[redacted]

Question 1

1) The place of supply for each of Nat's supplies is as follows:

a) Sale of the copyright to their new play 'Go Gently' to a film company based in the US;

For a business to business supply, the place of supply is where the customer belongs which is in the US.

b) License of their script 'Cheesefreak' to a theatre company based in France;

For a business to business supply, the place of supply is where the customer belongs which is in France.

c) A live performance in Exeter of a reading from their latest book of poetry 'Wild Swimmers'. Nat sold entry tickets to the performance, via her website, to UK individuals and businesses;

The sale of tickets will be supplies of admission to an event and the place of supply will be where the event physically takes place which is the UK for both business customers and individuals.

d) Another live performance of 'Wild Swimmers' - this time in Berlin (Germany). Tickets to this performance were sold by a German ticket and events company as disclosed agent;

The sale of tickets will be supplies of admission to an event and the place of supply will be where the event physically takes place which is Germany for both business customers and individuals.

e) Online writing courses to individuals living in the UK, The Netherlands and Switzerland, who wish to improve their skills in poetry and playwriting. The tutoring and coaching is all done via pre-recorded videos and downloadable PDFs; and

The course is pre-recorded so is an electronically supplied service and for services to individuals the place of supply will be where the customer belongs, UK, Netherlands and Switzerland respectively.

f) Sale of 100 copies of their new poetry book to a bookshop in Amsterdam (The Netherlands). Nat arranged the transport of the goods from Exeter to Amsterdam.

This is a zero rated export of goods from the UK so the place of supply is the UK. Evidence of the export will be required.

2) The place of supply for each of Nat's purchases is as follows:

a) Legal services from a US lawyer for USD 2,000.

This is a business to business supply of services and the place of supply will be where the supplier belongs in the US. Nat will be required to account for VAT under the reverse charge mechanism.

b) Theatre hire in Berlin for EUR 750.

This is a business to business supply of services and the place of supply will be where the theatre is located which is in Berlin. Nat will be required to account for VAT under the reverse charge mechanism.

[redacted]

Question 2

1)

Customer	Invoice date	Due date	Days late	Amount at 0% VAT	Amount at 20% VAT	VAT	Due	Paid	Outstanding	Bad debt	Bad debt VAT	Comments
Jellycod Ltd	10/09/2025	24/09/2025	188	10,000.00		-	10,000.00		10,000.00	10,000.00	-	0% VAT
Jellycod Ltd	14/09/2025	28/09/2025	184		12,000.00	2,400.00	14,400.00		14,400.00	14,400.00	2,400.00	
Jellycod Ltd	02/10/2025	16/10/2025	166	5,000.00	12,000.00	2,400.00	19,400.00		19,400.00			Not over 6 months
Gingeree Ltd	15/07/2025	29/07/2025	245	12,000.00		-	12,000.00	12,000.00	-	-		Payment allocated to oldest invoice first
Gingeree Ltd	02/08/2025	16/08/2025	227		50,000.00	10,000.00	60,000.00	10,000.00	50,000.00	50,000.00	8,333.33	20% VAT on outstanding liability
Sherat Ltd	02/07/2020	16/07/2020	2,084		10,000.00	2,000.00	12,000.00		12,000.00			Over 4 years and 6 months
Sherat Ltd	14/07/2025	28/07/2025	246		35,000.00	7,000.00	42,000.00	35,000.00	7,000.00	7,000.00	1,166.67	20% VAT on outstanding liability
Sherat Ltd	03/08/2025	17/08/2025	226	14,000.00	35,000.00	7,000.00	56,000.00		56,000.00	56,000.00	7,000.00	20% VAT on £35,000
Lightery Ltd	03/05/2025	17/05/2025	318		4,500.00	900.00	5,400.00	5,400.00	-	-	- 900.00	Bad debt claimed in previous period
Total bad debt claimable in quarter ended 31 March 2026											18,000.00	

The total amount reclaimable for the VAT quarter ended 31 March 2026 in relation to the outstanding sale invoices, less the invoice on which bad debt relief had previously been claimed is £18,000.

2) One of the conditions for a bad debt relief claim is that output tax must have been paid and accounted for to HMRC on any goods and services supplied. If Dreadknight Ltd have not paid the raw materials invoice then they would not meet this criteria to make a claim for bad debt relief.

3) The amount of bad debt relief to be claimed should be included in Box 4 of the suppliers VAT return, in the VAT period in which the conditions are met to make the claim, or a later period up to 4 years and 6 months from the later of the date of supply or the due date for payment specified on the invoice.

[redacted]

Question 3

1)

a) Project 1

The lease of the second and third floor to an insurance company are standard rated supplies as FW has opted to tax the building and this is treated as commercial property.

The lease of the penthouse apartment is a residential letting so is exempt for VAT purposes even though FW has opted to tax the building.

The lease of the ground to retailers are standard rated supplies as FW has opted to tax the building and this is treated as commercial property.

b) The sale to another property developer who will immediately convert the commercial areas of the building into six new residential apartments with only the penthouse on the top floor remaining will be a mixed supply. The Penthouse is relevant residential so will be zero rated. The sale of the commercial property would ordinarily be standard rated as FW have opted to tax the building, however, under permitted development rights this may be treated as a reduced rated sale at 5% if the property developer obtains approval from the LPA or statutory planning consent.

c) Project 2

FW is constructing a new building in Mayfair, London (UK) for use as residential apartments. It has engaged a local firm of VAT-registered builders to do the construction work and fit the building out as apartments. FW will market the new apartments to individuals normally resident outside of the UK, with the intention of granting 25-year leases to them once the building is complete. There would be no restrictions placed on residing in the building all year round.

The construction is a relevant residential building so construction costs will be zero rated for VAT purposes.

The additional items: fire alarms with sprinkler systems, luxury carpets and coffee machines will not be included within the zero rating exemption and will be treated as standard rated supplies. The service of installing the carpets and fire alarms with sprinkler systems remain eligible for zero rating but not the goods themselves.

d) The proposed supply of the 25-year leasehold to non-UK resident buyers in Project 2 will be zero rated as this is the first grant of a major lease (over 21 years).

e) The construction services made by the builder to FW in Project 3 will be reduced rated at 5% as this is a residential conversion from a single household dwelling to a relevant residential purpose building.

2) As FW does not have the expertise to run the care home itself so it will instead lease the care home to a care provider for an initial 10-year period. As FW are providing their services direct to the care home provider, they will be able to recover the input tax on the build.

[redacted]

Question 4

1) Peanutz had previously reclaimed VAT on the costs of clothes which were given away. This included £18,000 of VAT on purchases of adult clothing which was not in relation to taxable sales. Only 11% of the total expenditure on clothing (adult and childrens) related to taxable sales and therefore only £3,452.40 should have been recoverable. They have overclaimed 14,547.6 (18,000 less 3,452.40).

$\frac{17,262}{90,000}$ 0.19 3452.4

2) The income Peanutz will receive from providing clothing will still be business income even if the income does not cover the full cost of the clothes as a supply has taken place
for VAT purposes generally arises where consideration is given in return for the clothes. The fixed cost of 40% of the purchase price will be classes as consideration in return for the clothes. The voluntary contribution will not be included as this is not in return for the clothes.

3) Peanutz is not correct to charge VAT on all the items sold in the café as it depends whether the food is hot or cold and also whether the food is sold for consumption on or off the premises. Any food sold hot to be consumed hot should be standard rated. Any food sold to be consumed on the premises should also be standard rate. If cold food such as sandwiches and confectionery are sold as take away items these would be zero rated. also runs a small café which sells hot food, a range of hot and cold sandwiches. Fizzy drinks will be standard rated whether they are consumed on the premises or taken away.

4) If Peanutz were a charity, the supply of advertising costs would be zero rated.

[redacted]

Question 5

1)

a) Option 1 – Lucy has opted to tax the property so the sale of the freehold in the shops would be standard rated as these are commercial properties

Option 2 – this could be treated as a transfer of a going concern (TOGC) as the new business will continue to rent the shops to the existing tenants for a period of time. The new owner would would also need to opt to tax the building.

Option 3 - this may also be treated as a transfer of a going concern (TOGC) as the new business will still use the properties to run shops, however they will no longer be rented to tenants so it may be argued that this is not carrying on the same type of business (rental). Again, if it was deemed to meet the criteria for a TOGC, the new owner would also need to opt to tax the property. If it does not meet the conditions then the sale of the freehold would be standard rated as in option 1 due to the option to tax and they are commercial properties.

b) Option A – this could be treated as a transfer of a going concern (TOGC) as the new business will continue to run the hotel, despite the extended closure for refurbishment. The new owner would also need to opt to tax the building.

Option B – this could be treated as a transfer of a going concern (TOGC) as the new business will continue to run the hotel. The new owner would need to be a taxable person or immediately become one as a result of the transfer to meet the conditions for a TOGC and would also need to opt to tax the building.

c) The sale of the shares and assets could be treated as a transfer of going concern (TOGC) as the buyer plans to continue to run the company. Thew new owner would need to opt to tax the property.

2) The shop rentals would be treated as a continuous supply of services. The tax point would be the earlier of the date the rent payment is received, or the VAT invoice is issued. As the VAT invoice is issued on the date payment is received, these would both be the same.

For the hotel rooms, a tax point is created when the 50% deposit is paid. The basic tax point is the date the service is received (the date the client stays). The actual tax point will be when the final VAT invoice is issued, presumably on check out.

[redacted]

Question 6

1) Fees from overseas customers would not be included as part of taxable turnover for VAT registration purposes. Bank interest would not be included as part of taxable turnover for VAT registration purposes. The government funded grant would not be included as part of taxable turnover for VAT registration purposes. The gift from his parents would not be included as part of taxable turnover for VAT registration purposes.

2) Linus income is exactly £90,000 at the end of September 2025. Linus exceeds the £90,000 threshold by 31 October 2025. He should have notified HMRC within 30 days (by 30 November 2025) and should have been registered for VAT from 1 December 2025.

Period	Date	Fees from UK customers	Salary from customer	Total	Cumulative income		Notiffy by	Registered from
1	31/01/2025	4000	6000	10000	10000	1 month		
2	28/02/2025	4000	6000	10000	20000	2 month		
3	31/03/2025	4000	6000	10000	30000	3 month		
4	30/04/2025	5000	6000	11000	41000	4 month		
5	31/05/2025	5000	6000	11000	52000	5 month		
6	30/06/2025	6000	6000	12000	64000	6 month		
7	31/07/2025	5000	3000	8000	72000	7 month		
8	31/08/2025	5000	3000	8000	80000	8 month		
9	30/09/2025	7000	3000	10000	90000	9 month		
10	31/10/2025	6000		6000	96000	10 month	30/11/2025	01/12/2025
11	30/11/2025	7000		7000	103000	11 month		
12	31/12/2025	7000		7000	110000	12 month		
1	31/01/2026	7000		7000	107000	12 month - rolling		
2	28/02/2026	7000		7000	104000	12 month - rolling		
3	31/03/2026	8000		8000	102000	12 month - rolling		
4	30/04/2026	9000		9000	100000	12 month - rolling		

3) Linus could have voluntarily registered earlier. This could have been beneficial as if he had registered within 6 month of the legal fees incurred in creating model contracts for clients, he would have been able to recover the VAT on these services. Now the 6 month period has passed he will not be eligible to recover these costs. Linus would also have avoided late registration penalties.

4) The previous tax adviser should have advised Linus of his obligation to register for VAT if is taxable turnover in a rolling 12 month period exceeded £90,000. They should also have made Linus aware of the option to register early and the benefit of being able to reclaim VAT on the legal services and the laptop at the time these were purchased in January 2025. The adviser should have held a planning meeting and requested budgeted figures for example in relation to the client who paid Linus a salary to determine when Linus was approaching the VAT registration threshold.