

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	30	97	129
Section 2	75	348	423
Section 3	61	252	311
Section 4	13	39	51
Section 5	16	47	63
Section 6	59	249	305
Section 7	108	499	607
Section 8	101	524	625
Section 9	103	472	575
Section 10	96	394	487

Answer-to-Question- 1

- 1 - Exempt
- 2- Standard rated
- 3 - Standard rated
- 4 - Standard rated
- 5 - Zero rated
- 6 - Zero rated
- 7 - Zero rated
- 8 - Zero rated

-----ANSWER-1-ABOVE-----

-----ANSWER-2-BELOW-----

Answer-to-Question- 2

Paul will be subject to late registration penalty for failing to register for VAT at the time, Since he exceeded the VAT registration threshold, (£85,000) within his first 3 months , he is required to register for VA^t promptly.

Penalty based on percentage of potential lost revenue and behaviour of the person. This is most likely careless and will pay 30% based on tax lost. this can be reduced if Paul discloses to HMRC

-----ANSWER-2-ABOVE-----

-----ANSWER-3-BELOW-----

Answer-to-Question- 3

- 1 - VAT is recoverable as this is to staff member thanking them for good work
- 2 - No VAT recovery as the terms is not more than 10 days
- 3 - No recovery on entertainment of UK clients
- 4 Legal Advice not recoverable as this invoice relates to service provided before VAT registration and it is more than 6 months.

-----ANSWER-3-ABOVE-----

-----ANSWER-4-BELOW-----

Answer-to-Question- 4

- 1 - Exempt
- 2 - Standard rated
- 3 - Exempt
- 4 - Exempt

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

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

Answer-to-Question- 5

A - 8 September

B - 22 September

c - 21 October

d - 23 October

-----ANSWER-5-ABOVE-----

-----ANSWER-6-BELOW-----

Answer-to-Question- 6

Samster parts LTD financial year ends 31 December and it applied for the annual accounting scheme in july, the first accounting period under the scheme will be from 1 January 2024 - 31 Dece3mber 2024

2

Monthly payment of 10% of prior year (9 monthly payment)

$10 \% \times \pounds 125,000 = \pounds 12,500$

Due 5 November 2024

-----ANSWER-6-ABOVE-----

-----ANSWER-7-BELOW-----

Answer-to-Question- 7

For the first donation (£2,000) this only allowa Brex brix to be named as a donor, it is not considered a supply, as it does not involve significant benefit. This will be treated as non business activity, Supporting Brickalyes does not need to charge VAT on this amount

The second donation, Brex Brix recived a benefit, this is will make it a taxable supply. Supoorting Brickllayers should charge VAT on the amount £10,000.

Brex Brix can recover input tax on the £10,000 payment as it is a taxable supply. It cannot recover VAt on the £2,000 donation, as this does not invopve a supply of services or goods

-----ANSWER-7-ABOVE-----

-----ANSWER-8-BELOW-----

Answer-to-Question- 8

The first-tier Tribunal handles appeals against HMRC decisions, including disputes over VAT liability. It reviews facts and applies the law to decide if HMRC assessment or ruling is correct. The tribunal provides an independent assessment of VAT treatment based on evidence and interpretation of the VAT law.

The tribunal can review HMRCs Decision if Saqib appeals within the time limit (usually 30days from the date of teh decision letter). However, it cannot provide an opinion on the VAT liability of a future type of service that Saqib plans to offer as it only addresses disputes over existing assessments or decisions.

-----ANSWER-8-ABOVE-----

-----ANSWER-9-BELOW-----

Answer-to-Question- 9

Goods moving from Great Britain to Northern Ireland, is treated as a UK movement of goods (internally), but falls under the Northern Ireland protocol due to the connection in the EU. The movement will be treated as a transfer within the same VAT liability rate.

As the goods are intended for onward sale to Irish customers (EU customers) it would be important for Sinqos LTD to ensure VAT compliance in the EU rules. This movement will be export provided they are moved within 3 months. Exported goods are zero rated. They will need to keep the evidence of this movement.

-----ANSWER-9-ABOVE-----

-----ANSWER-10-BELOW-----

Answer-to-Question- 10

When deregistering for VAT, any business asset on hand that have been used to make taxable supply are treated as if they were sold at their market value. Output VAT must be accounted for on these asset if the total VAT due is above £1,000.

Patent - Market Value - $£150,000 \times 20\% = £30,000$

Unsold Stock - Market Value - $£1,500 \times 20\% = £300$

VAT on the unsold stock is less than £1,000 so that will not be accounted for only the Patent will be accounted for

Box 1 output VAT would be £30,000

-----ANSWER-10-ABOVE-----

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Section 11	210	1031	1408
Section 12	291	1350	1639
Section 13	428	2075	2548
Section 14	156	672	1551

-----ANSWER-11-BELOW-----

Answer-to-Question- 11

Taxable Sales

£22,000,000 -£ 10,000,000 =£ 12,000,000

Partial %

$12,000,000 / 12,000,000 + 85,000,000 \times 100 = 12.37\%$ (residual imput is more than £400,000)

	Taxable	Exempt
	490,000	850,000
New office	3,500,000	
Residual		
6,000,000 x 12.37%/87.63%	742,200	5,257,800
Total	4,732,200	6,107,800

Deminimis test

$6,107,800 / 12 = £508,893$ no

$£6,107,800 / 4,732,200 + 6,107,800 \times 100 = 56.345$ above 50%

VAt recovery for the year = £4,732,200

Annual Adjustment

£4,732,200 - £1,590,000 = £3,142,200 to be reclaimed from HMRC

2

As VAt was charged on the sale of the old building the input tax on the £8,000 is recoverable. Sale of new office building is standard rated and this reclaimable

£20,000 x 20% = £4,000 will be reclaimable

3

The annual adjustment should be accounted in the first VAt return after the year end 31 June 2024, they can also account for the VAT on the last VAT return of the year

4

The input tax paid on the new building should be treated under Capital Goods scheme as it exceed the £250,000 threshold. The VAt recovery percentage will need to be adjusted annually for 10 Year period if there is any change in the proprtion of taxable versus exempt use of the building.

5

Dr Expnse Account - £3,142,200

Cr VAT Control Account - £3,142,200

-----ANSWER-11-ABOVE-----

-----ANSWER-12-BELOW-----

Answer-to-Question- _12_

Ticket Sales for the Seminar

Ronald is VAT registered in the UK but the event will be held in Austria, the place of supply for admission to event is where the event takes place. Place of supply is Austria.

Sponsorship Deal in Austrian Charity

The place of supply for this service provided to a charity would generally be where the charity is located Austria

Royalty income from USA

The place of supply for royalties by a US based publisher is outside the scope of UK VAT as it starts in the US. The Audio recording, the place of supply is not the UK (US) as it is used and enjoyed in the US

2

The place of supply for land related services, such as the renting of a venue is where the land is located, this will be Austria. Short term car hire is supplied where the vehicle is made available, so this will be Austria. The place of supply for the restaurant service is

where the service is physically carried out. This will be Austria.

Since the security service is provided in Austria, by an Austrian company, the place of supply is Austria.

The place of supply for the translator service is the UK where the supplier is located, despite him travelling to Austria.

3

If Ronald's email explicitly accepted the lower price, then that acceptance would generally be considered binding, and the translator could insist on the terms as agreed in the email.

The translator claims the offer was intended for publishing company, not Ronald. If the translator offer explicitly stated this, there may be grounds to dispute Ronald's acceptance. However, if not specified and Ronald accepted on behalf of himself, then it may be interpreted as valid acceptance.

-----ANSWER-12-ABOVE-----

-----ANSWER-13-BELOW-----

Answer-to-Question- _13_

1

Jeri mentioned that she is working with Pamela Hammish, an existing client who owns a construction company. if Jeri plans to use Pamelas company for any construction work, this could create conflict of interest.

Mitigation

We will need to disclose to both parties about the conflic of interest

Set clear terms in our engaement letter, this will outline the limites of services provided and how any potential conflict can be managed

There will be need to have a clear separation of service provided to both parties, by using separate teams to perform individual services for both parties

Cease to act for both parties, if there is no way to resolve conflict.

2

Jeri Address

Our Address

UK

Dear Jeri

Thank you for your letter, I have provided below, my analysis of your query.

Option 1

Refurbishment of the residential property that has been empty for less than 2 years will be standard rated 20%. Building an extension to an existing dwelling is standard rated as it does not qualify as a new build. Construction of the new garage is generally standard rated as it does not change the use of the property to residential.

Professional services (architect and surveyors) for the refurbishment will be standard rated at 20%

Option 2

Demolition work is standard rated. If the new house is constructed to be used as a residential dwelling, the construction service for a new residential building would be zero rated 0%.

The drive way and garage are integral parts of the new residential dwelling, they will be zero rated. However, certain parts may still attract VAT if they do not qualify as essential to the residential building.

Installing new water and electricity supplies is usually standard rated

Architect services are provided as part of a design and build contract, they will be treated as part of the zero rated supply of construction services. This is because the design element (normally standard rated) is seen as a cost component of the construction and not as a separate supply of architectural service.

The Surveyors service will be standard rated as this is provided separate from the overall supply.

Option 3

The extension of the Cottage and the construction of the annex for the Manse would be standard rated at 20% since the annex is not considered separate dwelling. The professional services associated with the project will be standard rated at 20%.

I hope the above is clear, please let me know if you have any question and I will be happy to assist.

Yours Sincerely
Tax Technician

-----ANSWER-13-ABOVE-----

-----ANSWER-14-BELOW-----

Answer-to-Question- 14

1

Output	£	
Sales to Commercial (£20,000 x 1.20)		24,000
Domestic customers (10,000 x 1.20)		12,000
March invoice (£2,750 x 1.20)		3,300
Total	39,300	

Flat rate @9.5% 3,734

Input	
VAN (9,000 x 20%)	(1,800)
March invoice (note)	(236)

VAT due **1,698**

Note

As the debt has gone bad since it is over 6month they should be able to recover thr

difference between what they would have paid over and the VAT shown on the invoice

VAT on incoive ($\pounds 3,300 - \pounds 2,750 = \pounds 550$)

Flat rate paid ($\pounds 3,300 \times 9.5\%$ (314)

total 236

2

£

Sales from Comercial	(20,000 x 20%)	5,000
Domestic Customers	(10,000 x 20%)	2,000
March invoice	(2,750 x 20%)	550

Less Input VAT

Solar panels	(18,000 x 20%)	(3,600)
Reverse charge advice	(2,000 x 20%)	(400)
VAn purchase	(9,000 x 20%)	(1,800)
Tools	(1,000 x 20%)	(200)
Narch invoice	(3,300 x 1/6)	(550)

VAt Payable **1,000**

supplies is usllay standard rated

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