of entry to UK

this will be £45 + 14 + 3 + 1 = £63

it is undestood that the insurance and freight is not double counted here - using the insruance and reiht per unit

CD £63 * 1500 *4% = £3780

th advanage here is that G can apply the more preferbae one - herefore can choose method 5 as it gives a lower value.

declaring import VAT on the C88 means that G will be using the C79 to recover the input tax on its UK VAT return. that is paying upfront and then recovreing through the return. whereas using PVA, it still neesd to be declard on the C88 that PVA will be used, therefore the debt is decalred at the same time - on the c88. the difference is when the debt has been paid. import VAT will be based on the CD value so Impot VAT has been

underdeclared by G and any liabiity will be due from when the amount was due to be paid versus when the amount wsa paid. using PVA this happens later on he VAT return so can delay the due date

G is newly incorporated and newly VAT registered so HMRC may assess this as careless and as long as G corects improt declarations going foward, G may not be due any penalty. however the amount that G has underpaid, declaring £20 instead of £63 and ahving no due care or seeking professinal advice in how to declare if unknown would reflct tht G has not acted in good faith and with due care.

HMRC are therefore likley to issue a penalty for an untrue declaration at £250. they could issue up to £250 per declaration. or they could issue a civil evasion penalty. that is G would be penalised for the amount of duty sought to be evaded (100%) penalty. the latter may appear a little harsh but G should expect some penalty as he amounts are largely undervalued at £20

--------------ANSWER-5-ABOVE---------------

--------------ANSWER-6-BELOW---------------

Answer-to-Question-_6_

as M is in NI, it is still in the EU for the movemebt of goods. algeria is not in the EU.

goods that are in a CW have not been released to free ciculation yet therefore the CD of 4% has not been paid on them yet. only when hey are released for free circulation in the EU will the CD be payable. if they exported outside of he EU, without being released ino free circulation, no CD is due.

M can use the T1 external transit procedure for goods that are not in free circulation in the EU. that is they are mocing from 1 customs proecdure to anoher. as the goods are moving to algeria, and not into another EU CW it may be more beneficial to use a TIR carnet.

this is an internationally recognised transit procedure where goods can be moved between customs territores. in order for goods to be moved duty free, they need to be moved with in secure loads, thre would need to accompanyied with a TIR carnet docuemnt detaling the goods, suppluer, customer, they need to be covered by an internationally recognised guarantee, using customs authorities that are competent and approved (the EU is so movemebt from ireland through EU onto algeria would be covered).

note if goods are realeased into free circulation on the journey, and due care is not taken, then he owner of the goods is held responsible for paying the duty