

The Chartered Tax Adviser Examination

May 2021

Application and Professional Skills

VAT and Other Indirect Taxes

Pre-seen information

You may print this copy of the pre-seen information for your exam, however it will be contained in the final Exhibit in each question.

Pre-seen information

Client Name

Sandsails Ltd

Client Background

Incorporated in the UK on 1 June 2010.

Company Registration Number: SA123410.

Its principal place of business is at:

110 Beach Road

Chington

Winshire

WM8 1SW

Shareholding

The capital of Sandsails Ltd is divided into 100 ordinary shares of £1 each owned as follows:

Peter Henry Ording (Managing Director): 90 shares

Marina Anne Ording (Company Secretary): five shares

Rudolf David Ording: five shares.

Peter ('Pete') and Marina are husband and wife.

Rudolf ('Rudy'), aged 21, is their son.

The Companies Act 2006 Model Articles are used.

Business

The sale and hire of equipment and facilities to customers for sand sailing on its own land (Furlong Field) and on Chington Sands (licensed from the Crown Estate at an annual fee of £10,000); supply of training sessions; sales from shop and kiosk.

Sandsails Ltd also owns and operates Chington Zephyrs, a club set up on 1 June 2015. A copy of the Club Constitution is here on file. Members enjoy a number of benefits, including priority booking of sailing sessions, discounts, free parking and use of the clubhouse.

Sandsails Ltd employs two qualified instructors (Rudy being one), four other staff and a part-time bookkeeper.

Corporation Tax

Liable to Corporation Tax on its profits.

Auditors:

Sawyers LLP

99 The Esplanade

Wilminster

Winshire

WM1 2PL

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VAT

VAT-registered, with effect from 1 June 2010.

Registration number GB 010 0878 66.

Approved by HMRC for annual accounting, with an accounting year ending on 31 December. Payments on account are due in April, July and October.

The Company operates a Point-of-Sale Scheme for the shop and kiosk, using electronic tills, to record standard rated and zero-rated sales.

On 1 July 2012, the Company waived VAT exemption over its offices at Beach Road and the other land and buildings at Furlong Field.

Extracts from the Financial Statements for the year to 31 December 2020:

<u>Income</u>	<u>2020</u>	<u>2019</u>
	<u>£000s</u>	<u>£000s</u>
Tickets and hiring	528	467
Sales of equipment	42	39
Instruction/training	52	47
Refreshments	37	29
Storage and parking	10	8
Club subscriptions	<u>71</u>	<u>69</u>
Total income	740	659
<u>Expenditure</u>		
Cost of sales	45	120
Staff costs	162	144
Operating expenses	81	77
Rent and rates	<u>22</u>	<u>21</u>
Total expenditure	310	362
Profit before Taxation	<u>430</u>	<u>297</u>

Summary of Annual VAT return for the period ended 31 December 2020

<u>Box</u>	<u>Description</u>	<u>£</u>
1)	VAT on sales and other outputs	145,000.00
2)	VAT on acquisitions from other EC member states	0.00
3)	Total output VAT	145,000.00
4)	VAT reclaimed on inputs and acquisitions	21,750.00
5)	Net VAT paid to HMRC	123,250.00
6)	Total value of outputs, net of VAT	740,000.00
7)	Total value of inputs, net of VAT	136,000.00
8)	Total value of supplies to other EC member states	0.00
9)	Total value of acquisitions from other EC member states	0.00

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Constitution of Chington Zephyrs

Dated 1 June 2015

Name

The name of the Club is Chington Zephyrs.

1) Definitions

“BFLSC” means the British Federation of Land Sailing Clubs;

“Club Premises” means the clubhouse located at Furlong Field, Chington, Winshire, WM8 1SW;

“Club Rules” means those bye-laws made or amended by the General Committee from time to time;

“Club Year” means the calendar year beginning on 1 January;

“General Committee” means the body constituted by Article 7;

“Proprietor” means Sandsails Ltd;

“Sand Sailing” means the sport of sand sailing (also known as land sailing, land yachting or sand yachting) or similar sport.

2) Objects

The objects of the Club are the promotion of Sand Sailing in a sociable environment with the other advantages and facilities of a club, including without limitation:

- 2.1 to enable its members to enjoy and participate in Sand Sailing;
- 2.2 to offer such benefits to members as the Proprietor shall from time to time decide;
- 2.3 to operate the Club Premises and other facilities of the Club;
- 2.4 to take and retain membership of the BFLSC and to comply with and uphold its Disciplinary Code as may be applicable from time to time;
- 2.5 to do all such other things as the General Committee (with the approval of the Proprietor) thinks fit to further the objects and interests of the Club.

3) Membership

3.1 The members are those persons who have been admitted to membership in accordance with this Article.

3.2 Junior membership is available provided that a junior member is proposed by an adult member.

3.3 Acceptance of members is at the discretion of the Proprietor.

3.4 Annual subscriptions are payable at such rate as the Proprietor shall determine and are payable on acceptance as a member and subsequently at the beginning of the Club Year.

3.5 A person shall become a member after he has paid his first annual subscription and shall be deemed to have agreed to be bound by this Constitution and the Club Rules.

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- 3.6 A member may resign his membership at any time by letter delivered to the Secretary.
- 3.7 The Proprietor may, after consultation with the Chairman, expel or suspend from the Club any member whose conduct, in the opinion of the Proprietor, might be injurious to the interests of the Club provided such member if he so requests is given the opportunity to defend himself and justify or explain his behaviour.
- 3.8 Any member who resigns or who is expelled immediately forfeits all the privileges of membership without claim for any refund of subscription.

4) Rights and liabilities of members

Subject to this Constitution and the Club Rules, every member is entitled to enjoy and use, in common with other members, the Club Premises and things provided by the Proprietor for the use of the Club on such terms and conditions as to payment or otherwise as the Proprietor may from time to time stipulate.

5) Officers

- 5.1 The officers of the Club are the Chairman, the Secretary and the Treasurer.
- 5.2 The officers of the Club are appointed by the Proprietor who may remove any officer from his office at any time.
- 5.3 The Secretary must keep a register of members and conduct the correspondence of the Club.
- 5.4 The Treasurer must keep an account of the receipts of the Club and how they are expended and must make available a statement of account at the annual general meeting.

6) General Committee

- 6.1 The General Committee consists of the officers and not more than three adult members elected at the annual general meeting of the Club ("the Elected Members") and shall meet at least once every month to arrange the affairs of the Club.
- 6.2 The Elected Members shall retire at the end of each year but are eligible for re-election.
- 6.3 Any three members of the General Committee form a quorum, provided such quorum includes at least two officers.
- 6.4 The General Committee has all the administrative powers necessary to carry out the objects of the Club in accordance with the Constitution.
- 6.5 The General Committee shall produce an annual budget which shall be subject to the approval of the Proprietor.
- 6.6 The General Committee shall not incur liabilities and expenditure beyond the limits of the approved annual budget without the consent of the Proprietor.

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7) Club Rules

The General Committee may from time to time with the approval of the Proprietor make or amend rules (not inconsistent with this Constitution) for the regulation of the Club and conduct of members.

8) Annual and special general meetings

8.1 An annual general meeting shall be held at such time in every year as the General Committee shall determine for the election of Elected Members, to adopt the accounts and for any other permitted business.

8.2 Special general meetings may be convened by the Proprietor or by the General Committee on written request to the Secretary, signed by not less than one-fifth of the total membership.

8.3 Not less than 14 days' notice shall be given of an annual or special general meeting and shall specify the business to be transacted.

9) Constitution

9.1 The Club is a proprietary club belonging to the Proprietor.

9.2 The Proprietor is responsible for providing the Club with the Club Premises and all necessary facilities for carrying on the Club in accordance with its objects.

10) Dissolution

10.1 The Club may be dissolved by the Proprietor at any time.

10.2 On the dissolution of the Club by the Proprietor such property of the Club as belongs to members must be disposed of in a manner decided by the members in a general meeting.

11) Disputes

Any dispute which may arise as to the interpretation of this Constitution or the Club Rules must be determined by the Proprietor whose decision is final and binding on all members.

12) Interpretation

12.1 In this Constitution references to the masculine include the feminine and, where appropriate, the singular includes the plural.

12.2 Headings are for ease of reference only and do not affect interpretation.