

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	<b>46</b>	<b>279</b>	<b>318</b>
Section 2	<b>195</b>	<b>885</b>	<b>1080</b>
Section 3	<b>124</b>	<b>584</b>	<b>704</b>
Section 4	<b>132</b>	<b>650</b>	<b>778</b>
Section 5	<b>213</b>	<b>914</b>	<b>1120</b>
Section 6	<b>20</b>	<b>96</b>	<b>115</b>
Section 7	<b>104</b>	<b>500</b>	<b>602</b>
Section 8	<b>93</b>	<b>440</b>	<b>532</b>
Section 9	<b>100</b>	<b>474</b>	<b>573</b>
Section 10	<b>94</b>	<b>401</b>	<b>492</b>

Answer-to-Question- 1

- 1)Yoga class admission - Standard-rated
- 2)Yoga mats - Standard-rated
- 3)GF chocolate cake to eat in cafe - Standard-rated
- 4)Cappuccino to take-away - standard-rated
- 5)Flapjack to take-away - standard-rated
- 6)Yoga books - zero-rated
- 7)Vegan recipe books - zero-rated
- 8)Vegan cheese sandwich to take-away - zero-rated (if cold)

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-----ANSWER-1-ABOVE-----  
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-----ANSWER-2-BELOW-----  
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Answer-to-Question-   2  

Paul makes taxable supplies of advertising services. He made over £100,000 in the first three months in his first year, which is over the VAT registration threshold limit of £85,000. Assumption is that he breached the threshold in March 2024. He should have notified HMRC of the obligation to be registered for VAT by the end of April 2024 (within the next 30 days after he breached the threshold). He would have been registered for VAT from the 1st of May 2024. From May 2024 he would be liable to pay VAT due on his supplies.

Assuming it is now October 2024, Paul would have to account for VAT that should have been paid for the last six months. His registration will be backdated to the date from which he was laible to be registered. HMRC may seek to award penalties for the late notification. The penalty will be charged as a percentage of the potential lost revenue. The maximum penalty HMRC may award would be 30% and the minum would be 0% as his late notification from October 2024 would be less that 12 months late, this is given his late notification was not deliberate.

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-----ANSWER-2-ABOVE-----  
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-----ANSWER-3-BELOW-----  
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Answer-to-Question- 3

- 1)Helenia can recover the input tax on the bottles of wine gifted because they were gifted to employees of the business.
- 2)She can recover the input VAT on the hire of the car for one week because it follows the general rules for the short term hire of transport and it was used for business purposes.
- 3)The input tax on the catering services is blocked from input tax recovery because the expense was incurred for business entertainment and not for staff entertainment.
- 4)The input tax on legal advice is irrecoverable as the cost for that service was incurred over six months ago. She can only recover input tax on services purchased in the previous six months before being VAT registered on 1 April 2024.

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-----ANSWER-3-ABOVE-----  
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-----ANSWER-4-BELOW-----

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Answer-to-Question- 4

1) The payments from the NHS are exempt from VAT as the supply relates to providing medical care to patients which is exempted under VATA 1994 schedule 7A, Group 7 'Health and welfare'.

2) Rental income for leasing part of the building to the cosmetic beautician is standard-rated as Dr Davis has opted to tax the building and the beautician cannot disapply the option to tax.

3) Income from individuals for drafting 'sick notes' is exempt from VAT as Dr Davis is a qualified doctor and the service of drafting sick notes is covered by the exemption mentioned in point 1) above.

4) Payments from the NHS for dispensing prescriptions to specified patients is zero-rated for VAT provided that they are dispensed to those specific patients on the basis that they have a NHS prescription.

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

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

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Answer-to-Question- 5

**Supply A:**

The basic tax point was created the date the goods were delivered, which was on 10 September. However, the actual tax point was created earlier when the tax invoice was issued on 8 September. 8 September is the actual tax point as it was issued on a date before the basic tax point and before payment was received.

**Supply B:**

The basic tax point was created on the 15 September as this is when goods were delivered. However, the basic tax point was overridden because the invoice was issued within 14 days of the basic tax point date. So the actual tax point was created on 22 September.

**Supply C:**

The basic tax point is the 21 October as this is when the goods were delivered. The invoice was issued and the payment was received outwith 14 days of the basic tax point so the basic tax point is the actual tax point which was created on the 21 October.

**Supply D:**

The basic tax point is the 25 October as this is when the goods were delivered. However, a tax point was created on the 23 of October when payment was received thus this overrides the basic tax point and actual tax point was created on the 23 of October.

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-----ANSWER-5-ABOVE-----  
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-----ANSWER-6-BELOW-----  
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Answer-to-Question- 6

Samster Part Ltd's first accounting period under the accounting scheme would be the 5  
July 2024 to 31 December 2024

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-----ANSWER-6-ABOVE-----  
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-----ANSWER-7-BELOW-----  
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Answer-to-Question- 7

Supporting Bricklayers should treat the first donation as outside the scope of VAT as Brex Brix is not receiving anything in return for the donation other than being acknowledged in the newsletter as a donor, which is allowable by HMRC and is not considered a supply for a consideration.

Supporting Bricklayers should account for VAT on the second donation of £10,000 (Should be standard-rated - £2,000 VAT) as Brex Brix is receiveing a supply of attending the conference and being able to have a stand where by they can sell their new products in return for the donation they are giving to the charity.

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-----ANSWER-7-ABOVE-----  
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-----ANSWER-8-BELOW-----  
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Answer-to-Question- 8

The role of the First-Tier Tribunal is to deal with disputes and is responsible for handling appeals against some decisions made by HMRC relating to in this instance VAT.

The First-Tier Tribunal can rule on the first matter if Saqib appeals directly to to the First-Tier Tribunal as his VAT advisor advised him that it is an area of VAT law that is unclear. Which means it could very well be subjective to how the law is interpreted. Also, he has already asked HMRC to reconsider their decision and received an unsuccessful result.

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-----ANSWER-8-ABOVE-----  
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-----ANSWER-9-BELOW-----  
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Answer-to-Question- 9

Sinqos Ltd assumed to be a VAT registerd company based in Great Britain. The place of supply of the goods is Northern Ireland where the goods will be physically and sold to Irish customers. Goods sold from Great Britain to Northern Ireland are treated in line with the NI Protocol. So although, the import of goods to Northern Ireland is technically considered an import, the normal donestic VAT is charged on the invoice by Sinqos Ltd, providing that the relevant conditions have been met. Thus the standard rate of VAT would apply to the supply of the carbon bike frames.

-----ANSWER-9-ABOVE-----  
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-----ANSWER-10-BELOW-----  
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Answer-to-Question- 10

Output tax is due on the sales of copyright and is subject to the standard rate of VAT.  
 $\text{£}100,000 @ 20\% \text{VAT} = \text{£}20,000$  output tax due to HMRC.

No output tax is due on the patent as it is an intangible asset.

Output tax is not due on the unsold stock as the VAT is no more than  $\text{£}1,000$ , this is given he recovered all input tax incurred on this ( $\text{£}1,500 @ 20\% \text{VAT} = \text{£}300$ ). So no deemed supply is necessary.

Output VAT liability (box 1 figure) on Robin's final VAT return is therefore  $\text{£}20,000$  (due to HMRC).

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-----ANSWER-10-ABOVE-----  
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Section 11	<b>270</b>	<b>1349</b>	<b>1594</b>
Section 12	<b>469</b>	<b>2079</b>	<b>2536</b>
Section 13	<b>476</b>	<b>2291</b>	<b>2751</b>
Section 14	<b>0</b>	<b>0</b>	<b>0</b>

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 -----ANSWER-11-BELOW-----  
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Answer-to-Question- \_11\_

1)

$$22,000,000/107,000,000 \times 100 = 20.56\%$$

Recovery rate = 20.56% + 21% rounded up

The calculation excludes the addition of the 10 million from the sale of the capital good.

<b>Input tax on purchases for Y/E 31/3/2024</b>	<b>Input tax £</b>	<b>Recovery rate %</b>	<b>Calc</b>	<b>Input tax recoverable relating to taxable supplies £</b>
Directly attributable to taxable supplies	490,000			490,000
Directly attributable to exempt supplies	850,000			Not recoverable
Residual input tax	3,500,000	21%	(3,500,000 x 21%)	735,000
<b>Totals</b>	<b>4,840,000</b>			<b>1,225,000</b>

Total amount recoverable should have been £1,225,000

The amount does not meet de minimis limits.

Amount due to HMRC after annual adjustment:

£1,225,000 - £1,590,000 = (365,000) amount of input tax over recovered in the year ending 31 March 2024

3) The annual adjustment should be accounted for in the first VAT return in the new year, i.e. VAT return quarter ending 30 June 2024. Unless the annual adjustment calculations are done quickly enough to be included in the last VAT quarter in the year ending 31 March 2024.

4) The new building is likely to fall within the capital goods scheme, where it costs £250,000 or more. Thus the recovery period for the building will be 10 years. Input tax recovery will be monitored over this period for the capital good dependent on use of the building.

The initial recovery of input tax should follow normal partial exemption rules. Then a calculation will be used to work out the CGS adjustment amount and only input tax that relates to the taxable supplies portion can be recovered. The calculation used:  $\text{Total VAT on purchase} \times (\text{initial\%} - \text{Actual\%}) / \text{Number of years} \times 10$

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-----ANSWER-11-ABOVE-----  
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-----ANSWER-12-BELOW-----  
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Answer-to-Question- 12

1.

The general rule for place of supply of services is that the services are treated as being supplied in the country in which the recipient belongs if they are supplied to a business. Where the recipient is not a business but an individual customer than the supply is treated as being supplied in the country in which the supplier belongs. There are some exceptions to the general rule.

For the seminar in Austria:

Ronald Trumpet is VAT registered and is based in the UK. The supply of tickets he makes to his business customers in return for admission into the seminar held in Austria will have a place of supply where the event takes place, i.e. in Austria (this overrides the general rule). For ticket sales to his non-business customers the place of supply would still be in Austria as it is where the seminar is performed. Thus, the supply is outside the scope of UK VAT.

For the book based in US:

The place of supply is where the recipient belongs which is in the US as this is where the publishing company is based. Thus, no VAT will need to be accounted on the income by Ronald as it is considered outside the scope of UK VAT.

For the digital download of his audio book:

Where the service is provided to private individuals the place of supply would be the UK where the supplier, i.e. Ronald belongs. However, as it is a electronically supplied service there is an exception to the general rule and the place of supply is actually where the customers are based. Thus, Ronald may need to account for VAT in other countries.

2.

The place of supply for the hire of the room in Austria will be Austria as it is a land related services thus place of supply is where the land is situated (exception to the general rule). Thus it is outside the scope of UK VAT.

The place of supply for the hire of the car for a week is in Austria, as it is a short term transport hire put at the disposal of the customer not exceeding 30 days which is covered by the general exceptions to the general place of supply rule. Thus it is outside the scope of UK VAT.

The meals he purchased at restaurants in Austria will have a place of supply in Austria, as restaurant and catering services are covered by the general exceptions to the general rules and place of supply is where the services are physically carried out. Thus it is outside the scope of UK VAT.

3.

Ronald did accept the initial first offer but this was superseded by the publishing company via acceptance of the contract that stipulated the correct price, terms and conditions of the new offer made.

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-----ANSWER-12-ABOVE-----  
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-----ANSWER-13-BELOW-----  
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Answer-to-Question- \_13\_

1. It does and it could be seen to be a disclosable scheme as she is looking for a VAT advantage which could be seen as tax avoidance.

To: Jeri  
From Tax Adviser  
Date: xx/xx/xx

Subject: VAT

Dear Jeri

Thank you for your letter. Please find our response to your queries regarding the VAT treatment of different services below.

### **Option 1**

Where a dwelling has been empty for more than two years when the work commences, the renovations you would plan to do would be regarded as qualifying services and should be reduced-rated rather than standard-rated. This would save you incurring some VAT costs on construction. The cost of the building material bought separately would be standard-rated but if Pamela buys in the materials and supplies them together with the construction services then the materials would follow the liability of the construction services (5% VAT) and would be a cost benefit to you.

The construction services of the garage would be standard-rated as it is not built at the same time as the house.

This would not apply to the second house as it will be occupied until the day you purchase it from Pamela. Thus, the renovation costs on the second house would be levied at the standard rate. This would be the same for the costs of extending the cottage as you will be working on an existing dwelling and it will not create a new separate dwelling by extending it, it would remain a single but larger dwelling. The fabric of the building is not being substantially altered. Thus the construction services will also attract a standard rate of VAT. The building material used for this house would be levied at the standard

rate as well.

The services you will buy in from the architects and surveyors would be standard rated for VAT.

**Option 2**

As you would be constructing the dwelling from scratch, the qualifying construction services should be zero-rated for VAT. If the building materials are supplied together with the construction services then those would be zero-rated as well.

Where the construction company provides all the construction and design services as a single supply then the entirety of the services including the architect fees can be zero-rated for VAT.

**Option 3**

If the cottage is extendd into two dwelling then the renovation works can be reduced-rated as you are changing the number of dwellings which qualifies it as a conversion for VAT purposes. As you are changing the number of dwellings. The annex that is considered completey separate which from your letter it sound to be should be zero-rated for VAT as it is seen as a separate dwelling attached to the house with its own water supply and cooking facilities. This should qualify it for zero-rating.

Let me know if you have any further questions.

Kind regards,  
Tax Adviser

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-----ANSWER-13-ABOVE-----  
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-----ANSWER-14-BELOW-----  
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Answer-to-Question- \_14\_