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 fo 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 an therefore outsdie the scope of VAT as long as proof of expertis acquired.

1b) Alhtough 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 be 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 outsdide 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 compliemntary bottles of wine serve as an inducemnt 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 constitue 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 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.

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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 of 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.

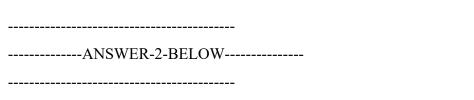
4) A transaction is still considered a taxable supply, when there is an exchange of goods

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 account for output and input accordingly and VAT at 20%

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



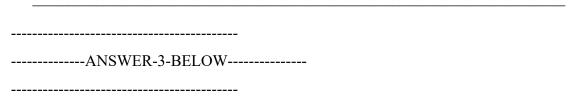
1a) Paella rice is zero rated for VAT, the rest should be standard rated.

=260,500

260,500/6 = £43,417 = 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% adn a maximum of 30% of the PLR. So the minimum will eb 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 a an error due to carelessness resulting in inaccurate records, however there is unlikley to be a peanlty as the error will likely be small and it will not have resulted in a loss of revenue for HRMC.
- 2a) Even though the comany runs monthly VAT periods, its VAT returns are still due quarterly with the balancing payment due. The comapny will have 3 penalty points as it has filed late for 3 quaters. 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 threshild also not been reached This resets to zero once 4 VTA returns are submitted on time.
- 2c) VAT returns are due a month adn 7 days after the end of the period so the period ended 30 was filed 2 days latea s it was due 7 August. As it was paid within 15 days it

was	would be subjet to 2% penalty. A further 2% applies for when payment is more than
31 da	ays late
(
	ANSWER-2-ABOVE



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

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

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

8 millon + 1.5 million 4 million + 2 million = 15.5 million

15.5 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
Miscellaneious insurance costs	exmept	-
Rent of HQ	72.51	2,900,302
UTILIites 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 make 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) wpuld be in the UK meaning they would be making exempt supplies and meaning that they would be partially exmept 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 million (commercial property repairs) + 4 million = £12,000,000 = input tax recovery

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

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

8 million + 1,164,179 = £9,164,179 = input tax recoverable

3)As ot costs over £250,000 the building shoylf 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 reagrding the use of the building expressed as a percentage over a ten year peiod, adn recover the input VAT accordingly. They should deterine this spit 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 evry VAT year of the INPUT vat reocverbale based on the difference between the expected use if the building for taxable supplies and its acutal use for taxable supplies.

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

ANSWER-4-BELOW	

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

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 proepry, the servces from the builder in the renovation of both houses will be subject t the reduced rate of VAT as they have been unoccupoed for the last 2 years.

The work of the demoliton conractor will be zero rated as this is part of the constuction of residential proeprty.

- 2) From 1 April 2022 onwards the installatio of energy savign material like solar panels is zero rated (sch 8 group 23 VATA 1994). However, this does not include the sale od 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 purchases them himself he will have to pay 20% VAT on upon purchase and pay 5% VAT to the builder for the installation as the service would fall under the the rennovations to dwellings as discussed in the last question.
- 3) He will not be able to reclaim any input VAT related to rennovation of the smaller house beacuse he intends to live in it which means that the input VAT will ont be for the furtherance of amking taxable supplies and so will not be reocverable.

Regarding the larger house which he intends to let out as a holiday cottage, he will be able recover input VAT on the costs input VAT related to this as the grant of the right to occupy holiday accomadation is a standard rated taxbale 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 exmept supply, making nput VAT irrecoverable. Howveevr, if the lets the housing assocation buy a 25 year lease from him then this supply is 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 relebant residential property. Therefore, if he grants the lease he will eb able to recover the input VAT.

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

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amount of VAT in full. The payment is zerp 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 nest 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 vatable 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 x 20% = 1800 7500 x 20% = 7500 17,000 X 20% = 3,400 1000 x 20% = 200

Total VAT charge = £12,900

Lyon in the shade is not elegible to eb part fo the VAT group because less than 50% of is controlled by Elizabeth so its not under common control. Nylon cannot join either as it is not established in the UK nor has fixed establishemnts 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 comes 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 diffcult to obtain all the information needed to do one VAT return for the whole group and getting it wrongrisks penalties from HRMC, which will eb alregr then usual as penalties are expressed as a percentage of the VAT due whihe will belarger for a group. Additioanly,

of a memebr becomes insolvent, the rest fo 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 exmept adn 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 fiannce and insurance services to its customers which is an exmept supply meaning that any input VAT incurred in relation to it is irrecoevrable and a partial recovery will have to be applied to residual input VAT.

If you include all elegible companies into the VAT group then the supplies of management services made between the holdings company and the group will considered outside the scope of VAT and disregarded. The VAT liabilty of management services outside the group will remian the same.

Kind regrds,
Tax Worker.
ANSWER-5-ABOVE

ANSWER-6-BELOW	

The invoices dated 15/10/2024 and 30/10/24 are eligbilbe 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 requirement 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 = 160Total BDR relief available = £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 retained then this is considered compensation which is outside the scope of VAT. Therefore there would be not time of supply of 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, overring the basic tax point and the VAT liability would be 20% of £500 = £100. However, if he cancels and the deposit is retained then input VAT cannot be reclamed.

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 ahed 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 £30 x 12 x 20% = £72. If they cancel their service plan then.