

The Chartered Institute of Taxation

Awareness

Module A: VAT including Stamp Taxes

May 2025

Suggested answers

Answer 1

1)

Deborah's monthly taxable turnover is £7,250.

She will not have to register for VAT because at no point will her taxable supplies for the previous 12 months exceed £90,000 ($12 \times £7,250 = £87,000$). 1

Nor will her taxable supplies in the next 30 days exceed £90,000 1

2)

Deborah should consider the following when deciding whether or not to register for VAT:

- Her customers will be members of the public who cannot recover the VAT charges, so charging VAT would make her services more expensive for them, which may reduce business.
- The additional administrative burden of completing and submitting VAT returns.
- She will be able to reclaim input VAT on her purchases.
- Registering voluntarily would avoid the risk of late registration penalties if she exceeded the VAT threshold without realising.

Any three, 1 mark each 3

Answer 2

1) Chocolate biscuits are an exception from zero-rated food items, so are standard-rated. 1

2) Electronic newspapers are zero-rated. 1

3) The first grant of a major interest in a dwelling by the person who constructed it is zero-rated. 1

4) Memberships to professional bodies are exempt from VAT. 1

5) Children's car seats are subject to the reduced-rate of VAT of 5%. 1

Explanations not required for mark.

Answer 3

1)

Output VAT

	£	£	
Standard rated supplies (£200,000 x 20%)		40,000	1

Input VAT:

Standard rated purchases (£50,000 x 20%)	10,000		1
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Bad debt relief: (£900 + £2,100 - £1,400 = £1,600 x 20%)	320		1+1*
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		(10,320)	
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VAT payable		£29,680	
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**Must exclude Johnson debt*

2)

The claim must be made by Doonkey Ltd within four years and six months from the later of the date of the supply and the due date for payment as specified on the invoice. 1

Answer 4

Jose is allowed to deregister voluntarily as his expected taxable turnover in the next 12 months is expected to be no more than £88,000.	1
Jose must complete a <u>final VAT return</u> and account for output VAT on any assets held on the last day of registration on which a <u>deduction for input VAT</u> has already been claimed.	1
The valuation of the goods will be based on purchasing <u>replacement goods</u> (taking into account the age and condition).	1
However, if the VAT on the deemed supply is <u>no more than £1,000</u> , it does not need to be paid.	1

Answer 5

31 December 2024

Third penalty point issued. No late payment penalty or interest as a repayment was due.	1
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31 March 2025

	£	
Filing penalty (threshold breached as 4 th penalty point)	200	1
Late payment penalty (£35,000 x 4%)	1,400	1
Daily penalty (£35,000 x 4% x 5/365)	19	1
Late payment interest (£35,000 x 7.75% x 35/365)	260	1
	<u>£1,879</u>	

Answer 6

Goolld Ltd, Broonze Ltd and Sielver Ltd can join the VAT group as they are under the common control of Jasmine, and have a fixed UK establishment.	1+1
Copppeer Ltd can also join the VAT group, as it is under the control of Broonze Ltd, which is under common control of Jasmine.	1
Saapphire Inc cannot join the group as it is not a UK company.	1
It may not be beneficial for Sielver Ltd to join the group as it will be getting monthly repayments of VAT as it only makes zero-rated supplies, and this cashflow benefit would be lost if it joined the VAT group, albeit the reduced admin might outweigh the cashflow benefit.	1

Answer 7

Quarter ended 31 March 2025

Quarterly gross takings, including VAT	£	1.5m	1
Last 12 months purchases at estimated selling price, including VAT	x	4m/6m	1+1
Quarter's standard-rated supplies, including VAT		1m	1
Output VAT for quarter	x 1/6	<u>166,667</u>	1

Answer 8

- Goods sold to Spain are exports leaving the UK. The place of supply is the UK as the goods are leaving the UK. 1
- The liability of the supply is zero-rated, irrespective of the type of goods being sold. 1
- The supply of services to a business in Spain is Business to Business (B2B). As such, the supply is where the customer belongs, i.e. Spain. 1+1
- The supply of services is outside the scope of UK VAT. 1

Answer 9

<u>Normal VAT accounting</u>	£	
Output VAT (£95,000 x 20%)	19,000	
Less: Input VAT (£20,000 x 20%)	<u>(4,000)</u>	
VAT due	<u>15,000</u>	1
<u>Flat rate scheme</u>		
Output VAT (£95,000 x 120%)	114,000	1
x FRS (10.5% - 1% reduction for first year)	<u>9.5%</u>	1+1
VAT due	<u>10,830</u>	
Saving (£15,000 – £10,830)	<u>£4,170</u>	1

Answer 10

- The assets must be used by the buyer in carrying on the same kind of business as that carried on by Jane.
- The buyer must already be a taxable person, or immediately become a taxable person as a result of the transfer.
- The business must be capable of separate operation.
- The business must be a going concern at the time of the transfer.
- There should be no significant break in the normal trading pattern.
- There must not be a series of consecutive transfers of the trade and assets.
- Any five, 1 mark each 5

Answer 11

Consideration is cash plus the necklace: £100,000 + £7,500 = £107,500. Not market value.	1+1
Stamp duty is £107,500 x 0.5% = £537.50	1
Rounded up to nearest £5 = £540	1
Stamp duty is payable by the purchaser, Averil.	1

Answer 12

1)

SDLT due on the purchase is:

	£	
£425,000 x 0%	0	1
£175,000 x 5%	8,750	1
	<u>8,750</u>	

The payment is due within 14 days of completion, i.e. 14 May 2025. 1

2)

Stacey is not entitled to the first time buyer's relief that Sven was. 1

As the property is a second home for Stacey, the basic SDLT rates would be increased by 3%. 1

Alternative answer Scottish LBTT:

1)

LBTT due on the purchase is:

	£	
£175,000 x 0%	0	
£75,000 x 2%	1,500	
£75,000 x 5%	3,750	
£275,000 x 10%	<u>27,500</u>	
	<u>32,750</u>	2

The payment is due within 30 days of completion, i.e. 30 May 2025. 1

2)

Stacey is not entitled to the first time buyer's relief that Sven was. 1

As the property was a second home for Stacey, there would be an additional dwelling supplement of 6% due on the value of the property. 1