Tolley® Exam Training

CTA

AWARENESS PAPER

MODULE A – VAT AND STAMP TAXES

PRE REVISION QUESTION BANK

FA 2023 & F(No 2)A 2023

May and November 2024 Sittings

PQ627A

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INTRODUCTION

This Pre Revision Question Bank for the Awareness paper contains two exam standard 12 question past paper tests with answers updated to Finance Act 2023 and Finance (No 2) Act 2023. This question bank forms an important part of your preparation for the examination - question practice is the key to passing exams.

As you answer the questions you may refer to either a hard copy or on-screen version of the **CTA Tax Tables 2024** and your own personalised version of the approved online legislation.

Using this question bank

In the real exam each of your three chosen Modules will have 12 questions and each question carries five marks. You must answer all 12 of the questions from the three Modules you are sitting.

You should use the tests in this question bank to consolidate your knowledge after you have worked though all of the study packs for your three chosen Modules. They will be a useful part of your preparation for the pre revision mock examination.

We recommend that you attempt each test in this bank as if you were in the real exam, ideally doing "Test 1" for this Module along with both the "Test 1" questions from the pre revision question banks for your other two Modules, allowing yourself three hours 15 minutes to answer all three Modules.

We suggest you **allocate five minutes per question** which allows for five minutes review time as you finish each of the three Modules.

Your final score out of 180 is turned into a percentage – the pass mark is 50% overall, but with a **minimum mark for each Module** set at 21 marks out of the 60 marks available ie 35%. Even if a pass mark in excess of 50% overall has been achieved, if the minimum mark of 35% has not been achieved in all three modules, then the entire Awareness paper would need to be re-sat.

You should try to avoid just reading the answers to questions - it is all too easy to nod as you read the model answer saying "yes I know those points" - the test is, would you have actually put those points in your answer? You won't find this out, unless you **type up the answers and we recommend you do this using the on-screen version of this QB**. Ensuring you type up "proper" answers also gives you a good idea of how long each Module will take you to work through.

Preparing your answers

Your answers should be **brief bullet points and/or summary computations** where appropriate. There are no presentation marks in this paper but bear in mind that the marker must be able to follow your answer and follow-though method marks cannot be awarded unless clear workings are shown.

You should make all calculations to the nearest month and pound unless stated otherwise.

Reviewing your answers

It is essential to read through your answers when you have finished typing them – **before** you look at the model answer.

You may be able to make some small corrections at the review stage – you may find you have missed out a vital word such as "not" or you may at this stage think of another point or two to add while reading through your answers. This approach could increase your marks much more effectively than carrying on with the point you were making before you stopped to do this final review.

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INCOME TAX - RATES AND THRESHOLDS

	2023/24	2022/23
Rates	%	%
Starting rate for savings income only	0	0
Basic rate for non-savings and savings income only	20	20
Higher rate for non-savings and savings income only	40	40
Additional and trust rate for non-savings and savings income	45	45
Dividend ordinary rate	8.75	8.75
Dividend upper rate	33.75	33.75
Dividend additional rate and trust rate for dividends	39.35	39.35
Thresholds	£	£
Savings income starting rate band	1 – 5,000	1 – 5,000
Basic rate band	1 – 37,700	1 – 37,700
Higher rate band	37,701 – 125,140	37,701– 150,000
Dividend allowance	1,000	2,000
Savings allowance		
– Taxpayer with basic rate income	1,000	1,000
– Taxpayer with higher rate income	500	500
– Taxpayer with additional rate income	Nil	Nil
Standard rate band for trusts	1,000	1,000
Scottish Tax Rates(1)	%	%
Starter rate	19	19
Scottish basic rate	20	20
Intermediate rate	21	21
Higher rate	42	41
Top rate	47	46
Scottish Tax Thresholds(1)	£	£
Starter rate	1 – 2,162	1 – 2,162
Scottish basic rate	2,163 – 13,118	2,163 – 13,118
Intermediate rate	13,119 – 31,092	13,119 – 31,092
Higher rate	31,093 – 125,140	31,093 – 150,000
Top rate	125,140+	150,000 +

INCOME TAX - RELIEFS

	2023/24	2022/23
	£	£
Personal allowance(2)	12,570	12,570
Married couple's allowance(3)	10,375	9,415
– Maximum income before abatement of relief - £1 for £2	34,600	31,400
– Minimum allowance	4,010	3,640
Transferable Tax allowance for married couples and civil partners(4)	1,260	1,260
Blind person's allowance	2,870	2,600
Enterprise investment scheme relief limit(5)	1,000,000	1,000,000
Venture capital trust relief limit	200,000	200,000
Seed enterprise investment scheme relief limit	200,000	100,000

Notes:
(1) Scottish taxpayers pay Scottish income tax on non-savings income.
(2) The personal allowance of any individual with adjusted net income above £100,000 is reduced by £1 for every £2 of adjusted net income above the £100,000 limit.
(3) Only available where at least one partner was born before 6 April 1935. Relief restricted to 10%.
(4) The recipient must not be liable to tax above the basic rate. The recipient is eligible for a tax reduction of 20% of the transferred amount.
(5) The limit is £2 million, where over £1 million is invested in knowledge intensive companies.

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ISA limits

	2023/24	2022/23
	£	£
Maximum subscription:		
'Adult' ISAs	20,000	20,000
Junior ISAs	9,000	9,000

Pension contributions

	Annual allowance[1]	Minimum pension age
	£	
2022/23	40,000	55
2023/24	60,000	55

Basic amount qualifying for tax relief	£3,600
Maximum tax-free lump sum	£268,275

Note: (1) The annual allowance is tapered by £1 for every £2 of adjusted income above £260,000 (FA 2022: £240,000) for individuals with threshold income above £200,000. It cannot be reduced below £10,000 (FA 2022: £4,000).

Employer Supported Childcare	2023/24	2022/23
Exemption – basic rate taxpayer[2]	£55 per week	£55 per week

Note: (2) For schemes joined on or after 6 April 2011 the exempt childcare amounts for higher and additional rate taxpayers (based on the employer's earning assessment only) are £28 and £25 respectively.

ITEPA mileage rates

Car or van[3]	First 10,000 business miles	45p
	Additional business miles	25p
Motorcycles		24p
Bicycles		20p
Passenger payments		5p

Note: (3) For NIC purposes, a rate of 45p applies irrespective of mileage.

INCOME TAX - BENEFITS

Car benefits – 2023/24

Emissions	Electric range (miles)	Car benefit %[4]	
0g/km	N/A	2%	
1-50g/km	>130	2%	
1-50g/km	70-129	5%	
1-50g/km	40-69	8%	
1-50g/km	30-39	12%	
1-50g/km	<30	14%	
51-54g/km		15%	
55-59g/km		16%	
60-64g/km		17%	
65-69g/km		18%	
70-74g/km		19%	
75g/km or more		20%	+ 1% for every additional whole 5g/km above 75g/km
160g/km or more		37%	

Note: (4) 4% supplement for diesel cars excluding those that meet the Real Driving Emissions Step 2 (RDE2) standard (not to exceed maximum of 37%).

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Fuel benefit base figure	**2023/24**	**2022/23**
	£	£
	27,800	25,300

Van benefits	**2023/24**	**2022/23**
	£	£
No CO_2 emissions	Nil	Nil
CO_2 emissions > 0g/km	3,960	3,600
Fuel benefit for vans	757	688

Official rate of interest	2.25%	2%

INCOME TAX - CHARGES

Child benefit charge	**Withdrawal rate**
Adjusted net income >£50,000	1% of benefit per £100 of income between £50,000 and £60,000
Adjusted net income >£60,000	Full child benefit amount assessable in that tax year

CAPITAL ALLOWANCES

Annual investment allowance for plant and machinery (AIA)(1)	100%
WDA on plant and machinery in main pool(2)	18%
WDA on plant and machinery in special rate pool(3)	6%
WDA on patent rights and know-how	25%
WDA on structures and buildings (SBA) (4)	3%

Notes: (1) On first £1,000,000 of investment in plant & machinery (not cars) from 1 January 2019.
(2) The main pool rate applies to cars with CO_2 emissions of not more than 50g/km (prior to April 2021 not more than 110g/km).
(3) The special pool rate applies to cars with CO_2 emissions greater than 50g/km (prior to April 2021 greater than 110g/km).
(4) A 10% rate applies in respect of freeport tax site expenditure (until 30 September 2026) and on investment zone expenditure.

100% First year allowances (FYA) available to all businesses

Capital expenditure incurred by a person on research and development.
New zero-emission goods vehicles (until April 2025).
New cars which either emit 0 g/km of CO_2 (50g/km prior to April 2021) or are electric (until April 2025).
Electric vehicle charging points (until April 2025).

First year allowances (FYA) available to companies only

	Assets in main pool	Assets in special rate pool
Expenditure on new plant and machinery (other than cars) between 1 April 2023 and 31 March 2026 (5)	100%	50%
Expenditure on new plant and machinery (other than cars) in a freeport tax site (until 30 September 2026)	100%	100%
Expenditure on new plant and machinery (other than cars) in an investment zone	100%	100%

Notes: (5) 130% for expenditure between 1 April 2021 and 31 March 2023.

INCOME TAX - SIMPLIFICATION MEASURES

	2023/24	**2022/23**
	£	£
'Rent-a-room' limit	7,500	7,500
Property allowance/Trading allowance	1,000	1,000

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Flat Rate Expenses for Unincorporated Businesses

Motoring expenses	First 10,000 business miles		45p per mile
	Additional business miles		25p per mile
Business use of home	25 – 50 hours use		£10 per month
	51 – 100 hours use		£18 per month
	101+ hours use		£26 per month
Private use of business premises	No of persons living there:	1	£350 per month
		2	£500 per month
		3+	£650 per month

Cash Basis for Unincorporated Businesses

Turnover threshold to join scheme	£150,000
Turnover threshold to leave scheme	£300,000

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 limits		**2023/24**			**2022/23**	
	Annual	**Monthly**	**Weekly**	**Annual**	**Monthly**	**Weekly**
Lower earnings limit (LEL)	£6,396	£533	£123	£6,396	£533	£123
Primary threshold (PT)	£12,570	£1,048	£242	£11,908	£1,048	£242
Secondary threshold (ST)	£9,100	£758	£175	£9,100	£758	£175
Upper earnings limit (UEL)	£50,270	£4,189	£967	£50,270	£4,189	£967
Upper secondary threshold for under 21 (UST)	£50,270	£4,189	£967	£50,270	£4,189	£967
Apprentice upper secondary threshold for under 25 (AUST)	£50,270	£4,189	£967	£50,270	£4,189	£967
Freeport upper secondary threshold (FUST)	£25,000	£2,083	£481	£25,000	£2,083	£481

	2023/24	2022/23
Class 1 primary contribution rates		
Earnings between PT and UEL	12%	13.25%
Earnings above UEL	2%	3.25%
Class 1 secondary contribution rates		
Earnings above ST (1)	13.8%	15.05%

Note: (1) Rate of secondary NICs between the ST and the UST, AUST & FUST is 0%.

	2023/24	**2022/23**
Employment allowance		
Per year, per employer	£5,000	£5,000
Class 1A contributions	13.8%	15.05%
Class 1B contributions	13.8%	15.05%
Class 2 contributions		
Normal rate	£3.45 pw	£3.15 pw
Small profits threshold (SPL) (2)	£6,725	£6,725 pa
Lower profits limit (LPL) (2)	£12,570	£11,908

Note: (2) From 2022/23, Class 2 NICs are only payable where profits exceed the LPL. However, where profits are between the SPL and the LPL, there will be an entitlement to contributory benefits.

Class 3 contributions	£17.45	£15.85 pw
Class 4 contributions		
Annual lower profits limit (LPL)	£12,570	£11,908
Annual upper profits limit (UPL)	£50,270	£50,270
Percentage rate between LPL and UPL	9%	9.73%
Percentage rate above UPL	2%	2.73%

OTHER PAYROLL INFORMATION

Statutory maternity/adoption pay		First 6 weeks @ 90% of AWE Next 33 weeks @ the lower of £172.48 and 90% of AWE
Statutory shared parental pay /paternity pay/parental bereavement pay		For each qualifying week, the lower of 90% of AWE and £172.48
Statutory sick pay		£109.40 per week
Student Loan	Plan 1:	9% of earnings exceeding £22,015 per year (£1,834.58 per month/ £423.36 per week)
	Plan 2:	9% of earnings exceeding £27,295 per year (£2,274.58 per month /£524.90 per week)
	Plan 4:	9% of earnings exceeding £27,660 per year (£2,305 per month /£531.92 per week)
Postgraduate Loan		6% of earnings exceeding £21,000 per year (£1,750 per month/£403.84 per week)

National living/minimum wage (April 2023 onwards)

Category of Worker	**Rate per hour**
	£
Workers aged 23 and over	10.42
21–22 year olds	10.18
18–20 year olds	7.49
16–17 year olds	5.28
Apprentices	5.28

Accommodation Offset £9.10 per day

HMRC INTEREST RATES (assumed)

Late payment interest	6.50%
Interest on underpaid corporation tax instalments	5.00%
Repayment interest	3.00%
Interest on overpaid corporation tax instalments	3.75%

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CAPITAL GAINS TAX

	2023/24	**2022/23**
Annual exempt amount for individuals	£6,000	£12,300

CGT rates for individuals, trusts and estates

Gains qualifying for business asset disposal[1]/investors' relief	10%	10%
Gains for individuals falling within remaining basic rate band[2]	10%	10%
Gains for individuals exceeding basic rate band and gains for trusts and estates[3]	20%	20%

Notes: (1) Formerly called entrepreneurs' relief
(2) The rate is 18% if the gain is in respect of a residential property
(3) The rate is 28% if the gain is in respect of a residential property

Business Asset Disposal relief	**2023/24**	**2022/23**
Relevant gains (lifetime maximum) [4]	£1 million	£1 million

Investors' relief		
Relevant gains (lifetime maximum)	£10 million	£10 million

Note: (4) For qualifying disposals made before 11 March 2020 the lifetime limit was £10 million.

Retail Prices Index

	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
1982	–	–	79.44	81.04	81.62	81.85	81.88	81.90	81.85	82.26	82.66	82.51
1983	82.61	82.97	83.12	84.28	84.64	84.84	85.30	85.68	86.06	86.36	86.67	86.89
1984	86.84	87.20	87.48	88.64	88.97	89.20	89.10	89.94	90.11	90.67	90.95	90.87
1985	91.20	91.94	92.80	94.78	95.21	95.41	95.23	95.49	95.44	95.59	95.92	96.05
1986	96.25	96.60	96.73	97.67	97.85	97.79	97.52	97.82	98.30	98.45	99.29	99.62
1987	100.0	100.4	100.6	101.8	101.9	101.9	101.8	102.1	102.4	102.9	103.4	103.3
1988	103.3	103.7	104.1	105.8	106.2	106.6	106.7	107.9	108.4	109.5	110.0	110.3
1989	111.0	111.8	112.3	114.3	115.0	115.4	115.5	115.8	116.6	117.5	118.5	118.8
1990	119.5	120.2	121.4	125.1	126.2	126.7	126.8	128.1	129.3	130.3	130.0	129.9
1991	130.2	130.9	131.4	133.1	133.5	134.1	133.8	134.1	134.6	135.1	135.6	135.7
1992	135.6	136.3	136.7	138.8	139.3	139.3	138.8	138.9	139.4	139.9	139.7	139.2
1993	137.9	138.8	139.3	140.6	141.1	141.0	140.7	141.3	141.9	141.8	141.6	141.9
1994	141.3	142.1	142.5	144.2	144.7	144.7	144.0	144.7	145.0	145.2	145.3	146.0
1995	146.0	146.9	147.5	149.0	149.6	149.8	149.1	149.9	150.6	149.8	149.8	150.7
1996	150.2	150.9	151.5	152.6	152.9	153.0	152.4	153.1	153.8	153.8	153.9	154.4
1997	154.4	155.0	155.4	156.3	156.9	157.5	157.5	158.5	159.3	159.5	159.6	160.0
1998	159.5	160.3	160.8	162.6	163.5	163.4	163.0	163.7	164.4	164.5	164.4	164.4
1999	163.4	163.7	164.1	165.2	165.6	165.6	165.1	165.5	166.2	166.5	166.7	167.3
2000	166.6	167.5	168.4	170.1	170.7	171.1	170.5	170.5	171.7	171.6	172.1	172.2
2001	171.1	172.0	172.2	173.1	174.2	174.4	173.3	174.0	174.6	174.3	173.6	173.4
2002	173.3	173.8	174.5	175.7	176.2	176.2	175.9	176.4	177.6	177.9	178.2	178.5
2003	178.4	179.3	179.9	181.2	181.5	181.3	181.3	181.6	182.5	182.6	182.7	183.5
2004	183.1	183.8	184.6	185.7	186.5	186.8	186.8	187.4	188.1	188.6	189.0	189.9
2005	188.9	189.6	190.5	191.6	192.0	192.2	192.2	192.6	193.1	193.3	193.6	194.1
2006	193.4	194.2	195.0	196.5	197.7	198.5	198.5	199.2	200.1	200.4	201.1	202.7
2007	201.6	203.1	204.4	205.4	206.2	207.3	206.1	207.3	208.0	208.9	209.7	210.9
2008	209.8	211.4	212.1	214.0	215.1	216.8	216.5	217.2	218.4	217.7	216.0	212.9
2009	210.1	211.4	211.3	211.5	212.8	213.4	213.4	214.4	215.3	216.0	216.6	218.0
2010	217.9	219.2	220.7	222.8	223.6	224.1	223.6	224.5	225.3	225.8	226.8	228.4
2011	229.0	231.3	232.5	234.4	235.2	235.2	234.7	236.1	237.9	238.0	238.5	239.4
2012	238.0	239.9	240.8	242.5	242.4	241.8	242.1	243.0	244.2	245.6	245.6	246.8
2013	245.8	247.6	248.7	249.5	250.0	249.7	249.7	251.0	251.9	251.9	252.1	253.4
2014	252.6	254.2	254.8	255.7	255.9	256.3	256.0	257.0	257.6	257.7	257.1	257.5
2015	255.4	256.7	257.1	258.0	258.5	258.9	258.6	259.8	259.6	259.5	259.8	260.6
2016	258.8	260.0	261.1	261.4	262.1	263.1	263.4	264.4	264.9	264.8	265.5	267.1
2017	265.5	268.4	269.3	270.6	271.7	272.3	272.9	274.7	275.1	275.3	275.8	278.1

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Lease percentage table

Years	Percentage	Years	Percentage	Years	Percentage	Years	Percentage
50+	100.000	37	93.497	24	79.622	11	50.038
49	99.657	36	92.761	23	78.055	10	46.695
48	99.289	35	91.981	22	76.399	9	43.154
47	98.902	34	91.156	21	74.635	8	39.399
46	98.490	33	90.280	20	72.770	7	35.414
45	98.059	32	89.354	19	70.791	6	31.195
44	97.595	31	88.371	18	68.697	5	26.722
43	97.107	30	87.330	17	66.470	4	21.983
42	96.593	29	86.226	16	64.116	3	16.959
41	96.041	28	85.053	15	61.617	2	11.629
40	95.457	27	83.816	14	58.971	1	5.983
39	94.842	26	82.496	13	56.167	0	0.000
38	94.189	25	81.100	12	53.191		

CORPORATION TAX

Financial year	**2023**	**2022**
Main rate	25%	19%
Standard small profits rate	19%	N/A
Augmented profit limit for standard small profits rate	£50,000	N/A
Augmented profit limit for marginal relief	£250,000	N/A
Standard marginal relief fraction	3/200	N/A
Marginal rate	26.5%	N/A
Patent rate	10%	10%

EU definition of small and medium sized enterprises

	Small [2]	Medium [2]	Extended definition for R&D expenditure
Employees[1]	< 50	< 250	<500
Turnover[1]	≤ €10m	≤ €50m	≤ €100m
Balance sheet assets[1]	≤ €10m	≤ €43m	≤ €86m

Notes: (1) Must meet employees criteria and either turnover or balance sheet assets criteria.
(2) Thresholds apply for transfer pricing and distributions received by small companies.

Research and development expenditure

Financial year	**2023**	**2022**
Total relief for Small & medium enterprises (SMEs)	186%	230%
R&D tax credit for SME losses	10%	14.5%
Large companies – RDEC	20%	13%

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VALUE ADDED TAX

	Standard rate	VAT fraction
Rate	20%	1/6

Limits

	£
Annual registration limit	85,000
De-registration limit	83,000

Thresholds	Cash accounting	Annual accounting
	£	£
Turnover threshold to join scheme	1,350,000	1,350,000
Turnover threshold to leave scheme	1,600,000	1,600,000

ADVISORY FUEL RATES (as at 1 March 2023)

Engine size	Petrol	LPG	Engine size	Diesel
1400cc or less	13p	10p	1600cc or less	13p
1401cc to 2000cc	15p	11p	1601cc to 2000cc	15p
Over 2000cc	23p	17p	Over 2000cc	20p

Electricity rate 9p

OTHER INDIRECT TAXES

	2023/24	2022/23
Insurance premium tax(1)		
Standard rate	12%	12%
Higher rate	20%	20%

Tobacco products duty	From 15.03.2023	From 27.10.2021
Cigarettes	16.5% x retail price + £294.72 per thousand cigarettes (or £393.45 per thousand cigarettes (2))	16.5% x retail price + £262.90 per thousand cigarettes (or £347.86 per thousand cigarettes (2))
Cigars	£367.61 per kg	£327.92 per kg
Hand-rolling tobacco	£351.03 per kg	£302.34 per kg
Other smoking/chewing tobacco	£161.62 per kg	£144.17 per kg
Tobacco for heating	£302.93 per kg	£270.22 per kg

Notes: (1) Premium is tax inclusive ($^3/_{28}$ for 12% rate and $^1/_6$ for 20% rate).

(2) The £393.45/£347.86 per thousand cigarettes is a minimum excise duty (if higher than the first calculation)

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INHERITANCE TAX

Death rate	40%[3]	**Lifetime rate**	20%

Note: (3) 36% rate applies where 10% or more of the deceased person's net chargeable estate is left to charity.

Nil rate bands

6 April 1996 – 5 April 1997	£200,000	6 April 2003 – 5 April 2004	£255,000
6 April 1997 – 5 April 1998	£215,000	6 April 2004 – 5 April 2005	£263,000
6 April 1998 – 5 April 1999	£223,000	6 April 2005 – 5 April 2006	£275,000
6 April 1999 – 5 April 2000	£231,000	6 April 2006 – 5 April 2007	£285,000
6 April 2000 – 5 April 2001	£234,000	6 April 2007 – 5 April 2008	£300,000
6 April 2001 – 5 April 2002	£242,000	6 April 2008 – 5 April 2009	£312,000
6 April 2002 – 5 April 2003	£250,000	6 April 2009 – 5 April 2026	£325,000

Residence nil rate bands[4]

6 April 2017 – 5 April 2018	£100,000	6 April 2019 – 5 April 2020	£150,000
6 April 2018 – 5 April 2019	£125,000	6 April 2020 – 5 April 2026	£175,000

Note: (4) An additional nil rate band is available where a main residence is passed on death to a direct descendant. Tapered withdrawal for estates > £2million.

Taper relief

Death within 3 years of gift	Nil%
Between 3 and 4 years	20%
Between 4 and 5 years	40%
Between 5 and 6 years	60%
Between 6 and 7 years	80%

Quick Succession relief

Period between transfers less than one year	100%
Between 1 and 2 years	80%
Between 2 and 3 years	60%
Between 3 and 4 years	40%
Between 4 and 5 years	20%

Lifetime exemptions

Annual exemption		£3,000
Small gifts		£250
Wedding gifts	Child	£5,000
	Grandchild or remoter issue or other party to marriage	£2,500
	Other	£1,000

ANNUAL TAX ON ENVELOPED DWELLINGS (ATED)

Residential property value	**From 1.4.23**	**From 1.4.22**
>£0.5m - ≤ 1m	£4,150	£3,800
> £1m - ≤ 2m	£8,450	£7,700
> £2m – ≤ 5m	£28,650	£26,050
> £5m – ≤ 10m	£67,050	£60,900
> £10m – ≤ 20m	£134,550	£122,250
> £20m	£269,450	£244,750

STAMP DUTY/SDRT

Stamp duty[1]	- On shares transferred by physical stock transfer form	0.5%
Stamp duty reserve tax[2]	- On agreements to transfer shares[2]	0.5%
	- On shares transferred to depositary receipt schemes	1.5%

Notes: (1) Does not apply to UK securities traded on a recognised growth market (eg AIM).
(2) Does not apply to units in UK unit trust schemes or shares in UK OEICS bought from fund managers.

CTA EXAMINATIONS

2024

TAX TABLES

STAMP DUTY LAND TAX

Qualifying purchases in a Freeport receive full SDLT relief

Stamp Duty Land Tax on purchase price / lease premium / transfer value – England & NI

Basic Rate %(3)(4)(5)(6)	Residential(3)(4)(5)(6)	Rate %	Non-Residential
0	£0 - £250,000	0	£0 - £150,000
5	£250,001 - £925,000	2	£150,001 - £250,000
10	£925,001 - £1,500,000	5	£250,001 +
12	£1,500,001+		

Notes: (3) The basic rates are increased by 3% (the 'higher rates') where the purchase is of an additional residential property for individuals. Companies and trusts pay the additional 3% on all purchases of residential properties, subject to Note 4 below.

(4) Companies (and certain other entities) pay 15% on purchases of residential property valued > £500,000 (subject to exceptions).

(5) First-time buyers purchasing a single dwelling as their only/main residence may benefit from a reduced rate. (This includes qualifying shared ownership properties.) SDLT will not be due on properties up to £425,000. For homes between £425,000 and £625,000, SDLT will be payable at 5% on the amount above the £425,000 threshold. Homes bought for more than £625,000 will incur the rates as per column 1 in above table.

(6) Non-resident individuals and companies will pay an additional 2% surcharge for purchases of residential property. This is in addition to the basic rate, the higher rate (where applicable, in Note 3), and the 15% rate (where applicable, in Note 4).

New leases – Stamp Duty Land Tax on lease rentals – England & NI

Rate (%)	Net present value of rent: Residential	Net present value of rent: Non-residential
0	Up to £250,000	Up to £150,000
1	Excess over £250,000	£150,001-£5m
2	N/A	Over £5m

Land and Buildings Transaction Tax (LBTT) on purchase price – Scotland

Basic Rate %(1)(2)(3)	Residential	Rate %(1)	Non-Residential
0	up to £145,000	0	£0 - £150,000
2	£145,001 - £250,000	1	£150,001 - £250,000
5	£250,001 - £325,000	5	£250,001 +
10	£325,001 - £750,000		
12	£750,001 +		

Notes: (1) Rates are charged on the portion of consideration that falls in each band. The same tax is payable for a premium granted for a land transaction, except for residential leases which are generally exempt. Special rules apply to a premium for non-residential property where the rent exceeds £1,000 a year.

(2) The 'Additional Dwelling Supplement' of 6% of the relevant consideration applies broadly to purchases of an additional dwelling by individuals & trusts (over which the beneficiary has substantial rights) & to purchases of a dwelling by certain businesses, companies & other trusts.

(3) There is a relief for first-time buyers where a 0% rate is applied to the first £175,000 of the purchase consideration.

New leases – Land and Buildings Transaction Tax (LBTT) on lease rentals - Scotland

Rate (%)	Net present value of rent(4): Non-residential
Zero	Up to £150,000
1%	£150,001 to £2,000,000
2%	£2,000,001+

Note: (4) Residential leases are generally exempt

MODULE A – TEST 1

1. On 1 June 2023, Cameron, a VAT registered landscape gardener, remodelled the garden of Adam, a plumber. At that time, Adam agreed to pay Cameron £6,000 for the gardening work and to do some plumbing work for Cameron for free. Cameron would usually charge £7,000 for the gardening work.

   On completion of the work Adam paid £5,500. He has not yet paid the remaining cash or undertaken the plumbing work. Payment was due in full by 31 August, three months later. It is now March the following year.

   Briefly explain:

   1) The amount of VAT due on the original supply of gardening work by Cameron in June; and

   2) Cameron's position in relation to bad debt relief.

2. For many years Hamer Ltd, which makes standard rated supplies, has had three wholly owned subsidiaries:

   1) Stephens Ltd
   2) Mahon Ltd – making zero rated supplies
   3) Nawaz Ltd – making wholly exempt supplies

   All companies are incorporated in the UK with the exception of Stephens Ltd which is incorporated and operates in India. Hamer Ltd intends to form a VAT group.

   Briefly explain:

   1) Which companies are eligible to form a VAT group; and

   2) The potential advantages of VAT group registration.

   You are NOT required to consider the disadvantages of VAT group registration.

3. Marshy Ltd incurred the following entertaining costs in the quarter to 31 March:

	VAT inclusive amount £
Meal with a potential UK client when trying to win a new contract. The meal was for six client staff and three employees of Marshy Ltd, who were involved in the negotiations	750
Team building activity event for the five directors of Marshy Ltd	900
Annual dinner for staff. The dinner was attended by 100 members of staff (including the five directors) and 80 of their guests. No charge was made to attendees	7,200

   The company has kept all relevant invoices.

   Calculate, with brief explanations, the total input tax recoverable by Marshy Ltd on its entertaining costs in the VAT return for the quarter to 31 March.

4. Mariella has purchased the freehold of a 20-year old commercial property. Before it is let to tenants, the property will be renovated at a cost of £200,000 plus VAT at the standard rate. Following renovation, Mariella expects to let the property for an annual rent of £35,000. She expects to let to either a firm of solicitors or a bank.

   The previous owners did not opt to tax the property.

   Briefly explain how the position differs for Mariella and her tenants if she:

   1) does; or

   2) does not

   opt to tax the property.

5. For the quarter to 31 August 2023, Braithwaite Ltd submitted its VAT return late and paid its VAT late. All previous VAT returns had been submitted on time and the VAT paid on time. Recent returns have been dealt with as follows:

Quarter to	VAT due/(repayable)	Date return submitted/VAT paid
	£	
30 November 2023	7,000	14 January 2024
28 February 2024	(1,000)	25 April 2024

   You are required to:

   Explain with calculations, the potential maximum late filing and late payment penalties arising on the two VAT returns to 28 February 2024, assuming that the penalty regime in the Finance Act 2021 applies to all quarters and that HMRC imposes all available penalties.

6. On 15 March 2024, Raza Ltd sold a freehold office building, which it has always used for its own trade, for £600,000.

   The company had purchased the freehold of the building when new in August 2018 for £400,000 plus VAT. The company, which only makes taxable supplies, has a VAT year to 31 March each year. No option to tax has been made in respect of the building.

   You are required to:

   1) Calculate the adjustment(s) required to Raza Ltd's VAT return as a result of the sale of the office building.

   2) Briefly explain, with supporting calculations, whether this would differ if the taxable use of the building had been only 95% since 1 April 2023.

7. Matthew, a VAT registered clothing retailer, issues retailer invoices wherever possible. He recently issued an invoice to a customer which he believed to be a valid retailer invoice, including only the following information:

   1) An invoice number

   2) Invoice date/date of supply

   3) Matthew's name, address and VAT registration number

   4) A description identifying each of the 10 items of adult clothing supplied (including unit price)

   5) The total amount payable by the customer

   The clothing supplied by Matthew was sold for a total of £220 plus VAT of £44 at the standard rate.

   You are required to:

   1) State the two reasons that prevent this from being a valid retailer invoice.

   2) State the additional information required to make it a valid standard invoice (ie rather than a retailer invoice).

8. Wood Ltd is a VAT registered UK business, making wholly taxable supplies. The following transactions took place during the quarter to 31 March:

   1) The company received legal advice from a firm of solicitors based in Italy, in relation to a contract with a customer in Rome.

   2) Wood Ltd supplied some distance learning courses to a UK resident company, for training of employees in the New York office of that company. The employees will undertake the distance learning in the New York office.

   Briefly explain the VAT treatment in the UK of the legal services provided to Wood Ltd and the distance learning provided by Wood Ltd.

9. Phoebe, a client of your firm, operates a launderette in a village close to her home. She has sent you her records in order to prepare her VAT return for the quarter to 31 March. She assures you that she has kept all invoices, but you have not yet been able to find the invoices for the following purchases.

Detail	VAT inclusive amount payable
	£
Supply of electricity	
– to her home	210
– to the shop	450
Uniform provided for the three members of staff	240

In addition, Phoebe has a collection box in the shop for customers to leave tips and gratuities. These are shared between the members of staff.

Briefly explain:

1) **The rate of VAT on these supplies that have been made to Phoebe, and where possible how much input tax is recoverable, or any further information that is required.**

2) **The VAT treatment of the tips and gratuities given to the staff from the collection box.**

10. Oliver is an antique dealer operating the second-hand goods scheme. He has recently sold the following two items:

Antique brooch

Sold for £20,000 to a customer who bought it as a present for his wife. Oliver purchased the brooch for £5,000 from a private collector. He spent £1,500 plus VAT having the brooch cleaned and repaired.

Painting

Sold to a customer for £6,000. Oliver purchased the painting for £30,000 from a private collector. He originally thought it was by a famous local artist, but later discovered that it was a copy.

Oliver intends to start selling second-hand clothing and is considering operating a global accounting scheme for VAT.

You are required to:

1) **State the output tax and input tax to be included on Oliver's VAT return in respect of each of the items sold.**

2) **State two differences between the second-hand goods scheme and the global accounting scheme.**

11. On 20 June 2023 Rooble Ltd sold a 10% shareholding in Poogle Ltd to Robindo Ltd for £250,000. Rooble Ltd has had a 45% holding in Robindo Ltd for many years.

    The directors of Rooble Ltd believed that there was no Stamp Duty to pay on the transfer on the basis that the companies are part of the same group. The instrument of transfer has not yet been stamped. The issue will be resolved, and any relevant Stamp Duty paid within the next month.

    Briefly explain:

    1) Why the transfer of the shares is not exempt from Stamp Duty.

    2) The maximum penalty that may be payable for having the instrument stamped late, assuming payment is made in May 2024. Use calculations to support your answer.

12. On 1 September 2024 Jamarcus Ltd entered into leases over two properties:

    1) An office building in London. Jamarcus Ltd originally purchased the property in 1997 and sold the freehold of the property to Harrald Ltd, an unconnected company on 1 September 2024. Harrald Ltd immediately leased the property to Jamarcus Ltd for 10 years at a premium of £170,000.

    2) A factory on which Jamarcus Ltd paid a lease premium of £300,000 for a 40-year lease. In addition, it pays an annual rent of £10,000. The rent will be reviewed in 2032. The cumulative factor for a 40-year lease is 21.35507234.

    Briefly explain with the aid of calculations, the Stamp Duty Land Tax payable by Jamarcus Ltd on these transactions.

MODULE A – TEST 2

1. Robert began trading on 1 July 2023, making standard-rated supplies of £10,000 per month. He incurred recoverable input VAT of £500 each month on purchases consumed. In October, later that year, he agreed a one-off contract and supplied an additional £40,000 of standard-rated goods. He incurred recoverable input VAT that month of £2,500.

   Robert registered for VAT from 1 July 2024. He knew that he had registered late, and so changed the dates and amounts on invoices so that it appeared he had registered on time.

   Calculate, with brief explanations, the maximum civil penalty payable by Robert for late registration.

2. The following two companies have VAT issues in relation to supplies:

   1) Tum Ltd is a UK VAT-registered company based in Great Britain, making wholly taxable supplies. Tum Ltd purchased £2,000 worth of goods for use in its business in October from Jolie SARL, a French company registered for VAT in France.

   2) Mattre GmbH is a German company which is registered for VAT in Germany. In October, Jeff (who lives in London) purchased goods online from Mattre GmbH, for his personal use which cost £90.

   You are required to:

   1) Explain briefly the VAT implications of the supply by Jolie SARL to Tum Ltd.

   2) Explain briefly the VAT treatment by Mattre GmbH of its sale to Jeff.

3. Hungri Ltd had submitted VAT returns and made VAT payments on time for all periods until, and including, the quarter ended 30 June 2023.

   For subsequent periods, the company submitted VAT returns and made payments on the following dates:

Quarter ended	Date return submitted	Date VAT paid
30 September 2023	30 November 2023	30 November 2023
31 December 2023	15 February 2024	15 February 2024
31 March 2024	30 April 2024	15 May 2024

   Briefly explain and calculate the potential penalties arising in respect of all VAT periods from 1 July 2023, assuming that HMRC issues all available penalties.

4. Abigail Ltd purchased a newly constructed freehold commercial property on 1 April 2018 paying £6 million (including VAT). Abigail Ltd rented the property to tenants until 31 March 2022. On that date, it sold the property to Bartlett Ltd, an unconnected company, receiving £6.5 million. The same tenants continued to rent the property from Bartlett Ltd until 31 March 2023.

   On 1 April 2023, one tenant left, allowing Bartlett Ltd to use 25% of the property for its own trade of making taxable supplies.

   Both Abigail Ltd and Bartlett Ltd are VAT-registered and have VAT years to 31 March. Neither company opted to tax the property.

   Briefly explain the VAT treatment of the property from 1 April 2018 until 31 March 2024.

5. Leaflea Ltd, Flowet Ltd and Pine Ltd, are registered in a VAT group. They make sales which are standard-rated supplies when sold in the UK.

   The sales by group companies for the quarter ended 31 October were:

	£
Sales to unconnected UK companies	80,000
Sales from Flowet Ltd to Pine Ltd at open market value	20,000
Promotional sales to unconnected UK companies – see Note	12,000
Sales to business customers in the US	5,000

   Note: A discount of 5% was offered on the promotional sales (shown above before discount) if customers paid within 30 days. 25% of the sales were paid for within 30 days.

   In September, Leaflea Ltd discontinued a product line and gave away its remaining stock of the product to existing unconnected UK customers as free samples. The company could previously have sold this stock for £3,800.

   All amounts are stated exclusive of VAT.

   Calculate the output VAT payable by the group for the quarter ended 31 October, showing your treatment of each item.

6. Tulisa makes taxable supplies, giving 14 days credit from the invoice date. She does not use the cash accounting scheme.

   Tulisa made reduced-rated supplies to Mick on 20 February 2024 for £600 (VAT-exclusive) but has not received payment.

   Tulisa made the following standard-rated supplies of goods to Simone:

<u>Invoice date in 2024</u>	<u>VAT-inclusive sales</u>
	£
31 January	1,200
28 February	900
31 March	450
30 June	150

   Simone paid £900 on 15 August, stating that this was in settlement of the 28 February invoice. She paid a further £840 on 15 September with no indication which invoice this related to.

   On 31 October, Tulisa wrote off all outstanding amounts owing from Mick and Simone.

   Calculate, showing your treatment of Simone's payments, the amount of bad debt relief that Tulisa is able to claim in her VAT return for the quarter ended 31 October 2024.

7. Rentre Ltd made the following supplies during the year ended 31 May:

	£
Standard-rated supplies (exclusive of VAT)	360,000
Exempt supplies	50,000

   The standard-rated supplies included the sale of a machine (which had been used as a capital asset in the business) for £10,000 (exclusive of VAT).

   The input VAT incurred by Rentre Ltd during the year was:

	£
Attributable to standard-rated supplies	100,000
Attributable to exempt supplies	6,000
Non-attributable	<u>40,000</u>
	<u>146,000</u>

   Rentre Ltd had initially recovered the full £146,000 input VAT as the company had met the de minimis test in the previous year. The simplified tests 1 and 2 are not met for the year.

   Calculate the annual adjustment to be made for the above year ended 31 May.

8. Bernard uses the annual accounting scheme as he likes to spread his VAT payments as much as possible while minimising time spent completing forms.

   His VAT liability was £80,000 for the year ended 31 March 2024. Bernard is expecting his VAT liability for the following year end to be £90,000.

   Briefly explain, with supporting calculations, when Bernard's VAT payments and VAT return are due for the year ended 31 March 2025.

9. Fix is a new UK charity, collecting donations of children's toys and providing them free to children in Birmingham.

Fix bought the freehold of a new building where it stores and sorts donations of toys. Fix also bought a van to collect the donations and to deliver them to children's clubs, hospitals, libraries and directly to families.

Fix has been paid to deliver welfare advice sessions on childcare matters to parents at the children's clubs. Fix bought projection equipment for use at these sessions.

Fix is not VAT registered and the trustees of Fix are concerned that VAT has not been considered previously.

Briefly explain the VAT implications of the capital purchases and Fix's income.

10. Sell plc uses a retail scheme (Apportionment Scheme 1) and has a VAT year to 31 March.

During the quarter ended 31 December 2023, the company received the following payments from customers:

	£
Cash customer sales	80,000
Receipts for credit sales made during:	
September	20,000
October	17,000
November	25,000

The company had made credit sales of £35,000 during the above quarter and received full payment for these in January the following year.

In the above quarter, a cash till containing £10,000 was stolen and not recovered. The amount had been included in cash sales above.

During the above quarter, the company made the following purchases of stock for re-sale:

	Cost (exclusive of VAT) £
Standard-rated goods	70,000
Zero-rated goods	30,000

Calculate the gross takings and the output VAT due for the above quarter ended 31 December.

11. Noah completed the following share transactions, involving stock transfer forms, on 1 November:

    1) Sale of shares in Sofat Ltd to Oliver, his brother, for their market value in the form of cash of £9,600 and the transfer of a debt owed to Oliver by a friend of £4,000.

    2) Gift of shares in Carpe Ltd, with market value of £7,000, to his daughter on the occasion of her marriage.

    3) Transfer of shares in Tabel Ltd, with market value of £15,000, to his former wife as part of their divorce settlement.

    Briefly explain, with supporting calculations, the Stamp Duty implications of the share transactions.

12. James owns many residential properties in England. In August, James bought five flats on a new development as follows, and received a special deal as he bought so many:

Quantity and type of flat	Consideration paid
	£
Four one-bedroom flats at £275,000 each	1,100,000
One two-bedroom flat at £380,000	380,000
	1,480,000

You are required to:

1) Calculate the Stamp Duty Land Tax (SDLT) payable if no claims are made.

2) State, without further calculation, the alternative SDLT treatment available to James.

ANSWERS TO MODULE A – TEST 1

Examiner's report:
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General Comments

This module takes many candidates out of their comfort zone, however many made a good attempt. At times the language used in candidates' answers was not sufficiently precise, resulting in lost marks. Of those performing less well many scored very few marks on Stamp Taxes. This is an area of the syllabus that should not be ignored. It will always feature.

1. CAMERON

1) Cameron has provided a service in exchange for monetary and non-monetary consideration. **[1]**

The value of the supply is therefore £6,000 in cash and £1,000 (£7,000 - £6,000) as the value of the non-monetary consideration ie £7,000 in total. **[1]**

So, the total consideration in June was £7,000 and Cameron should have accounted for output tax at 1/6 of £7,000 ie £1,166.67 **[1]**

2) As more than six months has passed since the debt was due for payment, Cameron can claim VAT bad debt relief on a VAT inclusive figure of £1,500 (£500 cash plus £1,000 plumbing work) ie VAT of £250 (1/6 of £1,500). **[1]**

To claim the bad debt relief Cameron must have accounted for and paid the output tax on the supply, and the remaining consideration must have been written off as a bad debt in his accounts. **[1]**

[Note - the question was also marked as correct if a candidate assumed that £7,000 was a VAT exclusive amount ie Cameron should have accounted for VAT of £1,400 (20% x £7,000) and the bad debt relief of £483 ((£8,400 - £5,500) x 1/6) could be claimed.]

Examiner's report:

This question was not particularly well answered. Many candidates failed to pick up simple marks for bad debt relief conditions due to lack of precision. For example, many stated that the bad debt relief could be claimed after six months, but did not state the start point of the six month period or used an incorrect start date such as invoice date.

2. HAMER LTD

1) Hamer Ltd, Mahon Ltd and Nawaz Ltd are eligible to form a VAT group as:

   Hamer Ltd 'controls' these companies, and **[1]**

   They all have a fixed establishment in the UK. **[1*]**

   [*This mark can also be gained by stating that Stephens Ltd must be excluded as it is not established in the UK.]

2) The potential advantages of VAT group registration are:

   To centralise the VAT affairs of the group – and so help with compliance. **[1]**

   Group registration may simplify VAT accounting, as there is only one VAT return to prepare each quarter. **[1*]**

   Intra group supplies can be disregarded – thus avoiding potential irrecoverable input tax. **[1]**

   The inclusion of Nawaz Ltd (company making exempt supplies) may enable the recovery of input tax that would otherwise be irrecoverable. **[1**]**

[*Credit would also be given for alternative simplification examples eg reduced number of VAT visits/ only one partial exemption calculation applying to the whole group.]

[Note an exempt supplier can also have a negative impact on input tax recovery. The impact depends on the relevant size of the exempt supplier. However, disadvantages were not required in this case.]**

Max 3 for part 2

Examiner's report:

Candidates performed reasonably well on this question. Common errors included stating that a company must be 'UK resident' in order to be in the group and that inter group transfers are 'exempt'.

3. MARSHY LTD

	VAT recoverable £	
Meal with a potential UK client		
Not recoverable as relates to entertaining of UK client.	0	**[1]**
Staff are merely acting as hosts so VAT on entertaining of staff not recoverable.		**[1]**
Team building event		
VAT on team building events for staff are recoverable but not where this relates wholly to directors.	0	**[1]**
Annual dinner for staff		
VAT on the element relating to staff is recoverable (including directors). £7,200 x 100/180 x 1/6	667	**[1*]**
VAT on the element relating to the guests of the staff is not recoverable.	0	**[1**]**
	667	

[*This mark is for the explanation plus a calculation using 1/6 and recovering the VAT on the element relating to the directors].

[This mark is for specifically excluding the guests]**

Tutorial Note:

Entertainment is covered in para 5 of SI 1992/3222.

Examiner's report:

There were mixed responses to this question. Common errors included, recovering the staff element of VAT for the meal with the potential client, and recovering all input tax in relation to the annual dinner.

4. MARIELLA

Option to tax

If Mariella does opt to tax the property any supplies of the property are standard rated.

She will be able to recover the input tax of £40,000 on the renovation costs, leaving a cost to her of £200,000. **[1]**

The tenants will be charged rent of £35,000 plus VAT of £7,000, but the firm of solicitors (making taxable supplies) will be able to recover the VAT. **[1]**

If the tenants are the bank, making exempt supplies, then they will not be able to recover the VAT and will suffer a total cost of £42,000. **[1]**

No option to tax

If Mariella does not opt to tax the property any supplies of the property are exempt.
She will not be able to recover the input tax of £40,000 (£200,000 x 20%) on the renovation costs. **[1]**

The tenants will be charged rent of £35,000 pa with no VAT. **[1]**

Mariella may wish to increase the rent above £35,000 to compensate for the irrecoverable input tax. **[1]**

Max 5

Examiner's report:

No comments

5. BRAITHWAITE LTD

1)

Quarter to 30 November 2023	Late Filing	
	One penalty point issued.	**[1]**
	There will be two penalty points now as the previous return would have had one issued.	**[1]**
	Late payment	
	VAT paid within 15 days of due date (7.1), so no financial penalty	**[1]**
28 February 2024	Late Filing	
	One penalty point issued. There will be three penalty points now.	**[1]**
	Late payment	
	No payment due so no late payment penalty.	**[1]**

Examiner's report:

No comments

6. RAZA LTD

1) In-year adjustment – year ended 31 March 2024

   As the property was used 100% for taxable purposes no adjustment is required. **[1]**

   Sale adjustment

   Raza Ltd owned the property in the VAT years ending 31 March 2019 to 31 March 2024 so there are four remaining years for capital goods scheme purposes.

   Adjustment on sale = 4/10 x (100%-0%) x (£400,000 x 20%)
   = £32,000 payable to HMRC **[3*]**

2) If the use in the year ended 31 March 2024 had been only 95% there would have been an in-year adjustment of

   1/10 x £80,000 x 5% = £400 payable to HMRC **[1**]**

   The sale adjustment would be unchanged. **[1]**

[*1 for calculating the VAT at 20%; 1 for the correct prorating (ie 4/10 not 5/10); 1 for payable to HMRC.]

[Calculation only ('payable to HMRC' not required).]**

Max 5

Examiner's report:

Candidates were generally unable to give a good answer to this question. Many answers were based on a recovery of input tax each year (ie £8,000 having been recovered each year.) Very few made reference to two types of adjustment in the year of sale. Of those who did correctly adjust for the 95% use in the final year, many then incorrectly amended the sale adjustment (ie the £32,000) for 95% use.

7. MATTHEW

1) This is not a valid retailer invoice as:

   The VAT inclusive value of the invoice exceeds £250 (£220 + £44 = £264). **[1]**

   It does not include the rate of VAT applying. **[1]**

2) The additional information required is:

   The name and address of the customer **[1]**

   The total amount charged net of VAT **[1]**

   The total amount of VAT charged **[1]**

[Note - credit will also be given for any other valid point in part 2) eg rate of any discount offered, reference to the margin scheme (if applicable) to a maximum of 3 marks.]

Tutorial Note:
Retailer invoices are in reg 16 SI 1995/2518 and 'normal' VAT invoices are in reg 14

Examiner's report:

No comments

8. WOOD LTD

1) Legal services

This is a business to business (B2B) supply to a UK business from an overseas business, so the place of supply is in the UK and a reverse charge will apply. **[1]**

This will require Wood Ltd to put an output VAT charge on the VAT return. **[1]**

The company will then recover the VAT in the input tax section of the return. **[1]**

2) Distance learning course

The normal place of supply of a B2B supply is the place of the customer ie UK. **[1*]**

In the case of distance learning they are treated as supplied where there is effective use and enjoyment ie New York, so there are no UK VAT implications (*VATA 1994 Sch 4A Para 9*). **[1*]**

[Note - Alternatively, a candidate could state that s.9 VATA 94 applies and that the place most concerned with the supply (the 'relevant establishment)' is the USA, so it would be outside the scope.]

[*If a candidate just states the normal place of supply, they can gain 1 out of 2 marks for the distance learning. If the candidate knows the special rule, then they get both marks even if they do not state the normal rule.]

Examiner's report:

This question was poorly answered by most candidates. Many failed to make reference to the reverse charge. Of those who did a significant proportion did not explain how a reverse charge works. Very few identified the US as the place in which the second service took place. Of those who did, many then stated that the supply was zero rated.

9. PHOEBE

1)

<u>Supply of electricity</u>

The supply of electricity to Phoebe's home is at the reduced rate of 5% ie VAT of £10 (£210 x 5/105). However, the VAT is not recoverable as the supply is not in the course of her trade **[2*]**

The supply of electricity to the shop is likely to be substantial given the nature of the business, and so it is a standard rated supply ie VAT of £75 is recoverable (£450 x 1/6). **[1]**

<u>Staff uniforms</u>

Clothing is standard-rated except in certain specific circumstances. It is unlikely the uniforms will be zero-rated in group 16 of sch 8 VATA '94 and therefore they will be standard-rated and VAT of £40 (£240 x 1/6) will be recoverable. **[2]**

[*Credit will also be given if the candidate states that part may be recoverable if she uses part of her home as an office.]

2)

Non-compulsory tips and gratuities given to staff are outside the scope of VAT. **[1]**

Max 5

Examiner's report:

No comments

10. OLIVER

1)

Antique brooch

	£	£	
Output tax	(20,000 - 5,000) x 1/6 =	2,500	**[1]**
Input tax	1,500 x 20% =	300	**[1]**

Painting

As the painting is sold at a loss there is no output tax. **[1]**

2) Differences between the schemes

Under the global accounting scheme, the selling prices and costs of all items are pooled. This means that losses and profits are automatically offset, so reducing the amount of output tax payable. **[1]**

Also, all purchases in the period are included in the calculation even if the goods are not sold, so giving early relief for costs incurred. **[1]**

[Credit given for any other valid difference (eg cars and items costing over £500 excluded from The Global Accounting Scheme).]

Examiner's report:

Most candidates were unsure how to apply the second-hand goods scheme to the numbers in the question. However, a significant number of candidates did know at least one difference between the second-hand goods scheme and global accounting.

11. ROOBLE LTD

1)

There is no exemption from Stamp Duty for the share transfer as Rooble Ltd does not own at least 75% of the shares in Robindo Ltd. **[1]**

2)

A penalty may be payable as the instrument will be stamped more than 30 days late. **[1]**

If stamped within one year of the end of the 30-day period, the maximum penalty is the lower of **[1*]**

£300; and **[1]**

The Stamp Duty payable (£250,000 x 0.5%) = £1,250 **[1]**

[*This mark requires mention of 1 year and the 'lower of']

[Note - HMRC do not always charge the maximum penalty.]

Tutorial Note:

S.15B SA 1891 covers the late stamping penalty. It is reproduced in the Orange Part 2 Handbook

Examiner's report:

Many candidates did not know the correct definition of a group for Stamp Duty purposes, with many stating 50%. For part two the answers were either very good (scoring full marks) or very poor (scoring 0 or 1 mark).

12. JARMARCUS LTD

1)

Finance Act 2003 s.57A provides relief from Stamp Duty Land Tax (SDLT). The lease back element of the transaction is exempt from SDLT. **[1]**

[Note – the statutory reference is not necessary to gain the mark]

2)

Jamarcus Ltd has two elements of SDLT on the factory:

On the lease premium	£	
£150,000 x 0%	Nil	
£100,000 x 2%	2,000	
£50,000 x 5%	2,500	
£300,000	4,500	**[2]**

On the lease rentals

The NPV of the lease rentals is £213,551 (£10,000 x 21.35507234) **[1]**

So, the SDLT on the lease rentals is (£213,551 - £150,000) x 1% = £636 **[1]**

Examiner's report:

Many candidates incorrectly calculated a liability in relation to the lease back element of the transaction in part one. The vast majority of candidates scored at least 2 marks on part two with many scoring 4 marks.

ANSWERS TO MODULE A – TEST 2

Examiner's report:
[Being reproduced with the permission of The Chartered Institute of Taxation]

CHIEF EXAMINER'S COMMENTS

General Comments

This session I will focus my general comments on time and effort being wasted by candidates on writing material which earns no credit. Freeing up this time could quite easily make a material difference to their performance in the exams.

1) If the requirement specifically refers to particular taxes, there will not be marks available for comments on other taxes, no matter how relevant or interesting they may be. Thus, if the requirement is for "the Income Tax consequences", marks will not be available for the VAT consequences. In contrast, a requirement to comment on "the tax consequences" is broad and requires a consideration of all relevant taxes. In such a case, candidates should mentally run through the various taxes to consider whether they may be relevant.

2) Similarly, if a requirement is to comment on the tax consequences of a particular transaction, marks will not generally be available for commenting on some other transaction. For example, if the question says that the purchase will take place by way of a share purchase, there will not be marks available for discussing a purchase of assets: the wording of the question has in effect excluded that as an option.

3) Marks are not available for repeating material in the question. A number of examiners comment that some candidates are wasting significant amounts of time repeating material from the question for which they get no credit.

Awareness VAT Module

We identified some while ago that direct tax candidates were focussing on the direct tax modules with far less focus on the study of VAT. In order to limit this, we introduced a requirement for a minimum score on each module. Following this we did see an improvement in marks on the VAT module, but this session shows an unfortunate reversal with many candidates omitting questions. The syllabus for Stamp Taxes is limited so it is disappointing that so many candidates clearly omit Stamp Taxes entirely from their studies and hence deprive themselves of 16.7% of the marks on the module before VAT is considered. If they are weak on VAT, these marks foregone could well be the difference between a pass and a fail.

GENERAL COMMENTS ON MODULE A

Performance on this module was disappointing, with scripts rarely consistently good throughout. The impression given was that candidates prepare the least for this module, and omit certain topics entirely from their studies, hoping that other modules will provide sufficient marks for a pass. With a minimum score required on each module, this can be a risky strategy.

1. Robert's taxable supplies exceeded £85,000 at the end of November 2023 (£10,000 × 5 + £40,000 = £90,000). **[1]**

Robert should have registered earlier with registration effective from 1 January 2024. **[1]**

Maximum penalty for this deliberate and concealed error is 100% of potential lost revenue. **[1]**

Penalty = 100% × (£10,000 × 1/6 - £500) × 6 = £7,000 **[1+1]**

Examiner's report:

Most candidates who answered this question (on penalty for late VAT registration) performed well enough but usually made one or two mistakes. Some who clearly understood registration requirements did not use the numbers provided to calculate the potential lost revenue and so the penalty. A surprising number of candidates omitted the question.

2.

1) As Tum Ltd is based in Great Britain this is an import and Import VAT is due. **[1]**

   Tum Ltd can use Postponed VAT Accounting (PVA) and account for the Import VAT as output VAT on its VAT return. **[1]**

   As Tum Ltd makes wholly taxable supplies and uses the goods in its business, it can recover the input VAT arising on the same VAT return, so there is no net VAT to pay to HMRC. **[1]**

2) This is an import into Great Britain and import VAT would ordinarily be due. **[1]**

   As the value of the goods is a maximum £135, however, domestic VAT is charged instead of import VAT and the German supplier must register for UK VAT and account for it. **[1]**

Examiner's report:

This question regarding purchases from the EU was anticipated to be one of the more difficult questions. In fact most candidates managed to score some or all marks for part 1, although some confused the company sending the goods and the company receiving the goods.

3. Quarter ended 30 September 2023, VAT return and payment late (due 7 November). One penalty point issued for the late return. The payment is late by more than 15 days but within 30 days, so a 2% penalty will apply to the late payment. **[2]**

Quarter ended 31 December 2023, One penalty point issued for the late return, so there are now two points. No late payment penalty as VAT paid within 15 days of due date (7.2 – 15.2). **[2]**

Quarter ended 31 March 2024, VAT payment late but as paid within 15 days (7.5-15.5) then there is no penalty due. **[1]**

Examiner's report:

Most candidates made an attempt at this question and often had a vague idea of the penalties involved, but could not apply the rules accurately. This should have been a high-scoring question for most candidates. Some candidates had clearly rote-learned the facts but could not apply them. Even at the Awareness level, candidates should be thinking "if a client had asked this question, would they be any wiser after reading the answer?"

4. VAT paid by Abigail Ltd on the purchase of newly constructed property = £6 million × 1/6 = £1 million. **[1]**

Abigail Ltd could not recover the VAT on purchase, and VAT was not charged on the rent, as the activity of renting out the property is an exempt supply. **[1]**

The sale of the property to Bartlett Ltd constituted a transfer of a going concern and so no VAT was charged. **[1]**

The ten-year capital goods scheme period beginning 1 April 2018, is continued during the ownership by Bartlett Ltd. **[1]**

There is a capital goods scheme adjustment for the year ended 31 March 2024 because of the taxable use of 25% of the property, ie Bartlett Ltd can recover: **[1]**

£1 million/10 × 25% = £25,000 **[1]**

Max 5

Examiner's report:

This question involved a building transferred as a going concern and the implications for the capital goods scheme. There were marks available even for those candidates who did not understand the latter but who knew the basics of VAT on land and buildings. However, there was a common misconception that having bought a new building on which standard-rated VAT was charged, the owner then had to charge VAT on the rentals. Some candidates wrote about the option to tax although neither company had opted. Marks were low and the question was frequently omitted.

5.

	£	
Sales to unconnected companies @ 20%	16,000	**[1]**
Sales from Flowet Ltd to Pine Ltd	-	**[1]**
Promotional sales:		
(£12,000 × 75% + (£12,000 × 25% × 95%)) × 20%	2,370	**[1]**
Sales to business customers in the USA – zero rated	-	**[1]**
Discontinued products £3,800 × 20%	760	**[1]**
	19,130	

Tutorial Note:

Samples do not incur output VAT. However, this is where they are used to promote the sale of that product. As this product is discontinued then it would not satisfy the rules.

Examiner's report:

This question asking for the output VAT of group should have been approachable for all candidates, even if they did not know the treatment of each item: the items were effectively stand-alone. Those candidates who attempted it frequently scored highly but it was surprising that some omitted it entirely.

6. Bad debt relief in respect of Mick = £600 × 5% = £30 **[1]**

	VAT-incl sales	Payment	Amount outstanding	More than 6 months outstanding	
	£	£	£	£	
31 January	1,200	(840)	360	360	**[1]**
28 February	900	(900)	-	-	**[1]**
31 March	450	-	450	450	
30 June	150	-	150		**[1]**
				810	
VAT (1/6)				135	**[1]**

Total bad debt relief = £135 + £30 = £165

Examiner's report:

No comments

7.

	Taxable	Exempt	
	£	£	
Attributable to standard rated supplies	100,000		
Attributable to exempt supplies		6,000	
Non-attributable			
350,000/(350,000 + 50,000) = 87.5%			**[2]**
Round up % 88% × £40,000	35,200	4,800	**[1]**
Total	135,200	10,800	

Standard de minimis test:
Exempt input VAT is more than £625 per month (£10,800/12 = £900). **[1]**
Therefore, annual adjustment = £10,800 payable to HMRC. **[1]**

Examiner's report:

No comments

8. Payments made at the end of each month starting on 31 July 2024 **[1]** and ending on 31 March 2025 (ie nine payments). **[1]**

Each payment is 10% of the prior year liability ie £8,000. **[1*]**

With the remaining £90,000 – (9 × £8,000) = £18,000 **[1]** payable with the VAT return on 31 May 2025. **[1]**

[*Candidates who noted that Bernard should notify HMRC of the increase in VAT liability (significant change, not covered in the learning materials) and so may have to pay based on current year liability, were given full credit.]

Tutorial Note:

Students using the quarterly instalment option will only lose 1 mark. This method does not spread the VAT payments as much as possible, as the question specified.

Examiner's report:

It was disappointing that while many candidates had some knowledge of the annual accounting scheme (the number of payments, amounts due), they lost marks needlessly by not explaining when payments and the return were due.

9. The supply of the freehold of the new building (first major interest) was zero-rated **[1]**

as it was made to a charity which uses it for non-business purposes. **[1]**

The supply of the van was standard-rated but Fix was unable to recover the VAT as it does not use the van for business purposes (and is not yet VAT-registered). **[1]**

The supply of welfare advice for a charge by a charity is reduced-rated and so Fix may have to register for VAT if the value of these supplies exceeds the VAT registration threshold. **[1]**

The supply of welfare advice is a business activity and so VAT incurred on the purchase of the projection equipment can be recovered but only if Fix registers for VAT. **[1]**

Examiner's report:

This question involving a charity was frequently omitted. Those who did answer did not generally score highly, often because they focussed on either the capital purchases, or the income and activities of the charity, when the two aspects were linked.

10. Gross takings:

	£	£	
Cash sales – no adjustment for cash stolen		80,000	**[1]**
Credit sales			
October	17,000		
November	25,000		
December	35,000		
		77,000	**[1]**
		157,000	

Standard rated purchases inclusive of VAT = £70,000 × 1.2 = £84,000 **[1]**

Standard rated sales = gross takings × standard rated purchases including VAT/all purchases = £157,000 × £84,000/(84,000 + 30,000) = £115,684 **[1]**

Output VAT = 1/6 × £115,684 = £19,281 **[1]**

> **Tutorial Note:**
>
> Notice 727/4 reproduced in the 'VAT Notices' section of the Orange Part 1 Handbook contains a step-by-step guide to calculating the VAT using this scheme. See para 4.3.1.

Examiner's report:

This question was on a very specific area of the syllabus (a particular retail scheme) and not surprisingly it was omitted by some who had not studied this area. It was pleasing that many candidates who attempted it, understood the broad principles despite making an error or two.

11.

1) The Stamp Duty is 0.5% × (£9,600 + £4,000) = £68, rounded up to £70. **[1+1]**

   Oliver, as purchaser, has to pay the Stamp Duty within 30 days. **[1]**

2) Gift has no consideration so no Stamp Duty. **[1]**

3) No Stamp Duty on the transfer of shares as part of a divorce settlement. **[1]**

Examiner's report:

The Stamp Duty implications where consideration is not in the form of cash, were not well known, and calculations were also frequently incorrect, especially in terms of rounding and minimum charges.

12.

1) SDLT on the total consideration as they are linked transactions:

	£	
250,000 @ 3%	7,500	
675,000 @ 8%	54,000	
555,000 @ 13%	72,150	
1,480,000	133,650	**[4]**

[1 for method of charging on total consideration, 1 for residential rates, 1 for additional 3%, 1 for bands correct]

2) Multi-dwellings relief – SDLT calculated on the average consideration and multiplied by number of properties. **[1]**

Examiner's report:

If candidates omitted the question on Stamp Duty, they were also tended to omit this question on Stamp Duty Land Tax. Those who answered frequently achieved 2 or 3 marks (and sometimes 4): they understood the need for increased rates (by 3%) due to the number of residential properties owned, but many did not apply this to the 0% band, or to the first property (despite being told that the individual involved already owned other such properties). Not enough candidates realised that the SDLT should be calculated on the total consideration paid, and most did not understand the claim for multiple dwellings relief. Only a few words were required to state this alternative treatment – candidates were deliberately asked not to perform further calculations. Many did and given their understanding was usually wrong, this just wasted time for subsequent modules.