ATT May 2026

Paper 6: VAT

Examiners' report

Question 1

The first part of this question was answered well. However, an easy mark was lost by not explaining why the online writing courses qualified as electronically-supplied services. Furthermore, when it came to the sale of books many candidates answered that this was a zero-rated export when the question actually asked for the place of supply.

Candidates were then asked how Nat should treat some overseas purchases on their VAT return. A number of candidates correctly identified that reverse charge VAT was due on the purchase of legal services from a US lawyer but applied 20% on the dollar value instead of correctly stating that the value needed to be converted into GBP first. Almost all candidates stated that the place of supply of the theatre hire was Germany but some then went on to say that there were no UK VAT 'obligations'. The mark was only awarded where the candidate demonstrated that they knew that no input tax could be claimed on the UK VAT return.

Question 2

Overall, candidates achieved high marks for this question and they demonstrated the rules for claiming BDR. However, a large number wrote down the conditions for applying BDR at the start of the question, perhaps as scene setting. Unless a candidate applied these conditions to Dreadknight's own circumstances then no marks were awarded for writing these out and time was lost. A common example would be that candidates wrote that the debt 'needed to be' written off to the bad debt account, but very few went on to state that the credit controller for Dreadknight had indeed done that, and there was one mark allocated for this.

The calculation part of this question was answered well. Some candidates struggled to calculate Bad Debt Relief (BDR) relating to supplies to Sherat Ltd where the company disagreed with the standard-rated VAT liability and, therefore, only agreed to pay the net amount.

An easy mark was lost by not adding the BDR amounts together at the end to give a total amount of VAT claimable/payable.

Question 3

The vast majority of candidates achieved high marks across all parts of this question.

Part 1 of this question was answered extremely well with all candidates correctly identifying that the building was opted to tax by virtue of the Real Estate Election, and that the rent of the commercial areas is therefore subject to VAT at 20%, with the penthouse remaining exempt from VAT.

Part 2 proved to be the most challenging part of this question. Nevertheless many candidates correctly identified that the seller's option to tax could be disapplied if the purchaser intended to convert the building into dwellings, and that the sale of the penthouse remains exempt.

The remaining parts were well answered and a large number of candidates scored close to full marks for each part.

Question 4

Most candidates handled the first part of this question well. However, it was very common to treat the calculation as a partial exemption calculation rather than a non-business calculation and to refer to the outside the scope income as being exempt. This led to candidates rounding up calculations where no rounding is available and to considering de minimis rules which are not available for non-business calculations.

Only a small number of candidates were able to correctly state the tests applied to determine whether an activity is a business activity.

The part of the question about catering and food gave most people easy marks. A good number of candidates identified that charity advertising was eligible for zero rating but only a few also considered relief for electricity costs used for non-business.

Question 5

This was mostly well handled, but some candidates did lose marks by not identifying that Lucy's business was of property rental and that TOGC would not apply if the shops were transferred to the current tenants. Good candidates stated the need for the buyer to have an option to tax in place. However, very few candidates stated what would happen if the option was not in place.

The tax points were straight forward, but only a small number of candidates gained full marks by commenting on the status of the 'statement' requesting payment which was not a tax invoice.

Question 6

Most candidates made a good attempt at this question. However, very few identified that the reverse charge should be included in the calculation of taxable income and count towards the registration limit. Many thought that the royalties would not be included in the calculation – royalties are business income as they are received in return for making a supply of rights.

The advantages and disadvantages of registering for VAT were explained well.

Many candidates struggled to correctly explain what the obligations of the former tax adviser should have been.

Some candidates lost time talking about the benefits of an option to tax having already established that the option could not apply to the dwellings and that the sale of the storage facility would be taxable.