

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	453	1896	2343
Section 2	294	1206	1491
Section 3	390	1872	2236
Section 4	495	2226	2719
Section 5	483	2201	2671
Section 6	343	1465	1805
Total	2458	10866	13265

Answer-to-Question- 1

1a) The supply of wine from Brighton directly to private customers in the ROI is zero rated B2C export of goods which means that the place of supply is in the ROI and therefore outside the scope of VAT as long as proof of export is acquired.

1b) Although supplies from the rest of the UK to NI is technically an export, normal VAT is charged as it would be elsewhere in the UK so the supply would also be standard rated and at 20% VAT. The place of supply would be in NI as it is a B2B transaction and the customer is VAT registered.

1c) Movement of stock does not constitute a taxable supply so there would be no VAT due and it is outside the scope of VAT.

2) Giving out taster samples of wine does not constitute a taxable supply as it does not have a direct or immediate link to any consideration as customers do not have to buy any wine in exchange for the samples so there would be no input/output tax from this activity.

Input VAT recovery is blocked on customer gifts/entertainment. So unless it can be proven that the complimentary bottles of wine serve as an inducement to order a specific quantity of wine then input VAT recovery is blocked. There would also be no output tax on this as she is not charging anything for them and they do not constitute a taxable supply in their own right.

There would only be output VAT due on the price of the takeaway bottle of wine (20%) if she is not charging for the corkage fee. Input VAT of 20% can still be recovered on wine. Input and output VAT is only due on the corkage fee when she pays for it.

Full input VAT recovery of 20% os recoverable on the gift card to employees, there is no output VAT due as she is not making any supply here. Input VAT reovery

3) No input VAT can be recovered relating ot the wine taken home for PU as it has not been used in the course of making a taxable supply, this means she will have to absorb the cost of the wine bottle of £12 and the VAT of £2. NO output VAT is charged as she is not maing taxable supply.

4) A transaction is still considered a taxable supply, when there is an exchange of goods without cash changing hands. This is still a supply as is made in the course of the furtherance of business. As such, both businesses need to account for the values of goods that are chaning hands and accoutn for output and input accordingly and VAT at 20%

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

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

1a) Paella rice is zero rated for VAT, the rest should be standard rated.

$$5,500 + 120,000 + 135,000$$

$$= 260,500$$

$$260,500/6 = £43,417 = \text{PLR}$$

1b) It is a careless and non-deliberate error, and given that he will shortly submit an ECN to HMRC it will be an unprompted disclosure. This means that the penalty will be between a minimum of 0% and a maximum of 30% of the PLR. So the minimum will be no penalty and the maximum will be $43,417 \times 30\% = £12,025$

1c) The VAT penalty rules for incorrect VAT returns will apply to the timing error as it is an error due to carelessness resulting in inaccurate records, however there is unlikely to be a penalty as the error will likely be small and it will not have resulted in a loss of revenue for HMRC.

2a) Even though the company runs monthly VAT periods, its VAT returns are still due quarterly with the balancing payment due. The company will have 3 penalty points as it has filed late for 3 quarters. These three penalties are for the periods 1 May - 31 July 2024, 1 August - 31 October 2024, and 1 November to 31 January 2025.

2b) Penalty points expire after 2 years providing that the maximum threshold has not been reached. This resets to zero once 4 VAT returns are submitted on time.

2c) VAT returns are due a month and 7 days after the end of the period so the period ended 30 was filed 2 days late as it was due 7 August. As it was paid within 15 days it

was would be subject to 2% penalty. A further 2% applies for when payment is more than 31 days late

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

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

Using standar vlaues based method. Insuarce income is exmept, landlord income is taxabe.

$$40,500,000 + 120,000,000 = 165,500,00.$$

$$120,000,000 / 165,500,000 = 72.51\% \text{ to 2 dp}$$

$$8 \text{ million} + 1.5 \text{ million} + 4 \text{ million} + 2 \text{ million} = 15.5 \text{ million}$$

$$15.5 \text{ million} / 12 > 400,000$$

As avergae monthly inut VAT is over £400,000 cant round up partial recovery rate

As insurance commsiion income is over £40,000,000 it obviosuly fails both de minimus tests

Expense	Recovery rate		Recoevrable amount £
Commerical property repairs	100%		8,000,000
Miscellaneous insurance costs	exmept		-
Rent of HQ	72.51		2,900,302
UTILlites and other HW costs			1,450,151
Total Recoverbale INPUT vta			12,350,453

*didn't round to 2 dp when calculating

1b) Input VAT recovery would be higher if the insurance customers were VAT registered

businesses outside of the UK, that way the place of supply would be outside the scope of VAT rather than exempt. This would mean that they would not be a partially exempt business and could recover all of their input VAT as a result. However, this would not be the case if their customers were not a business then the place of supply (of services) would be in the UK meaning they would be making exempt supplies and meaning that they would be partially exempt still and still have to apportion residual input VAT.

2a) $3 + 6 = 9$

$(6/9 \times 4 \text{ million (rent of HQ)} + 2 \text{ million (Utilities)}) = 4 \text{ million}$

$8 \text{ million (commercial property repairs)} + 4 \text{ million} = £12,000,000 = \text{input tax recovery}$

2b) $245 + 65 + 25 = 335$

$65/335 \times (4 \text{ million} + 2 \text{ million (as above)}) = 1,164,179$

$8 \text{ million} + 1,164,179 = £9,164,179 = \text{input tax recoverable}$

3) As it costs over £250,000 the building should be opted into the CGS scheme. This is where upon purchase of the building the company would estimate the split between taxable and non-taxable supplies regarding the use of the building expressed as a percentage over a ten year period, and recover the input VAT accordingly. They should determine this split using the standard method as this would give them the most amount of recovery. There would then be an annual adjustment at the end of every VAT year of the INPUT vat recoverable based on the difference between the expected use if the building for taxable supplies and its actual use for taxable supplies.

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

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

1) The services from the architect will be subject to the standard rate of VAT(20%) as the zero rating for the construction of new residential properties does not apply to architects and other people offering professional consulting/supervisory services.

The VAT treatment for the services of the builder will be zero rated as for the construction of a new block of flats as it is a residential property, the services from the builder in the renovation of both houses will be subject to the reduced rate of VAT as they have been unoccupied for the last 2 years.

The work of the demolition contractor will be zero rated as this is part of the construction of residential property.

2) From 1 April 2022 onwards the installation of energy saving material like solar panels is zero rated (sch 8 group 23 VATA 1994). However, this does not include the sale of them which would be standard rated. This means that if Barney pays a specialist to install them then he will not pay any VAT on this service. However, if he purchases them himself he will have to pay 20% VAT on purchase and pay 5% VAT to the builder for the installation as the service would fall under the renovations to dwellings as discussed in the last question.

3) He will not be able to reclaim any input VAT related to renovation of the smaller house because he intends to live in it which means that the input VAT will not be for the furtherance of making taxable supplies and so will not be recoverable.

Regarding the larger house which he intends to let out as a holiday cottage, he will be able to recover input VAT on the costs of input VAT related to this as the grant of the right to occupy holiday accommodation is a standard rated taxable supply.

In relation to the new block of flats, if he rents them out to tenants himself then he will not be able to recover input VAT on the costs of services related to this as renting is an exempt supply, making input VAT irrecoverable. However, if he lets the housing association buy a 25 year lease from him then this supply would be a taxable supply at 0% as it satisfies the conditions of being over 21 years long and is the first sale/grant of a relevant residential property. Therefore, if he grants the lease he will be able to recover the input VAT.

4.4) Barney should not accept the demolition contractor's offer as doing this to avoid tax would constitute tax avoidance which can lead to fines from HMRC and criminal convictions if discovered, it is therefore better to not pay in cash and account for the right

amount of VAT in full. The payment is zero rated for VAT purposes as well so it is possible he is requesting this for tax avoidance and money laundering purposes so he should therefore decline.

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

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

Money Building
123 TAX lane

Hello Davina,

Voluntary deregistration from VAT is available when a business expects its taxable supplies in the next 12 months to fall below the deregistration threshold of £88,000. In this case this would be from 1 July 2025 at the earliest. Deregistration will be effective from the date of notification or a later date agreed with HMRC.

The VAT charge that would arise if you were to deregister would be the taxable amount of stock/goods you have on hand upon deregistration as a deemed supply. This would be accounted for as output VAT on your final VAT return.

$9000 \times 20\% = 1800$
 $7500 \times 20\% = 1500$
 $17,000 \times 20\% = 3,400$
 $1000 \times 20\% = 200$

Total VAT charge = £12,900

Lyon in the shade is not eligible to be part of the VAT group because less than 50% of it is controlled by Elizabeth so it's not under common control. Nylon cannot join either as it is not established in the UK nor has fixed establishments there. The rest of the companies in Lyon Group Holdings can as they are under the common control of Elizabeth, are established in the UK and are a body corporate.

Tyger group LTD cannot join the VAT group as they are not part of the same corporate body.

Having a VAT group simplifies the accounting and admin burden as only one VAT return is required for the whole group and means that no VAT will have to be accounted for between companies in the group. However, there are downsides, it is difficult to obtain all the information needed to do one VAT return for the whole group and getting it wrong risks penalties from HMRC, which will be larger than usual as penalties are expressed as a percentage of the VAT due which will be larger for a group. Additionally,

of a member becomes insolvent, the rest of the group is liable for any outstanding VAT and any VAT thresholds such as annual or cash accounting applies to the whole group rather than each one individually. Additionally, if an exempt company is in the group then this will make the group partially exempt and restrict the VAT recoverable for each member in the group. As such, the Lyon group won't be able to recover all of its input VAT as Lyon GET & Protect offers finance and insurance services to its customers which is an exempt supply meaning that any input VAT incurred in relation to it is irrecoverable and a partial recovery will have to be applied to residual input VAT.

If you include all eligible companies into the VAT group then the supplies of management services made between the holdings company and the group will be considered outside the scope of VAT and disregarded. The VAT liability of management services outside the group will remain the same.

Kind regards,

Tax Worker.

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

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

The invoices dated 15/10/2024 and 30/10/24 are eligibilbe for BDR as it meets the requiremet of 6 months elapsing between the point where the obligation to pay becomes unconditional (which in this case is when the date of the invoices) and the present date (30/04/25). Another requirment he has satisfied is that the invoices have been written off in his accounts. The amount of BDR he can claim is the gross invoice calue divided by 6 to get the VAT amount.

$$600/6 = 100.$$

$$960/6 = 160$$

$$\text{Total BDR relief available} = \pounds 260.$$

This can be claimed by adding this amount to the input tax figure in box 4 of the next VAT return. The claims must be amde within 4 years adn 6 months of the date of supply and the due date for payment as specified in the invoice.

2) As this is a security deposit for the safe return of the car, this is not viewed as a taxable supply in exchange for consideration, if the deposit is retaiend then this is considered compensation which is outside the scope of VAT. Therefore there would be not time of supply ot VAT liability either way

The time of supply for the deposit would be in March if the customer decided to go ahead with the work as if payent is before the date the work is carried out then that creates an acutal tax point, overriing the basic tax point and the VAT liability would be 20% of $\pounds 500 = \pounds 100$. However, if he cancels and the depsoit is retained then input VAT cannot be reclaimed.

2c) This is a continuous service so the time of supply will be the earlier of the invoice being issued and payment as there is no basic tax point. Therefore, if the custoer goes ahead with the paln the time of supply will eb in January, February, March and April in thsi case. The VAT liability for the full service plan will be $\pounds 30 \times 12 \times 20\% = \pounds 72$. If they cancel their service plan then.

