

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	555	2507	3055
Section 2	452	2067	2507
Section 3	483	2101	2570
Section 4	352	1557	1895
Section 5	255	1236	1457
Section 6	343	1506	2090
Total	2440	10974	13574

Answer-to-Question-__1__

1)

When recovering input tax certain conditions have to be satisfied before input tax can be recovered such as:

A supply of goods or services has not have been made

The supply must be made to a taxable person

The claimant must hold evidence that input tax has been incurred

Credit for input tax is restricted to the amount properly chargeable on a supply

The goods or services purchased must directly link to a taxable supply.

Blocking input tax means that even if the trader meets all of these conditions, input tax can never be recovered on these items.

Cecily's purchases:

New car or van lease - If Cecily chooses to buy a car the input tax will be blocked as stated in the blocking provisions in SI 1992/3222. However if she chooses to lease the car, she will only be blocked on 50% of the VAT due on the finance charges. The van however in both lease and purchase can have VAT reclaimed as long as it is used solely for business purposes. Driving to your place of work does not count as a business use, therefore VAT would not be able to be claimed back on this van either.

Client entertaining - Client entertaining is also explicitly blocked for input tax recovery so not VTA will be able to be recovered either. The one exception is if you happen to have overseas client and the expense is strictly for business purposes.

Parts for mother in law - VAT will not be able to be claimed back on this either as no direct or immediate link is made to a taxable supply as the mother in law was not charged. However as the mother in law can be considered family (assumed) the goods could be considered as given to her and classed as a deemed supply, this would mean that if Cecily, recovers the input VAT she will have to also account for output tax

2)

In addition to name address and details of work done, a VAT invoice should include a date of supply, the date of the invoice, the amount that is being charged, and a clear amount of the VAT being charged followed by the total amount owed. In addition you will need to include your VAT number on the invoice and the customer's name and address. However as consideration doesn't exceed £250 you can issue a simplified invoice which includes all of the above apart from the date, customer details, subtotal, vat total and the price and quantity of individual goods or services.

3)

HMRC require that the traders keep the following information available:

Business accounting records
copies of all vat invoices issued and received
credit and debit notes

VAT account which shows all output tax and input tax movements during the VAT period.

These records must be kept for at 6 years.

4)

If Cecily has submitted an incorreft VAT return, and the reason for it being incorrect is due to careless action, the standard penalty is 30% penalty n the percentage of the potential lost revenue. However is Cecily was to disclose this error to HMRC the penalty cahрге will be reduced to 0% for the unpropted disclosure.

However while no penalty will eb cahrged, interest can be charged on the late payment of the overdue VAT to HMRC.

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

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

Answer-to-Question- 2

1)

When dealing with services, the place of supply varies on whether it is to a business or a customer. The general B2B rule for services is that the services are being treated as supplies in the country where the recipient belongs. This would mean that the consultancy services provided in the UK are charged VAT and the services provided to Asian businesses are not charged VAT. This is the same for the online training courses which have been provided to business. The B2C override does not apply as these are businesses.

For training courses purchased by individuals the general B2C place of supply rule is that the supply is treated as being supplied in the country the supplier belongs. This means VAT will be charged to all individual customers.

The consultancy services provided by the US office to a US company is outside the scope of UK VAT and therefore no UK VAT will be charged.

2)

When a service is purchased B2B, no foreign VAT or local tax should be charged. There is a mandatory reverse charge required in the UK which means that 1/6 of the total charge should be placed in box 1 of the VAT return with the remaining amount in box 6.

3)

Lisa MArises plan may violate these 3 following fundamental pricipals from the PCRT:

Professional comptenece and due care - They will not be able to maintain their kknoweldge and the level of skill required to consult is specialsit areas.

Integrity - Customers who have used the company and see its brand built on high standards, will ont recieve the same standard as they expect/are sold by V&O

Professional behavior - This could be seen as unprofessional and a way to earn more money while providing a wrose service to clients.

4)

The sale of the business can outside the scope of VAT if it satisfies the follwoing conditions:

Asset will be used to carry on the same kind of business

The transferor is VAT registered

IF only part of the business, it must be able to operate on its own.

No significant break in trading

No consecutive tranfers of business

This sale would satisfy these conditions as the accoutnacy taking over will be taking continuinmg the same kind of business. Also Gerald wasnts to keep soem of the clients, but the rest of the assets are capable of contnuing the business on their own. There for this

partof the sale is exempt from, VAT.

The brighton office which is owned as a freehold is also due to be tranferred. As it has not been stated that this has been opted to tax, the transfer of a freehold commerical building will be standard rated.

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

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

Answer-to-Question- 3

1)

VAT registration threshold is £90,000 and includes the companies taxable supplies. The grants from the canine trust are not included as taxable supplies so are not included when calculating if the company has exceeded the VAT threshold.

There are two test for testing if a company needs to mandatory register for VAT:

Historic test - at the end of the month, count the taxable supplies made in the last 12 months. In Yappy Hounds Ltd case, they have only operated for 10 months and this amount to £52,925.

Future test - If the company knows they will exceed the threshold in the next month, they will need to register. In Yappy Hounds Ltd case the budgeted future sales do not suggest this.

Therefore they do not need to register for VAT.

2)

If Yappy Hounds were to voluntarily register for VAT from Nov 1 2025. They would need to either charge 20% on top of the sales which they think they will make, or they will

need to allocate 1/6th of the budgeted sales to VAT.

Depending on the method they choose their output VAT could be either:

Adding 20%: £10,091

Taking 1/6th of budgeted sales: £8,409

They would be able to recover in input VAT for the same period of:

$$3,600 * 1/6 = 600$$

$$1,150 * 1/6 = 191$$

$$4,800 * 1/6 = 800 \text{ (canned pet food is standard rated)}$$

Total input = £1,591

Therefore Yappy hound will have to pay either: £8,500 or £6,818 of VAT depending on how they choose to charge VAT.

3)

Under the flat rate scheme the boarding or care of animals, output tax is charged at 12%. However, as this would be their first year of VAT registration this would be reduced by 1% to 11%.

The company would not be a limited cost trader as their VAT inclusive expenditure is not less than 2% of its flat rate turnover and it is not greater than 2% of the turnover but less than £1000 per annum.

In the 6 month period between Nov 25 and Apr 26, VAT inclusive expenditure is £13,075 and 2% would be £1,009.

VAT needed to be paid to HRMC is there for 11% of the VAT inclusive turnover.

Assuming 50,455 is the VAT inclusive turnover, this would amount to £5,550.

Therefore it would be better financially for yappy honds to use the flat rate scheme as they could save $8,409 - 5,550 = £2,859$

4)

Currently the process is not MTD compliant as the rapid books data can not link back to individual sales like it should be back to the source data. HMRC regards it unacceptable for there to be any manually transferred data. Thefroe only keying in the summary data, is the incorrect way to provide the data to rapid books, but the data being provided is also not what is requiered for MTD compliance.

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

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

Answer-to-Question- 4

1)

9 nstallenmts of 1,800 = £16,200 VAT already paid

270,000 of SR sales = £45,000 in output VAT

Wages are exemt

Standard rated goods for resale 120,000 = £20,000 inpu VAT

Zero rated goods

30,000 = £6,000 input VAT

Output - Input

45,000 - 20,000 = £25,000 total VAT due for the year

25,000 - 16,200 = £8,800 due to be paid 2 months after the end of the VAT year, therefore
31 December 2025.

2)

The estiamted VAT paymets for the year end Oct 26 is 10% of the VAT paid in the
previous year. This means that the satndard installement payment would be £2,500.

She does not need to tell HMRC about her expected increase, however she may benefit from writing to hmrc to tell them so she can adjust the VAT installemts, this could prevent her having a large balancing payment at the enbd of the tear and improve cash flow.

3)

The mont installemts are due from the 4th months to the 12th month of the year. For polly this will be Febuary 2026 trough to october 2026

4)

Cold sandwiches which are eaten in the premissis will be standard rated. Sandwiches taken away will be 0 rated.

Hot pies will always be standard rated

The elctricity will be cahrged at 20% for charging the electric car

5)

The basic tax point for services, such as the event is the date when the service is performed. This can be overridden in 2 scenrios:

Firstly if the invoice or payment is provided before the taxpoint, this will become the actual tax point used. This can be applciable to the deposits.

Secondly if an invoice is issued within 14 days after the basic tax point, and there is no

early tax point, then the date of this invoice becomes the tax point. This can apply to the balancing payment after the event. However if the invoice is longer than 14 days, the basic tax point is used.

When considering deposits, the deposit and remaing balance are considered seperately. These will both have thier own tax points calcaulted as normal.

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

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

Answer-to-Question- 5

1)

Assuming they have used the values based method for their standard method partial exemption the annual adjustemtn would be:

Taxable supplies: £4,600,000 (assuming VAT Inc)

Exempt Supplies: £1,500,000

Directly attributable taxable costs: $75,000 + 32,000 = 107,000$ (commercial repairs and advertising)

Directly attributable exempt costs: $40,000 + 24,000 = 64,000$ (legal fees and repair of hosuing)

Residual: $30,000 + 16,000 = 46,000$

Values based apportionment of resudual inout tax:

$(3,833,333)/(3,833,333 + 1,500,000) = 0.718 = 72\%$ (ROUNDED UP)

$46,000 * 72\% = £33,120$ attributable to taxable

Therefore total input tax recoverable = £140,120

Annual Adjustment = £1,120 to reclaim from HMRC

2)

The lease premium was leased in 2013, the CGS scheme recovery period for land and buildings is only available for 10 years, therefore no adjustment is needed.

The extension of the house does not need an adjustment as it has not been opted to tax due to its residential status, therefore no adjustment needed

NOTE to examiner: I am unsure of the % use I am supposed to use for the CGS from the question, I am going to assume it is the 72% that was calculated part 1, and continue with this.

CGS calc = VAT on purchase * (Initial % - Actual %) / Number of years

£	VAT	Initial	Actual	Years	Adjustment
Road	120,000	65%	72%	10	-840
Refurbishment (assuming now opted to tax)	80,000	0%	72%	10	-5760
Software	16,000	90%	72%	5	576
Total					- £6,024

Total CGS adjusted for may 25 = VAT reclaim of £6,024

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

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

Answer-to-Question- 6

An Accountant
London

Ben Hombre
London

October 31 2025

Dear Ben

Thank you for your letter reaching out to us reagrding your VAT concerns.

1)

Firstly In regards to your options to tax on the 2 buildings, you can not revoke the option to tax, as while you are within the 6 month period in which you can revoke an option to tax, one of the specific conditions of this is that the buildings was not part of an transfer of going concern, as you have stated the old owner opted to tax the buildings, adn as of now they are still opted to tax I assume you opted them to tax so that they could be treated as VAT exeempt for TOGC purposes whenever the hotel was purchahsed.

HOwever, the second building, being 22 years old, allows you to ask for HMRC's permission to revoke the option to tax. This is due to it being over 20 years since the inital opting to tax. In regards to the improvements, you will not be able to recover VAT on the cost of improvemetns, as you will no longer be making a taxablke supply, as no VAT will be cahrged to your tenant.

2)

The sales to the property rental company will be exeempt from VAT, due to being residential buildings.

I do not think there would be any advantage in opting to tax the biuilding, as this would require you to then chage VAT on the sale, potentially reducing the amount of proceeds you recieve. The buyer will also not opt to tax the building as they will be providing an exeempt service so there isnt any possibility of it being a transfer of going concern. Dwellings are also excluded from the effect of options to tax.

3)

Finally, in regards to your neew income streams please see our recommneded VAT treatment below:

Fishing right: standard rated

Tennis court hire: Tennis court hire is exemt from VAT

Bedrooms: standard rated

Please let us know if you have further questions.

Kind regards,

Tax advisor