

FOUNDATION QUALIFICATION

IN VAT COMPLIANCE

SAMPLE QUESTIONS

FA 2026

Question 1

Malcolm Trading Ltd had the following results in the quarter to 31 December:

Taxable supplies	£57,000
Exempt supplies	£10,000
Input tax:	
Directly attributable to taxable supplies	£7,000
Directly attributable to exempt supplies	£1,500
Residual input tax	£1,800

For the previous year ended 31 March its annual recovery percentage was 70% and the company recovered input tax using this percentage for the prior two VAT returns, in June and September.

The recoverable input tax for the quarter to 31 December is:

- A ☐ £7,000
- B ☐ £8,260
- C ☐ £8,548
- D ☐ £10,300

Question 2

The basic/general rule for most supplies of services from a UK business to businesses overseas will be that VAT is due in the place where the.....

- A** ☐ Customer is established
- B** ☐ Invoice is issued
- C** ☐ Supplier is established
- D** ☐ Service is performed

Question 3

Which ONE of the following statements about a transfer of a going concern ("TOGC") is NOT true?

- A** ☐ If the seller is VAT registered the buyer must be (or become) VAT registered for the TOGC rules to apply
- B** ☐ The transfer of a going concern is outside the scope of VAT only if certain conditions are met
- C** ☐ The VAT registration number of the selling business cannot be transferred to the buying business
- D** ☐ A building which has had an option to tax made over it cannot be transferred VAT free under the TOGC rules unless the buyer also makes an option to tax over it

Question 4

Valley Ltd has the following VAT exclusive supplies in the quarter ended 31 March:

Standard-rated supplies	£72,300
Zero-rated supplies	£12,500
Exempt supplies	£4,000

How much VAT was accounted for to HMRC under the Flat-Rate Scheme if the appropriate percentage is 9% and Valley Ltd is not a limited cost trader?

- A ☐ £17,037.90
- B ☐ £7,992.00
- C ☐ £8,168.40
- D ☐ £9,293.40

Question 5

Fred orders a new BMW on 5 November. The car is being built to his requirements and will not be ready for delivery until 31 January.

The car dealer invoices Fred on 20 December for £150,000 plus VAT. Fred must pay the invoice on the date he collects the car.

What is the tax point for this supply?

- A** ☐ 5 November
- B** ☐ 20 December
- C** ☐ 3 January
- D** ☐ 31 January

Question 6

Munchies is a new sandwich shop and delicatessen which has just opened in Bristol. In the first three months of trading the business made the following supplies:

	Month 1	Month 2	Month 3
	£	£	£
Standard-rated supplies	4,000	6,000	9,000
Zero-rated supplies	6,000	7,000	8,000

Included in the standard-rated sales for month 3 is £500 for a display unit which the business purchased in month 1 but had proved totally unsuitable for business needs. The unit had cost £1,000.

What is the value of the cumulative turnover at the end of the third month of trade which needs to be compared to the registration limit?

- A ☐ £19,000
- B ☐ £18,500
- C ☐ £40,000
- D ☐ £39,500

Question 7

Which ONE of the following items is NOT required on a valid retailer's VAT invoice?

- A ☐ The date of the supply
- B ☐ The rate of tax applicable
- C ☐ The supplier's name and address and the supplier's VAT registration number
- D ☐ The recipient's name and address

Question 8

Which ONE of the following Retail Schemes has a limit for annual sales not exceeding £1 million?

- A** ☐ Apportionment Scheme 1
- B** ☐ Apportionment Scheme 2
- C** ☐ Direct Calculation Scheme 2
- D** ☐ Point of Sale Scheme

Question 9

Over which ONE of the following supplies can an option to tax affect the rate of VAT to be charged?

- A ☐ The sale of the freehold in a factory constructed 12 months ago
- B ☐ The sale of 25 acres of land by Farmer A to Farmer B
- C ☐ The sale of the freehold in a detached house built 10 years ago
- D ☐ The sale of the freehold of a newly built semi-detached house by the builder

Question 10

Amy Brown and Keith Black are partners in a property business called North Brighton Homes. Jointly they own 100% of the shares in Lettings Ltd a UK company and 75% of the shares in Buy-To-Let Ltd also a UK company. Keith Black also owns a 70% holding in a chemical company Pharmo Ltd based in the UK.

Who can be in a group for VAT purposes?

- A ☐ Lettings Ltd and Buy-To-Let Ltd only
- B ☐ Lettings Ltd, Buy-To-Let Ltd and Pharmo Ltd only
- C ☐ North Brighton Homes and Lettings Ltd only
- D ☐ North Brighton Homes, Lettings Ltd and Buy-To-Let Ltd only

Question 11

Mountain Ltd acquired a new commercial property on 1 December 2022 for £1,000,000 plus VAT of £200,000.

The taxable use of the property is as follows:

VAT year:

31.05.23 (year 1) - 60%

Year 2 - 65%

Year 3 - 50%

Year 4 - 65%

The building was sold on 1 December 2026 for £1,800,000. Mountain Ltd has not opted to tax the property. Taxable use to the date of the sale is 68%.

What is the capital goods scheme adjustment for the year ended 31 May 2027 assuming the anti-avoidance cap does not apply?

- A** ☐ £1,600 payable to Mountain Ltd
- B** ☐ £61,600 payable to HMRC
- C** ☐ £58,400 payable to HMRC
- D** ☐ £60,000 payable to HMRC

Question 12

Which ONE of the following supplies is NOT a zero-rated supply under VAT legislation?

- A ☐ Export of goods
- B ☐ Health services
- C ☐ Newspapers
- D ☐ Sewerage

Question 13

Simon Holt works for Barney Ltd as a sales rep. As part of his employment package he is given a round sum allowance of £5,000 per annum.

During the quarter ended 31 March Simon spent the allowance as follows – all of which are supported by valid VAT invoices:

New suits for work	£1,000.00
Entertaining UK clients	£4,850.00
Magazines	£150.00

How much input tax (if any) may the company recover on Simon's expenditure?

- A ☐ £Nil
- B ☐ £25.00
- C ☐ £666.66
- D ☐ £833.33

Question 14

Polly Thorp runs a plumbing business in Shropshire. She has submitted a VAT return for the quarter to 31 March which shows output tax of £400,000 and input tax of £175,000.

It later transpires that the correct position is output tax of £400,000 and input tax of £75,000. On discovering the error Polly made an unprompted disclosure to HMRC.

Which of the following is the minimum amount of penalty (if any) due if the error is the result of a careless action?

- A ☐ £Nil
- B ☐ £50
- C ☐ £15,000
- D ☐ £30,000

Question 15

Speedyjet Ltd offers a return flight to Barcelona in January for £100.

The flight includes lunch. The flight costs the airline £50 and the meal £5.

Calculate the VAT due, if any, using the cost of each element to make any necessary apportionment.

- A ☐ £Nil
- B ☐ £0.83
- C ☐ £14.89
- D ☐ £16.66

ANSWERS

Question	Answer(s)
1	B
2	A
3	C
4	D
5	B
6	D
7	D
8	A
9	B
10	D
11	C
12	B
13	A
14	A
15	A