

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	130	622	745
Section 2	301	1291	1578
Section 3	479	2030	2406
Section 4	605	2649	3121
Section 5	161	797	913
Section 6	440	1801	2224
Total	2116	9190	10987

Answer-to-Question- 1

1)

Blocking VAT is those input taxes that relate to business entertainment, or motor cars and are listed under S1992/3222.

Under this business entertainment is not allowed to be claimed as input VAT, unless it is for overseas customers and strictly for business purposes. If there is any private benefit no input VAT is claimable.

Motor cars are subject to private use adjustment where the vehicle is used personally.

2)

It is a legal requirement that any VAT registered business must issue a VAT invoice when carrying out a supply..

In addition to what Cecily included on the invoice she also should have included:

The rate of VAT

The Gross, VAT, and Net figures of the payment

The clients name and address

The date the invoice was created

3)

4)

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

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

Answer-to-Question- 2

1)

Under section 7A(2) VATA 1994 the general rule for business to business transactions is the supply is treated as where the recipient belongs. As such because the services is specifically providing services to start up businesses the Supply will be deemed as where the recipient belongs, i.e if they reside in the UK it will be subject to standard VAT, and if they are based in china it will be zero rated for VAT. This will also apply to the training courses

The U.S. team will have its supply based in the U.S. It is not based in the UK and as such out of scope of VAT

2)

If the suppliers have charged UK VAT on their invoices it will not be subject to the reverse rules and the input VAT will be recoverable as normal.

If no VAT is stated on the invoice then Victor and Old will have an obligation to submit the reverse charge. This will mean they have to add VAT onto the invoice provided. They then claim the input as usual, but must also add the VAT as output tax. For example if the invoice was for £100,000, they would add VAT of £20,000 so gross is £120,000. They would then put this as both input and output.

3)

4)

The business sale could be qualified as going concern if:

The assets are to be used in the same kind of business

The transferor is registered for VAT

There is no significant break in trading

there are no consecutive transfers to the business

Should the above be met any Goodwill, Equipment, or Stock will be exempt from VAT under the TOGC rules. The offices will have to have VAT charged on its sale, unless the buyer wishes to opt to tax the property.

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

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

Answer-to-Question- 3

1)VAT Threshold

Month		Tunover	12 Month Balance
		£	£
Jan 25		2,150	2,150
Feb 25		2,715	4,865
Mar 25		3,280	8,145
Apr 25		3,845	11,990
May 25		4,410	16,400
Jun 25		4,975	21,375
Jul 25		6,540	27,915
Aug 25		7,105	35,020
Sep 25		8,670	43,690
Oct 25		9,235	52,925
Nov 25		7,570	60,495
Dec 25		7,905	68,400
Jan 26		8,240	74,490
Feb 26		8,575	80,350
Mar 26		8,910	85,980
Apr 26		9,245	91,380

Whether a Company needs to register for VAT is based on the turnover for the business. As such the Set up grant, and exepndiutire are irrelevant in working this out.

Based on the above table Yappy Hounds Ltd will not breach the threshold untill April 2026 (The threshold being £90,000) They will have 30 days to register with HMRC from this date, and will need to start charging VAT from 1st June 2026.

2)

The budgeted sales data at this time does not include any output VAT. As such this will need to be charged by Yappy Hounds Ltd.

Description	Rate		Gross	VAT	Net
			£	£	£
Turnover W1			60,534	10,089	50,445
Van rental N2			3,600	600	3,000
Equipment N2			1,150	191.67	958.33
Canned Pet Food N2			4,800	800	4,000

VAT Calculation				
Output VAT				10,089
Input VAT				
Van		600		
Equipment		192		
Pet Food		800		
Total Output				(1,592)
VAT Payable				8,497

W1. VAT is charged at 20% on the net figure £50,445 +20% = £60,534 gross figure

N2. All VAT inclusive amounts need to be x 1/6 to work out the VAT amount

The amount of VAT due to be paid in this period will be £8,497. However Yappy Hounds Ltd could also claim the VAT expenditure it spent on the Van and cages from when it started. If any are left it could also claim the previous pet food VAT, however that is unlikely.

3)

The flat rate scheme will mean Yappy Hounds Ltd charges 20% VAT to its customers and on its turnover, and then will pay 12% over to HMRC on its VAT return (this being the rate HMRC has decided to grant Boarding or car eo f animal businesses).

No input VAT is claimed unless there is a capital purchase made of more than £2,000

If we are to take the example above this will mean:

$£60,534 \times 12\% = £7,264.08.$

As this amount is lower than what Yappy Hounds Ltd would pay under the normal scheme it would be beneficial to register for the flat rate.

It may also be beneficial as the return is much simpler to complete, needing only to know the gross income figure, and the flat rate amount. Based on Yusuf saying he finds it hard to keep up with keeping track it may be beneficial for him. He will also not have to keep as many records to satisfy the making tax digital rules for his returns.

4)_

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

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

Answer-to-Question- 4

1)

Description	Rate	Gross	VAT	Net
		£	£	£
Standard Rated Sales	20%	270,000	45,000	225,000
Zero Rated Supplies	0%	58,000	0	58,000
Expenditure				
Standard Rated goods	20%	120,000	20,000	100,000
Zero Rated Goods	0%	60,000	0	60,000
Rsidual	20%	30,000	5,000	25,000

Description		Total	Taxable	Exempt
Standard Rated goods		20,000	20,000	
Zero Rated Goods		0		0
Other Expenses	80% Claimable W1	5,000	4,000	1,000
Totals		45,000	4,000	1,000
Claimable	W2			

VAT Calculation		£	£
Output VAT			
Standard		45,000	
Zero		0	
Total Output			45,000
Input			
Standard		20,000	

Zero			0		
Other Expenses			5,000		
				25,000	
Net VAT Due				20,000	

Annual Calculation					
VAT Due (as above				20,000	
Paymentrs Made	9 months x 1,800			(16,200)	
Final Payment Due				3,800	

VAT on amounts that included VAT are worked out by multiplying the amount recieved or paid by 1/6.

Wages are out of scope for VAT purposes and so are ignored in the workings.

W1. Percentage of Other expenses.
 $225,000 / (225,000 + 58,000) \times 100 = 80\%$

W2. As the Exempt VAT amount is below the De minis threshold the full amount of VAT is reclaimable including the exempt amount

The final payment due will be payable when the return is submitted. This must be done withing two moths of the year ended, being the 31st December 2025.

2)

Monthly installments are 90% of the previous years VAT liability divided by 9.
 $\pounds 20,000 \times 90\% = \pounds 18,000 / 9 = \pounds 2,000$ per month.

Polly will not have to inform HMRC of the changes tio her sales income as this will be refelcted in her annual VAT return. She would only need to inform if she would no longer be eligible for the scheme, which would happen when her Annual Turnover would

be more than £1.6 million.

3)

Month	Amount to Pay		
	£		
Nov 25	0		
Dec 25	0		
Jan 26	0		
Feb 26	2,000		
Mar 26	2,000		
Apr 26	2,000		
May 26	2,000		
Jun 26	2,000		
Jul 26	2,000		
Aug 26	2,000		
Sep 26	2,000		
Oct 26	2,000		
Total Paid	18,000		

4)

Any cold sandwiches that are sold to be eaten within the Cafe will be Standard rated for VAT. Any cold food that is taken away will fall under the Zero rating of VAT.

The hot pies will be standard rated if eaten in the cafe. If they are taken home it will depend on how they have been heated. If they are left to cool after having been cooked and nobody makes no attempt to keep them warm they will fall under Zero rating for VAT. Any other form will be standard rated.

The income made from electric charging will need to charge VAT at the standard rate of 20%

5)

Generally the basic tax point is when the event takes place.

This however can be changed under two situations

The first being if there is a payment made before the event, or if an invoice is created before the event. If either of these happen the tax point becomes the payment day, or invoice issued date.

The second is if the invoice is issued within 14 days after the event, and if one is the tax point becomes the date of the invoice.

So any invoices you make withion saeven days of the events can be treated as the tax point. Any ones that are charged at the end ofg the month and the event happened over 14 days ago, the tax point date will be the day of the event.

For deposits the same rules apply to both the deposit amount, and the balance opstanding amount. IIn this situation you effectivley create two tax points, unless they are close enough together.

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

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

Answer-to-Question- 5

1)

Description		Total	Taxable	Exempt	
		£	£	£	
Commercial Building Repairs		75,000	75,000		
Housing Repairs		40,000		40,000	
Lease of Office	W1	30,000	22,800	7,200	
Audit Fees	W1	16,000	12,160	3,840	
Legal Fees for Housing		24,000		24,000	
Advertisement for Commercial		32,000	32,000		
tOTALS		217,000	141,960	75,040	

W1. Percentage working: $\frac{£4.6\text{mil}}{(4.6\text{MIL}+1.5\text{Mil})} \times 100 = 76\%$

N1. The housing income is not subject to VAT and as such neither is any of the expenditure claimable as input tax.

Annual Adjustment:

Total Claimable	Above	141,960	
Claimed in the Year		(139,000)	
Claimable asd Input Tax		2,960	

2)

The large extension on a house does not need an adjustment as it is exempt from VAT meaning it can not be claimed as input tax. As it was never claimed there is no need

to adjust.

Simiraly no input tax has yet been claimed on the refurbishment of the commercial building in April 2020. This should now be claimed as an option to tax has been made

Software adjustment

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

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

Answer-to-Question- _6_

Our Address

Mr B Hombre
(Client Address)

Our Ref:
6th Novemebr 2025

Dear Ben,

Reference: Purchase of Forty Towers Ltd VAT Queries

Many thanks for your letter, I would be happy to answer the queries you have.

Firstly the case on whether we can opt out of the option to tax the properties. It is irrelevant as to what the previous owner did as the option to tax only applies while the taxable person who made the decision is using the land. Once it passes hands the decision to tax is reset and as such it is now your decision whether to tax or not.

This being the case currently the properties are not opted in for tax and you can choose whether you want to do so or not.

As neither of your potential new tenants would want to be charged VAT, one being a non registered business and the other being a charity it would be in your best interest not to opt in for the two office buildings.

As the decision is based on a building by building basis however you may wish to opt in for the older building. This will allow you to claim the input VAT on the repairs needed to convert it into a new rental. This will mean that any future income you make from the property you will need to charge VAT on and fill out a VAT return for.

As the gatehouse is a domestic dwelling there will be no VAT due in regards to it.

With regard to the freehold that the local farmer wishes to buy this sale will be subject to the standard rate of VAT. This is because the property in question is a new commercial building (under 3 years old) as such you will need to charge an additional 20% to the farmer for him to buy the property. As such you may wish to opt to tax this property,

that way you can reclaim any costs you may have had to pay in the past, like when you bought the property you would have needed to pay VAT on this part of it.

The fishing rights you sell will need to be charged to the standard rate of VAT, providing they are taking the fish. If they are not taking them home and release them back into the lake they are exempt.

The overnight stays and the rental of tennis courts will both be subject to the standard rate of tax.

I hope this answers all your queries but if I can be of any further help let me know.

Yours Sincerely

David Deeprose