THE ASSOCIATION OF TAXATION TECHNICIANS

ATT PAPER 6 VAT

NOVEMBER 2026

TIME ALLOWED

3 HOURS 30 MINUTES

- All workings should be shown and made to the nearest month and pound unless the question specifies otherwise.
- A maximum of two marks will be awarded for the quality of presentation of the answers.

Important Information – Please read carefully

A spreadsheet is provided with each question. You do not have to use this, but where the requirements include calculations and workings, you may find it a useful tool. However, all computations and workings completed in the spreadsheet **MUST** be copied and pasted into the word processor answer box. Any calculations left in the spreadsheet and not copied to the answer box will not be marked.

You **MUST** use keyboard shortcuts to copy from and paste to the answer box. These are CTRL+C (Command+C on a Mac) to copy and CTRL+V (Command + V on a Mac) to paste. Other methods of copying/pasting will not work.

- Markers will NOT be able to view any formulae/workings behind calculations carried out in the spreadsheet. You must set out details of your workings in full.
- Tax tables and the Tolley Manuals / Memory Joggers can be accessed as PDFs via the "open book" icon in the top right of your screen.
- Hyperlinks to Croner and Tolley (Lexis Nexis) student legislation versions, and HMRC manuals, can also be accessed via the "open book" icon in the top right of your screen.

Technical support during the exam: how to access

- You will be able to access technical support during the exam. This is limited to troubleshooting issues with the exam software.
- You can open the support portal by navigating to the 'open book' icon in the top right of the screen. A link to candidate support is provided in the resources list.
- This will open in a separate tab in the secure browser. The 'chat' function is found in the bottom right of that screen. The chat will first attempt to resolve issues by directing you to troubleshooting guidance. If that is unsuccessful, you will be directed to a live agent.

1. Stretchiest Ltd (SL) is a UK company registered for VAT only in the UK. It also has a sister company, Stretchiest Body GmbH (SBG), a German company registered for VAT only in Germany.

Both companies supply high-quality yoga mats to business customers such as retailers, gyms and wellness centres.

SBG imports the mats from China into Germany and stores them in its warehouse in Hamburg (Germany). SBG then sells the mats to its customers in Europe and, for historical reasons, customers in Scotland as well. These goods are supplied under Ex-Works (EXW) Incoterms and are transported by the customer from the Hamburg warehouse to the customer's destination. In addition, SBG supplies mats to SL, with the goods being shipped from its Hamburg warehouse to SL's warehouse in Teeside (UK).

SL's customers are established in the UK (except Scotland) and France. The mats are transported from its Teeside warehouse to the customer's premises under EXW Incoterms.

In addition:

a. One of SL's UK customers, a national gym chain (NatGymCo Ltd), has set up a new Dutch company to operate five new gyms in The Netherlands. NatGymCo Ltd wishes to buy 300 mats from SL and then sell the mats to its new Dutch company. NatGymCo Ltd has asked that SL ship the goods direct to the premises of the new Dutch company under Delivered at Place (DAP) Incoterms, rather than the goods going to NatGymCo Ltd's UK premises first.

b. A new Scottish customer of SBG has requested that SBG supply mats under Delivered Duty Paid (DDP) Incoterms, rather than EXW Incoterms.

c. Key importation/freight staff at SBG are on sick leave so SBG asked SL to import the mats into the UK from China temporarily. SL used a new import/customs clearance agent to clear the goods and this agent has raised an invoice to SL for its services along with the import VAT and duty it paid to clear the goods. SL has noticed that this import VAT is not shown on its C79 certificate.

Requirements:

1) Explain the VAT treatment of SL's supplies of mats to its French customers. (2)

2) Explain the VAT treatment of SL's supply of mats to NatGymCo Ltd, and the subsequent supply by NatGymCo Ltd to its new Dutch company. (4)

3) Explain the VAT consequences of SBG making supplies to the new Scottish customer under DDP Incoterms, including how to recover any import VAT due. (5)

4) Explain whether SL is entitled to recover the import VAT paid on the mats imported into the UK based on the invoice from the agent. (4)

Total (15)

2. Drumbles Ltd is a potato crisp manufacturer based in Somerset.

In its VAT quarter ending September 2026 the following transactions occurred:

a. 200 boxes of crisps were supplied to a customer in London. The goods were delivered on 28 June and an invoice raised on 1 July. Payment was received in advance on 23 June.

b. Drumbles Ltd disposed of an empty commercial property which it had opted to tax. The sale completed on 29 September and an invoice was raised to the purchaser on 1 October.

Continued

c. On 20 June Drumbles Ltd signed a contract to sublet another of its commercial buildings, which it had opted to tax, for a term of 25 years. A VAT invoice was raised to the tenant on 1 August showing the 12 due dates for payment of the rent for the next year. The first payment was due on 30 September and the tenant paid on 1 October.

d. On 28 September Drumbles Ltd supplied 100 boxes of tzatziki-flavoured crisps worth £500 excluding VAT to an influencer in the UK in return for positive reviews and promotion of the brand and a contract was put in place between the two parties to document this. On 20 October, Drumbles Ltd raised an invoice to the influencer showing that no monetary payment was due.

e. A UK subsidiary of Drumbles Ltd requested that Drumbles Ltd provide it with IT consultancy services. The services were completed on 2 October and the subsidiary paid for these in advance on 15 September. Drumbles Ltd issued an invoice on 13 September.

f. The US parent company, Drumbles Inc, provided Drumbles Ltd with consultancy services. The consultancy project was complete on 1 August. Drumbles Ltd paid £150,000 on 2 June and £300,000 on 31 August. An invoice for £450,000 was issued to Drumbles Ltd on 20 August.

In addition, in the past 12 months Drumbles Ltd supplied free packets of crisps with a brand new 'lobster' flavour. Drumbles Ltd distributed these individual packs of crisps outside a shopping centre to the public with the aim of promoting the product.

Requirements:

1) Explain the time of supply for each of items a-f making reference to the basic and actual tax point where applicable. (12)

2) Explain the input and output tax implications for Drumbles Ltd of supplying the tzatziki-flavoured crisps to the influencer in item d). (3)

3) Explain the input and output tax implications for Drumbles Ltd of supplying the new lobster-flavoured crisps. (2)

Total (17)

3. Bathcheltenham Ltd is an IT consultancy firm that owns a number of residential and commercial properties across Bath and Cheltenham (UK). It is registered for VAT and has opted to tax all of its commercial properties.

In the year ended 31 May 2026 the company's turnover, excluding VAT, was as follows:

	£
IT consultancy	2,380,000
Commercial property letting	2,850,000
Residential property letting	3,210,000

Bathcheltenham Ltd leases a building which it operates as its headquarters. Staff across all parts of the business are based in this office.

Continued

Continuation

The company incurred the following VAT on purchases for the year:

	£
Rent of headquarters	35,000
Cleaning and maintenance of headquarters	30,000
Entertainment of IT consultancy clients	10,000
Repair and maintenance of residential properties	65,000
Repair and maintenance of commercial properties	45,000
Audit fees	14,000
Bailiff fees relating to residential evictions	3,000

In previous years the company incurred the following capital costs:

a. Construction of a new access road in May 2015 to serve a mixed area of residential and commercial properties owned by the company. The road cost £2 million and the company recovered 57% of the input tax.

b. Lease premium of £650,000 paid on its headquarters when it was first leased in September 2018. The company claimed 80% of the input tax on this cost.

c. Refurbishment of a commercial building for £700,000 in February 2020. The company did not claim any input tax at the time as it had not immediately opted to tax the building, but did so before renting it out.

d. Refurbishment of the headquarters for £200,000 in June 2022. The company recovered 55% of the input VAT incurred.

e. Construction of an extension to its headquarters for £1.1 million. This was done in May 2025 and the company recovered 60% of the input VAT incurred.

All the capital costs above are exclusive of VAT.

Requirements:

1) Calculate the input tax recoverable for the year ending 31 May 2026 using the standard partial exemption method. (7)

2) Calculate the total Capital Goods Scheme adjustment for the year ending 31 May 2026 making reference to each capital cost. (9)

3) State the two circumstances in a partial exemption calculation under which the percentage of residual input tax must be rounded to two decimal places. (2)

Total (18)

4. Emily and Charlotte own a hairdressing salon which has been VAT registered for about 10 years. They originally set up the business with Emily's mum, and she dealt with all the administration including filing VAT returns and paying HMRC each quarter. Unfortunately, Emily's mum died in June 2025 and so they have been struggling to keep on top of everything since then.

As you are a long-time customer at the salon, you have agreed to take a look at their accounting records to see if you can help them get things straight again.

Continued

Continuation

Here is a summary of their latest returns:

Quarter end	Date of Filing	VAT liability (box 5) £	Date of Payment
30 June 25	15 September 25	5,300	15 September 25
30 September 25	20 November 25	7,200	20 November 25
31 December 26	04 March 26	8,600	04 March 26
30 March 26	30 August 26	7,300	30 August 26
30 June 26	30 August 26	8,500	30 August 26

Whilst chatting Emily also explains that she uses a free Making Tax Digital (MTD) spreadsheet she found online to file the VAT returns. She fills this in by typing in the information she downloads into a spreadsheet from the online app they use in the salon to manage their bookings and take payments. Although she records all the credit card purchases separately in the spreadsheet, she also types in the total amount of petty cash spent each month on tea, coffee and biscuits for the salon as a single value. They usually spend about £30 each week.

Requirements:

1) Calculate:

a) How many 'points' the salon has for late filing of quarterly VAT returns; (2)

b) The penalties that will be charged for late filing, and identify the period to which any penalty relates; and (2)

c) The penalties that HMRC will charge to the salon for late payments. Do workings to the nearest day. (7)

2) Explain whether the salon has a reasonable excuse for not filing its returns on time. (3)

3) Explain:

a) Whether Emily is complying with the requirements of making tax digital; (2)

b) What penalties HMRC could apply in this case; and (1)

c) What Emily should do in future to make sure she complies. (1)

Total (18)

5. Nicky and Ian have bought an old farmhouse to live in. As it has been empty for three years, they need to do quite a lot of work before it is ready to live in. They also need to adapt the farmhouse for Ian who has limited mobility and uses a wheelchair. The adaption works will consist of fitting a ramp to enter the farmhouse, a downstairs bathroom, and adding a sunroom where Ian can relax and receive physiotherapy treatment. They will engage a builder to do the main refurbishment works but will have a specialist contractor to do the adaptations for Ian.

At the same time, Nicky's daughter, Catherine, has just finished building a new house, for which she got planning permission a few years earlier. She was given a completion certificate on 30 June 2026. Catherine intends to submit a claim using the VAT reclaims for DIY builders scheme, for the VAT on the cost of building the house. However, she is about to go travelling for six months and may not submit the claim until she returns.
Catherine incurred the following costs for the house building project:

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Continuation

Item	Net	VAT
	£	£
Architect fees	15,000	3,000
Building materials	60,000	12,000
Hot water boiler and tank	4,000	800
Fridge, cooker and freezer	4,500	900
Carpets	2,600	520
Burglar alarms	1,200	240
Greenhouse	2,400	480
Garden fence	800	160
Import VAT on timber imported from Germany	0	8,000
Total	90,500	26,100

Catherine has asked her tax adviser to help with the claim. However, her tax adviser has no VAT experience.

Requirements:

1) Explain what is the VAT liability of the works which Nicky and Ian will do to their farmhouse. (4)

2) Calculate how much VAT Catherine can claim under the VAT refunds for DIY builders scheme, explaining any items which she is unable to claim. (6)

3) Explain whether Catherine should complete the claim before she goes travelling. (2)

4) Explain how Catherine's tax adviser should respond to her request for help. (3)

Total (15)

6. After retiring during the pandemic from running his dental practice, Manoj set up a new business called Milky Whites. The business is VAT registered and sells take-away milkshakes, ice creams and sandwiches from a fleet of three horseboxes in local parks.

In the early days Manoj invested in a card reader to take card payments, but this just recorded the total value of sales. On 1 March 2026 he moved to a new payment system called Rectangle, which gives him better data on the gross sales value of milkshakes, ice creams and sandwiches he has sold each day.

He keeps good records of all purchases of milk, ice cream, and sandwiches which all come from a local VAT registered delicatessan. He also has a fuel card to pay for diesel for his van which he uses to tow the horseboxes and run the generators. His wife Meena occasionally uses the card to fill up her own car with fuel.

Continued

Continuation

In order to build up his business he gives a free ice cream to every 50th customer. He also gives free ice creams to his many nieces and nephews when they visit.

He has very few complaints, but if anyone isn't happy with their purchase, he always offers them a full refund.

Because Manoj did not initially have the data on how many milkshakes, ice creams and sandwiches he has sold each day, he decided to use a retail scheme and so uses the 'Apportionment Scheme 1' to calculate his output tax. From the quarter ended 31 May 2026 Manoj also has the actual sales figures analysed between standard rated and zero rated.

Sales and purchases during the year to 31 May 2026 were as follows:

Quarter end	Total Gross Daily Takings card payments	Refunds	Standard rated purchases (including VAT)	Zero rated purchases	Actual standard rated sales (including VAT)	Actual zero rated sales
	£	£	£	£	£	£
31 August 2025	96,125	37	9,345	26,510		
30 November 2025	48,213	18	8,905	16,539		
28 February 2026	40,600	51	4,990	14,926		
31 May 2026	80,900	6	5,960	20,970	20,450	60,450

Requirements:

1) Calculate:

a) The output VAT due on sales made for each quarterly period using the scheme and the annual adjustment for the year ended 31 May 2026; and (8)

b) The difference in the output VAT which would be due for the quarter ended 31 May 2026 if Manoj used the actual figures that he now has available. (2)

Assume that none of the sales qualifies for the temporary reduced rate of VAT for children's meals, tickets and family attractions between June and September 2026.

2) Explain what adjustments Manoj should make in his VAT return for the free ice creams given to customers and to his nieces and nephews. (2)

3) Explain what adjustments Manoj should make in his VAT return because of his wife using the fuel card to fill up her own car for personal use. (3)

Total (15)