Institution **CIOT - CTA**
Course **Adv Tech Cross-Border Envrmnt Taxes**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID

Count(s)	Word(s)	Char(s)	Char(s) (WS)
Section 1	**708**	**3060**	**3760**
Section 2	**597**	**2853**	**3446**
Section 3	**995**	**4552**	**5546**
Section 4	**419**	**2082**	**2496**
Section 5	**805**	**4007**	**4809**
Section 6	**933**	**4413**	**5341**
Total	**4457**	**20967**	**25398**

Answer-to-Question-_1_

Current Position

The current sales Litopa (L) makes of adult clothing are standard rated for VAT purposes (VATA 1994) when the sale is to private individuals in the UK and if the clothes are held in the UK. This is a domestic supply.

Sales to EU and non EU

The sales L makes to customers in Europe and outside of Europe are both exports. These supplies can be zero rated by L provided that L retains sufficient evidence that the goods have left the UK.

Imports from China

VAT

If L is importing the clothes in bulk from the Chinese manufacturer, these will not meet the low value consignment rules because the low value consignment rules are only for consignment values of £135 and below.

The imports do not fall under VATA 1994, s.7 (6) because L is importing them, not the Chinese supplier.

The supply of the clothes from the Chinese supplier to L is therefore outside the scope of UK VAT as per s.7 (7). However, import VAT will still be due by L as the importer.

L can use postponed VAT accounting to account for the import VAT on it's UK VAT return. It will enter the import VAT into box 1. In this case, because L is making an onward taxable supply of the clothes, it can recover this as input VAT in box 4 of its VAT return.

Customs Duty

Customs duty will be payable upon entry of the goods into the UK. Unless there is a trade agreement negotiated with China, it is likely this will be at a positive rate.

This cannot be recovered by L.

L will need a GB EORI to import the goods.

Unless L has a duty deferement account, customs duty will be payable within 10 days of the notification to pay customs duty.

Options to reduce Customs Duty

For the goods that L is importing from China and then re-exporting to outside of the UK once an overseas order is received, if these goods are stored in a customs warehouse, L would not need to pay import VAT and customs duty on the goods that are re-exported.

To save on needing to run a customs warehouse as warehouse keeper, L could use a public warehouse and store goods in another warehouse run by an independent warehouse keeper.

Returns - Returned Goods Relief (RGR)

Goods that are in free circulation and are returned within three years of export without having had an significant changes in state (i.e. no significant processing) are elegible for returned goods relief.

The clothes that overseas customers return to L would be eligible for RGR. This gives relief from both the import VAT and customs duty on reimport into the UK.

For import VAT the relief rules are stricter and require L to be both the exporter and importer of the goods.

Jujup

Unless Jujup is established in the UK, then L will be running a fulfilment house due diligence scheme. This is because L will be storing goods for JuJup that are imported into the UK, are not owned by L (but by JuJup (J)) and J is not extablished in the UK.

L should notify HMRC and apply to run a fulfilment house due diligence scheme at least 45 days before L imports the goods from J.

It is a criminal offence to run a fulfilment house due diligence scheme without approval from HMRC.

HMRC will check that L is a fit and proper person, and once approved will issue L a reference number.

L should keep adequate records of the imports from J and ensure that J is registered for

VAT in the UK.

If J is not registered for VAT in the UK, L will need to work with J to ensure that J registers for UK VAT and meets its UK VAT obligations.

Service Charge to JuJup

This is a supply of services from L to J and falls under the normal B2B supply rules. The place of supply is where the customer belongs, in this case J. Therefore, when L invoices J, L should include narrative that the supply is outside the scope of UK VAT, but may be subject to a reverse charge in Hong Kong.

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

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

Answer-to-Question-_2_

Plastic packaging tax is a tax on chargeable plastic packaging components.

Chargeable means that the plastic packaging component:
- Has less than 30% recycled plastic as a percentage of total plastic; and
- The product is finished (undergone its last substantial modification).

Plastic packaging components are those which contain more plastic by material than any other product, and are held for packaging purposes.

An entity must register for plastic packaging tax if it either produces or imports:
- 10 tonnes of plastic pacakging components within the last 12 months; or
- Envisages that it will in the next 30 days import or produce 10 tonnes of plastic packaging components.

Plastic Mould

All plastic packaging components except those used for transport purposes and in stores count towards the registration threshold. Therefore, although 42% of the mould is recycled, these plastic moulds still count towards the registration threshold for PPT (plastic packagin tax) purposes for GB Chutney.

At the 31st May 2025, GB Chutney (GBC) has imported 5*0.7 tonnes = 3.5 tonnes.

Therefore, at the 31st May, there is no obligation for GBC to register for plastic packaging tax.

On the 1st June 2025, GBC knows that in the next 30 days it will import over the 10 tonne threshold. Even though the moulds are not chargeable, they still count towards the threshold.

GBC will need to inform HMRC within 30days of forming the intention to import the plastic packaging components, i.e. they must inform HMRC by the 30th June.

They will be registered from the date of intention, i.e. the 1st June.

In the look back test, they would be registered from the 1st of the month after the date they breached the 10 tonne threshold, with no free 30 days like for VAT registration purposes.

Note that provided that the plastic mould is solely plastic and the 42% recylced material is 42% of the total **plastic**within the mould, then PPT will not be due by GBC on this product.

Additional Plastic Packaging

PPT will be due on the additional plastic packaging (i.e. it is chargeable) because less than 30% is recycled.

Given that the reclycled material is melted down and part of a manufacturing process, it does still consitute recylced.

The PPT due will be £217.85 * 12 tonnes = £2,614.20

GBC is responsible for the tax as the manufacturer.

However, GBC will be eligible to a credit on the amount of plastic packaging that is subseqnetly exported = 25% * £2,614.20 = £653.55.

Record Keeping Requirements

GBC will need to submit quarterly returns for PPT from its registration date, and also pay the PPT due by the last day of the month following the relevant quarter.

For example, in the above case, the £2,614.20 will be due to be reported on the quarter to September, submitted and paid by 31st October.

There is no longer a requirement for GBC to include a breakdown of the PPT on the invoices to its customers. Commercially however, GBC can pass the PPT onto its customers.

If GBC is late in registering, it could be liable to a fine the greater of £20k or three times the amount of relevant PPT.

Any late returns submitted by GBC will incur a £100 penalty, and if there are further returns not submitted on time within 12 months of the first late submission, £200 is payable, increasing up to £400 for each late return submission from the fourth error onwards.

Failure to pay PPT by the deadline can result in a penalty of 5% of the lost revenue being paid by GBC.

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

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

Answer-to-Question-_3_

There are several different supplies which need to be considered from a VAT perspective.

Supply from PSU to Affumat SpA

PSU is supplying the services of the management and arrangement of the clinic trial to Affumat SpA.

Under the normal place of supply rules, for a business to business supply such as this, the place of supply is the place where the customer belongs.

Given that the pharmaceutical company belongs in Italy, this supply will be outside the scope of UK VAT. On its invoice to SpA, PSU should highlight narrative to that effect.

There may be a reverse charge which needs to be applied in Italy on these services, and SpA should consult a VAT expert in Italy to clarify this.

Note that where an entity has sufficient human and technical resources at its disposal with a sufficient degree of permanence, then an entity will be said to have a fixed establishment in a certain juridiction.

In such a case, an entity is said to have a place of belonging where the fixed

establishment is, and if this fixed establishment is that most closely linked to a supply, then will be the place of belonging when ascertaining the place of supply of that particular service.

In this case, assuming that SpA cannot utilise the resources used within the trial at its disposal, e.g. the clinic, then it will belong outside the UK. If this were the case and SpA had a fixed establishment in the UK, this would be a standard rated domestic supply from PSU to Affumat SpA.

Supply of services from GP to PSU

There is a question as to whether this is a supply of medical care from the GPs to the individuals which would be an exempt supply under Schedule 9, Group 7, Item 1.

Although the GPs are administering the pharmaceutical products and placebos to the individuals, this is on the instruction of PSU.

Ultimately PSU has engaged the services of the GPs to supervise and oversee the clinic trials it is running. The GPs are therefore providing a supply of supervision to PSU. This is consistent with various case law in this area whether services constitute exempt medical services or a standard rated supply of staff.

In this case, given that the GPs are ultimately answerable to PSU in this supply, this is a standard rated domestic supply and the GPs should charge 20% on their invoices to PSU.

PSU can recover this in full on its UK VAT return as it relates to the onward supply of management and facilitation services to SPA. It is likely that PSU is partially exempt from a VAT perspective with being a university.

Payment from PSU to the individuals

Given that the individuals are performing the work in a personal capacity, the payment of the £20 they receive from PSU does not consitutute consideration for a supply for VAT purposes.PSU should not expect any input VAT on the £20 fee it is paying the individuals.

UK Lab Supplies to PSU

The UK lab is supplying a supply of services to PSU. Every six weeks where the participants atttend the clinic, the UK lab are providing analysis from examination services and blood test analysis to PSU, which PSU is then in turn providing to SpA.

This is a standard rated supply from the UK Lab to PSU, and the Lab should charge 20% on the supply to PSU. This supply does not fall under any of the exemptions under Schedule 9, Group 6 or 7.

Import of Pharmaceutical Product and Placebo from Affumat sPA to PSU

As Affumat SpA is impprting the Product and the Placebo product into the UK, it will be responsible for the import VAT and customs duty on the imports. SpA will therefore need to register for VAT in the UK as an NETP. There is no registration threshold for an NETP.

Once registered, Affumat SpA will be able to charge itself import VAT under postponed VAT accounting. This will not be recoverable if there is not an onward taxable supply of

the product to PSU. If Affumat gives the products to SPU for free as part of the trial, the import VAT will not be recoverable by Affumat.

If the goods originate in Italy, it is likely they will qualify for zero rate relief (customs duty) under the Trade Cooperation Agreement, therefore there will be no customs duty payable on entry into the UK.

Unfortunately these goods do not meet the conditions for zero rate relief of import duty under Group 5, Schedule 2, VAT (Imported Goods) Relief ORder 1984.

Import of the electronic devices

The supply (lease of the goods)from the Italian Company to Affumat SpA is outside the scope of UK VAT.

If Affumat were leasing the goods to SPU, this supply would be a supply of services if ownership of the goods did not transfer to SPU at the end of the lease, or a supply of goods if ownership of the devices did transfer at the end of the lease.

However, in this case in reality Affumat SpA is importing goods into the UK, therefore customs duty and import VAT will be payable.

Customs duty can be relieved on those items (the 70%) which are then shipped to Germany after use. This is under the temporary admission procedure. If they do not qualify for full relief under the temporary admission procedure, 3% customs duty will be payable each month the goods are in the UK.

Temporary admission applies provided that the goods are not in the UK for longer than 2

years, this appears to be the case as the trial is only lasting 6 months.

Authorisation and a guarantee would be needed by SpA to utilise temporary admission.

Note that there is no relief for import VAT under the partial customs duty temporary admission relief. Import VAT relief is available in full when the goods fall under the full relief criteria.

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

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

Answer-to-Question-_4_

Summary of Excise Warehouses

Excise warehouses are a method of suspending excise duty payable. Ordinarily, excise duty would be payable on import when goods are released into free circulation. Whereas, with an excise warehouse, Orne Vodkae (OV) would be able to import vodka into the UK and it be held in an excise warehouse with excise duty only being paid when the vodka is released into free circulation and removed from the warehouse.

Authorisation

Authorisation is required to run an excise warehouse. An application must be submitted to HMRC on EX68. Alpha AB Ltd should complete this application as Alpha AB will be the warehouskeeper under the arrangement.

AB should do this at least 45 days before storing Orne's vodka within the warehouse.

Release of goods to free circulation

When goods are released to free circulation, excise duty becomes payable.

Activities which can be carried out under an Excise Warehouse Arrangement

If Orne Vodka was to work with AB and if AB set up an excise warehouse in the UK, only certain activities can be carried out within the excise warehouse. These include activities such as sorting, separating, packing, repacking Orne Vodka's vodka which is necessary for its preservation and sale in the UK. (Sch1, Excise Warehousing Regs 1988).

Conditions and other considerations

There are numerous requirements, record keeping reqirements and other conditions which warehousekeepers which Alpha Ltd would need to carry out as warehousekeeper.

Under the arrangements, AB would need to submit a daily list of items leaving the warehouse to HMRC, and payment of the excise duty would need to be made daily.

However, AB could apply for scheduling which could allow a list of removals from the warehouse to be submitted by AB twice a month, with payment of excise duty only once a month.

For excise duties, the accounting period runs from the 15th of one month to the 14th of the next. Under scheduling, say for the period from 15th January to 14th february, AB could:

- Submit a list of removals from the warehouse on the 4th of February (covering the period 15th January - 1st February) and on the 16th February (covering the period from 2nd February - 15th February), instead of daily.

Under scheduling, payment of excise duty would be on the 29th February for the period 15th January - 14th February.

Warehouses for alcohol would also require returns to be submitted within 14 days of the end of the stock period.

AB would need a guarantee for the scheduling above.

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

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

Answer-to-Question-_5_

Part One

Background of AEO Status

Being an authorised economic operator is a recognised status which allows many benefits to holders of the status such as including guarantee waivers for duty deferment accounts, access to simplified procedures and AEOS holders to benefit from MRAs.

If GBlecky (GBL) lost this status it would lose access to these benefits.

Being an AEO is an esteemed status and holds a number of eligibility criteria, including:

- The entity is established in the UK;
- The entity has not been involved in any serious breaches of customs duty;
- The entity has good professional standards of competence; and
- The entity has good record keeping requirements.

For GBlecky, losing AEO status could mean losing access to its reduced deferment account guarantee to 30%. If this were to occur, it would subsequently need to obtain a full guarantee from a financial institution to defer the customs duty incurred on imports.

Aberdeen

The incident with the trainers being fewer in numbers than as shown on the invoices is an indication that GBL does not have adequate logistical systems and record keeping controls and processes in place to identify the movements of goods and ensure future compliance with customs duty and import VAT.

This is part of the eligibility criteria of an AEO as per Customs (Import Duty) (EU Exit) Regs 2018, part 9, 93e.

Without this, it is feasible that GBL could lose its AEO status.

Manchester

Similarly, the fact that staff in Manchester are not following the correct procedures despite being educated indicates a lack of professional competence which is required to hold AEO status.

Revocation of AEOs

Given the instances of theft in Aberdeen, and professional competence issues in Manchester, this does warrant HMRC revoking the AEO status of GBlecky. This is as per Customs (Import Duty) (EU Exit) Regs 2018, part 9, 91.

Other consequences for GBL

GBL could also be liable for the customs duty on the shoes lost at Aberdeen. Although the Greenhalls case is regarding excise duties, it does highlight that where goods go

missing, duty can become due by the warehouse keeper, in this case GBL.

Steps GBL could take to avoid the revocation

GBL with immediate effect should:

- Implement a reconciliation at the Aberdeen site to ensure that the numbers of goods received in the warehouse reconcile to the number of goods on the invoices received from suppliers, and immediately query any differences with the suppliers. GBL should keep records of these reconciliations carried out and ensure that correspondance with suppliers is retained. Records should generally be kept 6 years.

- Carry out periodic stock takes at the Aberdeen site to ensure that the stock matches the records. Sufficient and robust controls should be put in place against fraud such as having dual attendance at stock counts.

- In the cases where HMRC have identified breaches, investigate further and consult a HR specialist to look into disciplinary procedures. This is in the context that re-education has already been given to the staff, and is being ignored. This could indicate gross misconduct.

Throughout the process, GBL should be open and transparent with HMRC by:
- Telling HMRC of the steps GBL has implemented;
- Helping HMRC to understand the position and steps GBP has taken; and
- Giving HMRC access to its records and its sites.

Part Two

Southampton

Goods can move between different suspensive arrangements and remain in suspension with continued deferrals of import VAT and customs duties. This is often the case with customs warehousing and inward processing.

In this case, GBL under the terms of a customs warehouse will not be able to carry out significant procedures on the goods within the customs warehouse and therefore needs to move the goods to inward processing to carry out the processing whilst retaining suspension of import VAT and customs duties.

The goods which GBL then re-exports will not incur import VAT or customs duty at all.

Freezones are areas in the United Kingdom designated as a special area for customs purposes.

As per schedule 8 VATA 1994, Group 22, supplies of goods within a free zone for VAT purposes is a zero rated supply.

GBlecy will need to be authorised to operate a free zone business, and is liekly to need a guarantee for any suspended import duty and import VAT under the free zone procedures.

If authorisation is granted, HMRC may issue further requirements on GBlecky as a condition of it being a freeport business.

As GBlecky is renting premises, it will need to make sure that there are sufficient

safeguards in place to keep its goods separate to the other goods within the area.

The issues raised by HMRC as to the rest of GBLecky's activities may make GBLecky less liekly to be given authorisation to operate a freeport business.

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

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

Answer-to-Question-_6_

Part One

Anti Dumping duties are a duty implemented with the purpose of protecting domestic (in this case EU producers) from the inflooding of cheap imports, which could damage the sales of European producers, and therefore negatively impact the EU economy.

In this case, the ADD was introduced to protect the EU from cheap bicylce imports from China.

Before the EU intrduced its announcement into possible circumvention of the Anti Dumping Duty, it must have had concerns that Chinese companies were moving their manufacturing to Malaysia to bypass the ADD and remain competitive in the EU.

This is still potentially harmful to the EU economy as EU producers may still be put out of business from the imports from Malaysia.

By registering the imports, customs authorities will be able to monitor the levels of imports of bicylces from Malaysia which in turn allows analysis to be carried out as to whether the interests of EU producers are being harmed.

This could lead to the EU imposing an ADD on imports of bicycles from Malaysia.

Part Two

Commercial Decisions - At Risk Rates

Being based in NI,NI Byco Ltd will pay the UK tariff rate on imports rather than the EU tariff unless the goods are at risk of moving to the EU. This will need to be considered by NI Byco Ltd in its commercial decision making.

Goods are automatically deemed at risk where the EU duty rate is 3 percentage points higher than the UK rate. In this case, NIByco (NIB) would pay the 15% on imports of bikes from China, Malaysia and Taiwan.

If it can subsequently be proven by NIByco that the goods do not leave NI, then a refund could be claimed within 3 years for the 3% (15% - 12%). However, this would be difficult for NIByco to prove as it will not be able to easily keep track of where the bikes it sells are moved to.

It would also pay the 40% ADD on imports from China, Malaysia and Taiwan as the EU duty rate is applicable for NI Byco for these goods (see above).

Goods from Bangladesh would attract a 0% customs duty rate.

ChiWheels Ltd and ChiMal Sdn - Risks

There is a risk of importing goods from ChiWheels because if Chinese parts are still utilised within the goods, there is a risk that the origin of the bike still remains China. For

NIByco, this would mean that the 40% ADD would be payable.

Although there are reliefs available where traders may not be penalised when it later turns out that the origin of goods is incorrect, this is only the case where the trader carried out sufficient due diligence on the goods imported and obtained a certificate of origin from the country of origin.

In this case, NIByco could consider obtaining a binding order of origin for the goods which would give it clearance from the authorities that they are satisfieed that the origin of the goods is Malaysia.

The binding order usually lasts for 3 years and if there is a change in law, then it can be relied on for a further 6 months if there is a binding contract in place. This could potentially offer NIByco protection from further ADD if, after the peiod of registration, the EU authorities impose an ADD on imports from Malaysia.

Shenz Bike and Banglabike Ltd - Risks

There is a risk that the goods are still of a Chinese origin because the Chinese components are utilised within the bikes manufactured in Bangladesh. However,this is somewhat mitigated by the fact that Benglabike has issued a cerificate of origin of the goods.

A duty rate of 0% would commercially be preferable for NiByco. It is also perhaps less likely that there will be an ADD imposed on imports from Bangladesh because preferential rates are agreed to help aid developing countries with their economic production, in this case Bangladesh.

NIByco should still satisfy itself that the certificate of origin is accurate. There are various cases (case law) whereby if a certificate of origin is issued by a country's authorities and later turns out to be incorrect, the duty may not be payable by the importer. This is only the case where the importer carried out sufficient due diligence on the goods and the certificate of origin issued.

In this case, NIByco could:

- Obtain further documentation from Banglabike to satisfy itself of the accuracy of the ceritificate of origin;
- Visit the factory in Bangladesh to understand the production processes and the impact on the status of origin.

TaiWhe Ltd

There is a risk of a future ADD being imposed on goods imported from Taiwan as Taiwan carries the same EU duty rate on bikes as bikes from China and Malaysia.

There is also the fact that on imports from Taiwan, NiByco would need to pay the higher duty rate of 15% rather than the UK rate of 12% (this is due to the three percentage point difference and the goods being determined at risk).

Summary

Overall, NIByco should import from Bangladesh (Banglabike) as this offers a lower import duty rate under the preference arrangements. However, it should ensure that it carries out significant due diligence to satisfy itself of the origin of the goods being Bangladesh (including visiting the factory in Bangladesh) and visiting the factory. It

should look into obtaining a binding ruling of origin from the EU authorities for the goods, and entering into a contract with Banglabike which could protect NIByco from potential future changes which could negatively impact the preference rates.