

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>20</b>	<b>76</b>	<b>88</b>
Section 2	<b>119</b>	<b>522</b>	<b>639</b>
Section 3	<b>78</b>	<b>337</b>	<b>412</b>
Section 4	<b>61</b>	<b>235</b>	<b>292</b>
Section 5	<b>52</b>	<b>215</b>	<b>263</b>
Section 6	<b>98</b>	<b>376</b>	<b>472</b>
Section 7	<b>149</b>	<b>638</b>	<b>785</b>
Section 8	<b>91</b>	<b>378</b>	<b>467</b>
Section 9	<b>43</b>	<b>181</b>	<b>223</b>
Section 10	<b>124</b>	<b>506</b>	<b>627</b>

Answer-to-Question- \_1\_

- 1 Standard
- 2 Standard
- 3 Standard
- 4 Standard
- 5 Zero Rated
- 6 Zero Rated
- 7 Zero Rated
- 8 Zero Rated

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

Paul has exceeded the VAT registration threshold using the historic test by the end of March 2024, so should have registered by 30 April 2024 with effect from 1 May 2024. As he is not registered from VAT, HMRC may charge a late registration penalty . He will also have to pay VAT retrospectively on all supplies he made from 1 May 2024 (This will equate to 1/6 of his income taking his sale amount as gross)

As Paul was not registered for VAT when he raised the invoice to the multinational fashion brand with VAT on it, he should not have shown VAT on that invoice. HMRC may charge a seperate penalty for incorrectly raising a VAT invoice.

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-----ANSWER-2-ABOVE-----  
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-----ANSWER-3-BELOW-----

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Answer-to-Question- 3

1 -

2 - If the car was used solely for business purposes, VAT can be reclaimed on it. if not, only 50% of VAT should be recovered.

3 - As the event was to win new UK clients, this will be seen as business entertaining and therefore VAT recovery should be blocked

4 - If the company holds sufficient reclaim evidence and the service is directly attributable to making taxable supplies, VAT can be reclaimed on this.

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

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

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Answer-to-Question- 4

- 1 - As Dr Davis is a qualified doctor, his services of providing medical care will be exempt
- 2 - As Dr Davis has opted to tax the building, this will be standard rated
- 3 - This will be a standard rated supply
- 4 - This is a supply of medicine given to a specific individual, so will be zero rated

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-----ANSWER-4-ABOVE-----  
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-----ANSWER-5-BELOW-----  
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Answer-to-Question- 5

- A: Basic tax point of 10 September, actual tax point of 8 September
- B: Basic tax point of 15 September, actual tax point of 22 September
- C: Basic tax point of 21 October, actual tax point of 21 October
- D: Basic tax point of 25 October, actual tax point of 23 October

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

1 - The first period for Samster Parts Ltd will run from 1 July 2024 to 31 December 2024 as they have requested for the year end to be 31 December 2024, and no period can ever be over 12 months. If the period was under 4 months, no interim payments would be due, but this is not the case here as the period is 6 months.

The first payment will be due on the last d day of the 4th month, so 31 October 2024. This payment will be for £12,500, 10% of last year's VAT liability.

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

If a donation to a charity is given with no supply in return, then there is no taxable supply and will therefore be outside of the scope of VAT. However, if there is a supply made in return that VAT has to be accounted for. In the case of the 2 donations, the first donation is not for the consideration of a supply, as being named as a donor in the annual newsletter is not enough to create a supply.

However, the second donation would be seen as consideration for a supply, as having a stand to market your new bricks is more than what would normally be expected from a donation, so there is a supply being made by Supporting Bricklayers. In this case, VAT should be accounted for, and Brex Brix can recover VAT on this cost as it is directly attributable to making a taxable supply.

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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 rule on cases where there is a disagreement between HMRC and a taxpayer. It is the first tribunal that will be appealed to, with the upper tribunal acting as the next level of escalation.

The first tier tribunal will be able to rule on the view that Saqib's supplies are exempt. However, it will not be able to give an opinion of the service he intends to make in the future, as this is the role of HMRC in the first instance.

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

-----ANSWER-9-BELOW-----  
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Answer-to-Question- 9

The stock moved to Northern Ireland will be treated as an export if Sinqos Ltd is based in the UK. However, if they are based in Northern Ireland, then the sale to Irish customs is not an export but rather an intra-EU sale.

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

On the final VAT return, VAT has to be accounted for at market value on any assets or goods that the business holds. However, there is an exception for intangible goods such as patents, so VAT would not have to be accounted for on the patent.

The unsold stock is tangible, so VAT must be accounted for on it. The VAT due here would be  $\text{£}1,500 * 0.2 = \text{£}300$ . There is another exception for if the total value of VAT due on the assets is less than  $\text{£}1,000$  so the  $\text{£}300$  actually does not need to be accounted for.

This means that the only output tax liability will be on the sale of copyright, which will be  $\text{£}100,000 * 0.2 = \text{£}20,000$

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-----ANSWER-10-ABOVE-----  
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Section 11	<b>338</b>	<b>1557</b>	<b>1880</b>
Section 12	<b>391</b>	<b>1738</b>	<b>2118</b>
Section 13	<b>413</b>	<b>1935</b>	<b>2336</b>
Section 14	<b>202</b>	<b>814</b>	<b>993</b>

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

1. Exempt sales: 85,000,000

Taxable sales: 12,000,000 (removing sale of building as exceptional)

Partial exemption percentage:  $(12,000,000/85,000,000)*100 = 14.12\%$  (rounded to 2dp as over £400,000 residual input tax each month on average)

$£6,000,000 * 0.1412 = £847,200$  residual input tax to be reclaimed on residual costs

$£3,500,000 * 0.1412 = £494,200$  residual input tax to be reclaimed on cost of new building

$£847,200 + £494,200 + £490,000 = £1,831,400$

$£1,831,400 - 1,590,000$  (amount already claimed) = £241,400

Annual adjustment = £241,400 to be reclaimed from HMRC

2.  $£20,000 * 0.2 = £4,000$  of VAT charged

$£4,000 * 0.1412 = £564.80$  of VAT reclaimed

As the legal advice relates to the sale and purchase of the buildings, it is for the purpose of both taxable and exempt supplies, so is residual. This means that only a percentage of it can be reclaimed, which is the recovery percentage from the year the tax point is in.

3. By default, the annual adjustment should be included on the first VAT return of the next VAT year, so in this case, on the VAT return with period ending 30 June 2024. However, a business can decide to do it on the last VAT return of the year, in this case the VAT return with period ending 31 March 2024.

4. The purchase of the building will fall into the capital goods scheme, as it is the purchase of a building costing more than £250,000. This means that over the next 10 years, the use of the building will have to be monitored to determine each year the taxable and exempt use. At the end of each year, if the percentage of taxable and exempt use is different from the initial estimation used to recover input tax, an adjustment must be made to reflect that. For example, if the initial recovery was based on 50% exempt use, but this rises to 60% exempt use in year 2, VAT must be repayed to HMRC to reflect that.

5. Debit: Creditors (HMRC)

Credit: VAT account

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-----ANSWER-11-ABOVE-----  
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-----ANSWER-12-BELOW-----

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Answer-to-Question- 12

1. Tickets - As this is an in person seminar happening in Austria, the place of supply is Austria.

Sponsorship from charity - As the charity has no business activities, this will be seen as a B2C supply of advertising. With B2C supplies, the place of supply is where the supplier belongs, which in this case is the UK.

Royalty fee from publisher - This is a B2B supply so the place of supply is where the customer belongs, which in this case is the UK.

Audiobook - As the customers will be individuals this will be a B2C supply, meaning the place of supply is where the supplier belongs, so the UK. However, there is an exception for electronically supplied services, where the place of supply is where the customer belongs. Audiobooks fit into this exception so the place of supply will be where each individual customer belongs.

Advice - This advice given to a business customer is a B2B supply, meaning the place of supply is where the customer belongs. In this case this is Austria. However, if the Austrian company has a main business establishment in a different country, and the advice is not more related to the fixed establishment in Austria, the place of supply would be where the customer's business establishment is.

2. Room hire - This is a supply of land so the place of supply is where the land is, which is Austria.

Car hire - The car is supplied to Ronald and made available to him in Austria, so the

place of supply is Austria.

Meals at restaurants - With restaurants, the place of supply is where the service was carried out, so the place of supply is Austria.

Security firm - The security firm is selling services to a business customer belonging in the UK, so the place of supply will be the UK.

Translator - The translator is selling services to a business customer based in the UK, so the place of supply will be the UK.

3. Ronald's email did not properly accept the offer as the price was still being negotiated, as shown by his email stipulating a lower price. It could also be argued that he did not have the authority to accept any offer as the offer was not made directly to him, but to his publisher.

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-----ANSWER-12-ABOVE-----  
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-----ANSWER-13-BELOW-----  
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Answer-to-Question- 13

1. There is a potential conflict of interest with taking on Jeri as a client as Pamela is already a client. As Pamela owns land and provides services you will be advising Jeri on, it is possible you may be conflicted between giving Jeri prudent advice, and ensuring sales for Pamela. However, there are ways to manage this conflict. For example, you could ensure that different teams within your firm work on the different clients, and do not have contact relating to the clients. You could also tailor the scope of the advice to make sure there is no potential conflict, such as refusing to advise Jeri on matters which relate to the land Pamela owns, but advising on different queries where there is no conflict.

2.

Hi Jeri

Please see below my advice relating to your VAT query.

Regarding the first option you laid out, the VAT treatment would differ between the two properties. As the Manse has been empty for at least two years, the VAT treatment of the builder's refurbishment would be reduced rated. However, the refurbishment of the cottage would be standard rated, as it has not been empty for at least two years. The costs relating to the extension of the cottage would also be standard rated.

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While costs relating to the refurbishment of the Manse would be reduced rated, the new garage would be standard rated as it is not indented to be used as a dwelling.

The costs relating to the architects and surveyors would be standard rated, regardless of what building/s their work related to.

Regarding the second option, the construction of the new house would be treated as zero rated, as it would be intended to be a dwelling and would be sold as such when it eventually gets sold. As the construction company would be providing the architect as part of its overall offering, this would be a single supply of construction so the architect services would follow the VAT treatment of that. However, the surveyors engaged separately would be supplying at the standard rate of VAT.

Regarding the third option, the costs relating to the Annex will be standard rated. although the Annex has all the requirements to be a dwelling, it cannot be sold separately so will always be part of a single supply of the Manse. In this way, it is treated as an extension of the Manse.

If you have any questions please let me know.

Kind Regards

Tax Advisor

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-----ANSWER-13-ABOVE-----  
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-----ANSWER-14-BELOW-----

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Answer-to-Question- \_14\_

1. As the business is in its first year of VAT registration, it will receive a 1% reduction in its flat rate, meaning the percentage applicable is 8.5%.

$£25,000 * 1.2 = £30,000$  (VAT inclusive now)

$£10,000 + £30,000 = £40,000$  (total VAT-inclusive income, supplies of solar panel fittings to domestic customers are zero rated)

$£40,000 * 0.085 = £3,400$

The cost of VAT on the van can be reclaimed as it is a capital asset with a VAT inclusive value of over £2,000

$£9,000 * 1/6 = £1,500$  (amount of VAT paid on van)

We will also need to do bad debt relief for the £2750 invoice as it is now over 6 months past its due date.

$£2,750 * 0.2 = £550$

$£3,400 - £1,500 - £550 = £1,350$  to be paid to HMRC.

Box 1: £3,400

Box 4: £2,050

Box 5: £1,350

2.

VAT payable:

$$£25,000 * 0.2 = £5,000$$

VAT reclaimable:

$$£18,000 * 0.2 = £3,000$$

$$£9,000 * 1/6 = £1,500$$

$$£1,000 * 0.2 = £200$$

$$\text{Bad debt relief} = £550$$

No VAT reclaimed on German invoice as no UK VAT charged.

$$£5,000 - (£3,000 + £1,500 + £200 + £550) = -£250$$

£250 due from HMRC (reclaimed)