

Institution **CIOT - ATT**
Course **ATT Paper 6 VAT**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID

Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 1	398	1729	2118
Section 2	442	1794	2227
Section 3	219	1126	1315
Section 4	594	2667	3254
Section 5	510	2320	2877
Section 6	505	2113	2611
Total	2668	11749	14402

Answer-to-Question-__1__

1.

a. When shipping goods to Northern Ireland from GB, the goods are treated in line with the NI protocol. Maria will still charge domestic UK VAT.

b. The same as previously, this will be treated as a domestic UK supply and thus will charge 20% VAT.

c. The movement of stock from Brighton to Belfast will be treated as a deemed supply as this is because you are going from the UK to NI, thus you will recover the VAT amount but also will pay the amount to HMRC on the VAT return.

2. Regarding the business promotion activities, the rule for gifts is if they are under £50 then no output tax will need to be included in the VAT return.

The bottles of wine retailing at £35 are under this amount. As the free bottles were given to private customers who placed a large order, will be treated as part of the supply alongside the other items that are purchased by the customer. No output tax is due.

As for the samples, as they are given for free no VAT is due therefore nothing to claim as output tax. As these samples are from her own stock, there will be no input tax to claim back on the samples.

Including a decrease to the price to regular customers can also be seen maintaining customer relationships therefore can be seen as business purposes. This should still not be accounted for as output tax as it is under £50 however recovering this amount as input tax is possible assuming it is for business purposes.

The gift cards given at Christmas, these will not be able to be recovered as input tax. With gift cards, there is no VAT to pay and therefore nothing to recover or pay to HMRC.

3. Maria taking stock home for personal use will be non recoverable, however should be accounted for as output tax due to it being a self supply taxable good. It will not be included as input tax as it is for personal use.

4. When supplying to another company in return for their goods, Maria should treat this as a sale and is therefore a taxable good. Thus, VAT should be accounted for, if the brewery is also VAT registered then Maria should expect to pay VAT to the brewery however this can be fully recoverable in their next tax return.

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

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

Answer-to-Question- _2_

1.

a. $5,500 \times 20\% = 1100$

$120,000 \times 20\% = 24000$

$135000 \times 20\% = 27000$

$135000 \times 20\% = 27000$

total VAT = 79,100

b. As it was a carekess but no deliberate act and will be unpromptely disclosing, the maximum penalty will be 30% and minimum will be 0%.

Minimum penalty = £0

maximum penalty = $30\% \times 79100 = £23,730$

c.Assuming it was a mistake and was not done deliberately, HMRC will not give a penalty on th timing error, the maximum would be 30%, this will depend on the quality of the disclosure information.

2.

a.The company reached the maximum amount of penalty points of 4, as from the forth, it is automatic penalties and the other two late payments do not recieve a point and instead a penalty.Penalty point 4 was for the invoice in the period ending 30 November 2024, and will then receive a £200 penalty. The late filing occurs again on the invoice period

ending 31 january 2025 resulting in another £200 penalty. Then lastly, again in period ended 28 february 2025, resulting in a total of £600 penalty for the late filing.

b. Penalty points get to a maximum of 4 and will stay on the system until the company files 6 on time monthly VAT returns, assuming it continues monthly returns. As the last two VAT returns had not yet been filed and Paul had only realised on the 1st May, the company will have to file their VAT returns within one month and 7 days of the period ends, from then on for 6 months in a row in order for the penalty points to be cleared and back to 0. Even if one is late within that 6 months, the points will stay and they will have to restart the 6 on time vat returns. As for individual points expire after two years provided the maximum threshold has not been reached.

c. If payment is made within 14 days of due date, no penalty is added.

First two invoices are within 14 days = 0 penalty

period ended july - $4500 \times 2\%$ (within 30 days) = 90

period ended august - $4250 \times 4\%$ (over 30 days) = 170

period ended october - $4\% \times 0$ (over 30 days) = 0

period ended november - $2\% \times 3000$ (within 30 days) = 60

period ended january - $4\% \times 750$ (over 30 days when he realises on 1 may) = 30

period ended february - $2\% \times 800$ (within 30 days on the 1st may, will increase to 4% if paid after 15th may) = 16

total = £366 penalty

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

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

Answer-to-Question- _3_

1. a . $120000000/120000000+40500000 \times 100 = 74.76\%$

taxable-

8000000

exempt -

1500000

residual-

$4000000 \times 74.76\% = 2990400$

$2000000 \times 74.76\% = 1495200$

total recoverable input tax = $2990400+1495200+8000000=£12,485,600$ recoverable
from hmrc.

b. If customers would be based outside of the UK, it would be an outside the scope
supply and therefore no VAT will be charged or accounted for, however this does not
affect how much input tax they will be able to recover.

2. a.floor space

$3 \text{ floors}/9 \text{ floors} \times 100 = 33.33\%$

taxable-

8000000

exempt -

1500000

residual-

$4000000 \times 33.33\% = 1333200$

$2000000 \times 33.33\% = 666600$

total recoverable input tax = $2666400 + 1333200 + 8000000 = £9,999,800$ recoverable from hmrc.

b. staff

$65/335 \times 100 = 19.4\%$

taxable-

8000000

exempt -

1500000

residual-

$4000000 \times 19.4\% = 776000$

$2000000 \times 19.4\% = 388000$

total recoverable input tax = $77600 + 38800 + 8000000 = £9,164,000$ recoverable from hmrc.

3. The input recover should be based on the standard partial exemption calculation in order to recover the most amount of input tax as possible and the most fairest way. The

company should recover the proposed purchase through the capital good scheme, reclaiming amounts over a 10 year period, assuming it qualifies. This would allow them to use the percentage to work out how much recovery each year is allowed, with a yearly adjustment.

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

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

Answer-to-Question- _4_

1. The services of the architect will always be a standard rated service. Regardless if this is for the renovation of the houses or the construction of the new blocks of flat.

The construction works of the garages in order to build the new dwellings will be a zero rated supply. Therefore the builder and demolition contractor of the garages/ new flats will have 0% VAT. The renovation of the houses, as this will be used as a holiday cottage usually the building work would be a standard rated supply. However, it was stated that the large house had been unoccupied for three years and therefore this will apply reduced rates of VAT, 5%, regarding the builder. This amount of VAT will be reclaimable as he is a VAT registered business.

The construction of the new block of flats, as this is a new dwelling, will be zero rated to construct. The sale of a new dwelling will also be a zero rated supply, however if they were to let out the flats, the rent will be an exempt supply. The sale of the freehold of a new dwelling will be zero rated for VAT purposes and all input tax can be fully recoverable, however there are certain services that are used in the 'course of construction of a building' that will allow the supplier to zero rate them meaning the recovery is not needed. This excludes the supply of architectural services.

2. Buying solar panels online will be a standard rated supply as the VAT is bought separately. On top of this, the labour for the building to fit the solar panels in could be a standard rated supply, although if the builders qualify for zero rate, then the labour could be reduced to 0% VAT due to them being for a residential property.

On the other hand, if Barney gets a specialist contractor to supply and fit the panels, then

this can be classed as a zero rated supply for both the panels and labour therefore could be a more beneficial way to do it.

3. As the smaller house will be lived in by himself, this means that it is for personal use and therefore will not be able to claim as input tax. This would include the solar panels and any archetectual work done on the small house.

The archectitural work carried out on the new block of flats and renovation of the larger house can be fully recovered as input tax as this is a taxable supply. All VAT regarding the new dwelling is fully recoverable, this includes the demolition, construction and architecture services. However most will be zero rated and will not have to claim any VAT back.

Regarding the larger house, as this will be turned into a holiday home, the input tax will once again be fully recoverable, however the same as the above, Barney will not have to recover alot of VAT as most of the services will be a zero rated supply. If there is any building works regarding the constructions of the dwelling, this will be standard rated however can be fully recoverable as input tax.

4. Barney should not take the offer for the cash payment, this is classed as tax evasion, not only the contractor could be liable of this, it would also affect Barney due to it being classed as Fraud. This could lead to penalties and potentially even loss of VAT registration as HMRC will most likely carry out assessments to see if this was not the only time this occured.

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

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

Answer-to-Question- 5

Business address

Davina's address

Date

Dear Davina,

Thank you for your email regarding deregistering for VAT and VAT groups, i will be addressing your points in order below.

Deregistering

1. IYON heat Ltd will be able to deregister for VAT once they go below the threshold, which from 1 april 2024, the threshold is £88,000 within the 12 months. From the quarter ended 30 September 2025 to quarter ending 30 June 2026, the company made £85,500 and therefore will be able to deregister from VAT from then on assuming it does not exceed the VAT threshold, which from my understandig, it does not.

2. The VAT charge when deregistering from VAT will be worked out by seeing all assets and stock left at the time. This will all be included on the last VAT return. Assuming the stock, Van, car and rollerbanners will be kept after deregistering, and have already recovered this input tax. Ththese will have to be accounted as output tax on the final return. The rule HMRC has given is if the total is over £1000 then they will be accounted

for, however as the rollerbanners cost of identical goods is 1000, the VAT will be less than 1k and therefore will not be accounted for as VAT.

VAT grouping

3. The rules for VAT grouping is that they have to have a fixed establishment in the UK, a body corporate and are under common control of the same persons (i.e more than 50%). Lyon Heat and Lyon in the sun all qualify to be part of the VAT group as they pass these rules. However Lyon on the shade is only 45% under common control and therefore does not qualify. Lyon get & protect will also qualify for the VAT group. Nylon (Jersey) will not qualify for the VAT group as they do not have a fixed establishment in the UK.

4. Tyger Group Ltd will not be eligible to join the VAT group as they are associated by Elizabeth Conrad however this VAT group is the Lyon Group Holdings and therefore does not have the same common control.

5. There are benefits to being in a VAT group, for example it minimises admin as only one VAT return for all companies and the supplies between companies will be disregarded. However there are some disadvantages for example if there is an exempt or partially exempt member, this will affect how much input tax is recovered for all companies. In this situation, two of the companies are insurance companies and therefore will be exempt. This could reduce the overall input tax recovered. It is also more difficult to obtain all relevant information as you are dealing with a wide amount of information.

6. The VAT liability of management services are a standard rated supply as they are located in the UK. However if the VAT group is created, these will be disregarded and no VAT is accounted for.

I hope this gives you a better understanding. Please let me know if there is any other

questions.

Kind Regards,
Chloe

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

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

Answer-to-Question- _6_

1. Mr John Forest - It has been over 6 months old and has been written off, therefore bad debt relief will be eligible. The full amount of VAT, which is £100, can be recovered, this can be done by including the amounts on the next VAT return, you will need to keep records of amounts in case HMRC asks.

Dendros, from 30.10 to 30.04 it would have been exactly 6 months, meaning this will also qualify for bad debt relief on the same conditions as above, the total amount will be £160 in the input tax on the next VAT return

MRS Alice Samuel - even though the invoice is not within 6 months, the date we go off is the 15th October as this is the actual date of the taxpoint. This is within the 6 month rule and therefore can claim back £25 on return.

Hortuss - This invoice has not yet exceeded the 6 month rule and therefore cannot use bad debt relief until the following month if customer has not paid.

2. a . If a deposit is paid, the date used will be when this is paid. However if the deposit is to be returned, this is outside the scope payment as it would be refunded in full and therefore no supply carried out. This will mean there is no time of supply, however if it is retained and used toward a payment of the car service then the date the deposit made will be used. As they are in possession of the deposit, if cancelled, this supply is taxable and not treated as a compensation.

b. The time of supply for the deposit will once again be the date that it is paid, which in this case will be March. The work being done in May, The actual time of supply will be when the service has finished and been completed. However if invoice is raised or

payment is made before this date then this will be the time of supply date. If an invoice is created within 14 days after completed service then this will be the date used, this is assuming the customer goes ahead. However if the customer decides not to go ahead then the deposit will be kept and March will be the time of supply for the £500 and no further action will be needed.

c. For continuous supplies of service, the time of supply will either be the date you receive the payment or the date the VAT invoice is raised, whichever is the earliest date. For each month that this occurs, will be a new supply and therefore new time of supply. Assuming they cancel before the service has been carried out, then no VAT will need to be accounted for on the returns and therefore no time of supply as no supply had been made. However if the service had been carried out then no refund would be made and therefore the time of supply will still be the standard dates.