

ASSESSMENT NARRATIVE FOR PILOT PAPER



Chartered
Institute of
Taxation
Excellence in Taxation

Structure

A simple pass or fail will be awarded.

Identification and Application

The following are the relevant topics for assessment with their weightings:

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| 1 | 35% | Calculating the cost of buying from Fountain Ltd in the UK. All costs incurring VAT. Identifying deduction of prompt payment discount. Calculating the cost of buying from Bangladesh. The use of method 2 and why. Identifying the exclusion of the annual fixed fee and buying commission in the calculation of customs duty and advice about separate invoices. Explaining why the goods do not qualify for preference and identifying EU freight affects import VAT but is not included for duty. Explaining the extra administration with importing, EORI, appointing freight agent, supplying commodity code and value and SuperStationery Ltd solely liable for debts. Suggestion of setting up a duty deferment account and the need for a CCG. |
| 2 | 10% | Identification of pre-registration VAT and possibility of recovery on first VAT return. |
| 3 | 10% | Explaining that the grant is outside the scope of VAT and identifying the recovery of pre-registration VAT on the legal costs, 50% of the lease of the car and recovery of VAT on the van and uniforms. Calculating the amounts to recover. Assessing the company law considerations of the grant. Advising that the grant can be used to pay back Samuel and can be used for other costs to be incurred as company law is not breached. Detailing the periods required for filing accounts. |
| 4 | 10% | Identifying indirect tax implications of the new premises: Calculating SDLT on the premium and the rent and advice restructuring and identifying the potential partial exemption issue. |
| 5 | 25% | Identifying the direct tax consequences of the new premises: rental income can be included in trading profits and benefit of this; the repairs deductible against trading profits and capital allowances available; producing a comparison on leasing the forklift truck as opposed to buying one. Identifying and calculating taxable benefits on the employees and doing a comparison with the company leasing the car. |
| 6 | 10% | Identifying the tax consequences of the online sales. |

A grade of 0,1,2,3, or 4 is awarded to each topic. The weighting is applied to that grade to produce a weighted average grade. Thus, supposing a candidate scores 3, 3, 3, 4, 2, and 2 respectively on the above topics, this will equate to weighted scores of 1.05, 0.3, 0.3, 0.4, 0.5, and 0.2. The total of these scores is 2.75. This is then converted to a final absolute grade by rounding up or down to the nearest grade. Thus, scores in the range 2.5 to 3.49 will be a grade 3. In this example, the candidate will score a grade 3 overall and secure a pass for this skill.

Relevant Advice and Substantiated Conclusions

The following are the topics for assessment with their weightings:

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| 1 | 55% | Analysing the tax and commercial implications of the two scenarios of either buying from Fountain Ltd in the UK or importing directly from Bangladesh and recommending importing as the option to pursue and justifying why. |
| 2 | 35% | Advice about tax savings on the new premises. Recommending paying a higher premium for SDLT and a lower rent to save tax and that no option to |

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| | | tax is needed on the warehouse as there is no partial exemption issue. Renting a forklift truck will be preferable to buying one and concluding why. A personal lease should be taken out rather than the company leasing the car and showing why. |
| 3 | 10% | Advice about the new venture into online sales. |

The final grade will be determined for this skill in the same way as for Identification and Application.