

Tolley[®] Exam Training

CTA

AWARENESS PAPER

MODULE A – VAT AND STAMP TAXES

PRE REVISION QUESTION BANK

FA 2024 & F(No 2)A 2024

May and November 2025 Sitings

PQ827A

Tolley[®]

Tax intelligence
from LexisNexis[®]

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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 2024 and Finance (No 2) Act 2024. 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 2025** 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 through 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-through 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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Test 1

Test 2

Answers to Test 1

Answers to Test 2

INCOME TAX - RATES AND THRESHOLDS

	2024/25	2023/24
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 – 125,140
Dividend allowance	500	1,000
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	N/A	1,000
Scottish Tax Rates⁽¹⁾	%	%
Starter rate	19	19
Scottish basic rate	20	20
Intermediate rate	21	21
Higher rate	42	42
Advanced rate	45	N/A
Top rate	48	47
Scottish Tax Thresholds⁽¹⁾	£	£
Starter rate	1 – 2,306	1 – 2,162
Scottish basic rate	2,307 – 13,991	2,163 – 13,118
Intermediate rate	13,992 – 31,092	13,119 – 31,092
Higher rate	31,093 – 62,430	31,093 – 125,140
Advanced rate	62,431 – 125,140	N/A
Top rate	125,140+	125,140+

INCOME TAX - RELIEFS

	2024/25	2023/24
	£	£
Personal allowance ⁽²⁾	12,570	12,570
Married couple's allowance ⁽³⁾	11,080	10,375
– Maximum income before abatement of relief - £1 for £2	37,000	34,600
– Minimum allowance	4,280	4,010
Transferable Tax allowance for married couples and civil partners ⁽⁴⁾	1,260	1,260
Blind person's allowance	3,070	2,870
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	200,000
De minimis trusts amount	500	N/A

- 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	2024/25	2023/24
Maximum subscription:	£	£
'Adult' ISAs	20,000	20,000
Junior ISAs	9,000	9,000

Pension contributions	Annual allowance ⁽¹⁾	Minimum pension age
	£	
2023/24	60,000	55
2024/25	60,000	55

Basic amount qualifying for tax relief £3,600

Lump sum allowance £268,275

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

Employer Supported Childcare	2024/25	2023/24
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 – 2024/25

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%).

Fuel benefit base figure	2024/25	2023/24
	£	£
	27,800	27,800

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Van benefits	2024/25	2023/24
	£	£
No CO ₂ emissions	Nil	Nil
CO ₂ emissions > 0g/km	3,960	3,960
Fuel benefit for vans	757	757
Official rate of interest	2.25%	2.25%

INCOME TAX - CHARGES

Child benefit charge	Withdrawal rate
Adjusted net income >£60,000	1% of benefit per £200 of income between £60,000 and £80,000
Adjusted net income >£80,000	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).
 (2) The main pool rate applies to cars with CO₂ 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 CO₂ emissions greater than 50g/km (prior to April 2021 greater than 110g/km).
 (4) A 10% rate applies in respect of special tax site 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 1 or 6 April 2025).

New cars that either emit 0g/km of CO₂ (50g/km prior to April 2021) or are electric (until 1 April 2025).

Electric vehicle charging points (until 1 or 6 April 2025).

First year allowances (FYA) available to companies only

	Main pool assets	Special rate pool assets
Expenditure on new plant and machinery (other than cars) from 1 April 2023 onwards ⁽⁵⁾	100%	50%
Expenditure on new plant and machinery (other than cars) in a special tax site	100%	100%

- Notes:** (5) 130% for main pool expenditure and 50% for special rate pool expenditure between 1 April 2021 and 31 March 2023.

INCOME TAX - SIMPLIFICATION MEASURES

	2024/25	2023/24
	£	£
'Rent-a-room' limit	7,500	7,500
Property allowance/Trading allowance	1,000	1,000

Flat Rate Expenses for Unincorporated Businesses

Motoring expenses		
Cars or vans	First 10,000 business miles	45p per mile
	Additional business miles	25p per mile
Motorcycles		24p 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

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NATIONAL INSURANCE CONTRIBUTIONS

Class 1 limits	2024/25			2023/24		
	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	£12,570	£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
Special tax sites upper secondary threshold	£25,000	£2,083	£481	£25,000	£2,083	£481

Class 1 primary contribution rates

Earnings between PT and UEL

8%

12%

Earnings above UEL

2%

2%

Class 1 secondary contribution rates

Earnings above ST ⁽¹⁾

13.8%

13.8%

Note: (1) Rate of secondary NICs between the ST and the UST, AUST & special tax sites upper secondary threshold is 0%.

	2024/25	2023/24
Employment allowance		
Per year, per employer	£5,000	£5,000
Class 1A contributions	13.8%	13.8%
Class 1B contributions	13.8%	13.8%
Class 2 contributions		
Rate	£3.45 pw	£3.45 pw
Small profits threshold (SPL) ⁽²⁾	£6,725	£6,725
Lower profits limit (LPL)	N/A	£12,570

Note: (2) From 2024/25, self-employed individuals with profits below the small profits threshold can pay Class 2 NICs voluntarily to get access to contributory benefits including the State Pension.

Class 3 contributions	£17.45 pw	£17.45 pw
Class 4 contributions		
Annual lower profits limit (LPL)	£12,570	£12,570
Annual upper profits limit (UPL)	£50,270	£50,270
Percentage rate between LPL and UPL	6%	9%
Percentage rate above UPL	2%	2%

OTHER PAYROLL INFORMATION

Statutory maternity/adoption pay	First 6 weeks @ 90% of AWE Next 33 weeks @ the lower of £184.03 and 90% of AWE
Statutory shared parental pay /paternity pay/parental bereavement pay	For each qualifying week, the lower of 90% of AWE and £184.03
Statutory sick pay	£116.75 per week

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Student Loan	Plan 1:	9% of earnings exceeding £24,990 per year (£2,082.50 per month/ £480.57 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 £31,395 per year (£2,616.25 per month /£603.75 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 2024 onwards)

Category of Worker	Rate per hour £	Category of Worker	Rate per hour £
Workers aged 21 and over	11.44	16–17 year olds	6.40
18–20 year olds	8.60	Apprentices	6.40

Accommodation Offset £9.99 per day

HMRC INTEREST RATES (assumed)

Late payment interest	7.75%
Interest on underpaid corporation tax instalments	6.25%
Repayment interest	4.25%
Interest on overpaid corporation tax instalments	5.00%

CAPITAL GAINS TAX

	2024/25	2023/24
Annual exempt amount for individuals	£3,000	£6,000

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 24% (28% in 2023/24) if the gain is in respect of a residential property

Business Asset Disposal relief	2024/25	2023/24
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.

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		

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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

CORPORATION TAX

Financial year	2024	2023
Main rate	25%	25%
Standard small profits rate	19%	19%
Augmented profit limit for standard small profits rate	£50,000	£50,000
Augmented profit limit for marginal relief	£250,000	£250,000
Standard marginal relief fraction	3/200	3/200
Marginal rate	26.5%	26.5%
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
Total relief for Small & medium enterprises (SMEs)	186%
R&D tax credit for SME losses	10%
Large companies – RDEC	20%
Financial year	2024
Enhanced R&D Intensive Support (ERIS) - total relief for loss making R&D intensive SMEs	186%
R&D tax credit for R&D intensive SME losses	14.5%
RDEC (merged scheme RDEC) ⁽¹⁾	20%

Note: (1) From 1 April 2024 the merged scheme RDEC is available to all companies.

VALUE ADDED TAX

	Standard rate	VAT fraction
Rate	20%	1/6
Limits	2024/25	2023/24
	£	£
Annual registration limit	90,000	85,000
De-registration limit	88,000	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 2024)

Engine size	Petrol	LPG	Engine size	Diesel
1400cc or less	13p	11p	1600cc or less	12p
1401cc to 2000cc	15p	13p	1601cc to 2000cc	14p
Over 2000cc	24p	21p	Over 2000cc	19p

Electricity rate 9p

OTHER INDIRECT TAXES

	2024/25	2023/24
Insurance premium tax⁽²⁾		
Standard rate	12%	12%
Higher rate	20%	20%

Notes: (2) Premium is tax inclusive (³/₂₈ for 12% rate and ¹/₆ for 20% rate).

Landfill Tax (pro rated for part tonnes)

Standard rate	£103.70 per tonne	£102.10 per tonne
Lower rate	£3.30 per tonne	£3.25 per tonne

Landfill Communities Fund (LCF) ⁽³⁾	5.3% x landfill tax liability	5.3% x landfill tax liability
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Notes: (3) Relief for 90% of qualifying contributions

Aggregates Levy (pro rated for part tonnes)	£2.03 per tonne	£2 per tonne
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Plastic Packaging Tax (PPT) (pro rated for part tonnes)	£217.85 per tonne	£210.82 per tonne
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Climate Change Levy (CCL)⁽¹⁾

Electricity	0.775p per kwh	0.775p per kwh
Natural gas	0.775p per kwh	0.672p per kwh
Liquified petroleum gas (LPG)	2.175p per kg	2.175p per kg
Any other taxable commodity	6.064p per kg	5.258p per kg

Carbon Price Support (CPS) rates

Natural gas	0.331 per kwh	0.331 per kwh
LPG	5.28p per kg	5.28p per kg
Coal & other taxable solid fossil fuels	£1.5479 per GJ on GCV	£1.5479 per GJ on GCV

Tobacco products duty

	From 22.11.2023	From 15.03.2023
Cigarettes	16.5% x retail price + £316.70 per thousand cigarettes (or £422.80 per thousand cigarettes ⁽²⁾)	16.5% x retail price + £294.72 per thousand cigarettes (or £393.45 per thousand cigarettes ⁽²⁾)
Cigars	£395.03 per kg	£367.61 per kg
Hand-rolling tobacco	£412.32 per kg	£351.03 per kg
Other smoking/chewing tobacco	£173.68 per kg	£161.62 per kg
Tobacco for heating	£325.53 per kg	£302.93 per kg

Alcohol Duty⁽³⁾

From 1 August 2023 to 1 February 2025

	Duty in £ for each litre of pure alcohol in the product		Duty in £ for each litre of pure alcohol in the product
Beer (ABV)		Spirits/Spirit based products (ABV)	
0 to 1.2%	0.00	0 to 1.2%	0.00
1.3% to 3.4%	9.27	1.3% to 3.4%	9.27
3.5% to 8.4%	21.01	3.5% to 8.4%	24.77
8.5% to 22%	28.50	8.5% to 22%	28.50
Stronger than 22%	31.64	Stronger than 22%	31.64
Cider (not sparkling) (ABV)		Wine/sparkling wine (ABV)	
0 to 1.2%	0.00	0 to 1.2%	0.00
1.3% to 3.4%	9.27	1.3% to 3.4%	9.27
3.5% to 8.4%	9.67	3.5% to 8.4%	24.77
8.5% to 22%	28.50	8.5% to 22%	28.50
Stronger than 22%	31.64	Stronger than 22%	31.64
Sparkling cider (ABV)		Other fermented products like fruit ciders (ABV)	
0 to 1.2%	0.00	0 to 1.2%	0.00
1.3% to 3.4%	9.27	1.3% to 3.4%	9.27
3.5% to 5.5%	9.67	3.5% to 8.4%	24.77
5.6% to 8.4%	24.77	8.5% to 22%	28.50
8.5% to 22%	28.50	Stronger than 22%	31.64
Stronger than 22%	31.64		

- Notes:** (1) For holders of a Climate Change agreement (CCA), the rate charged is a percentage of the main rate given in the table. For 2024/25 (2023/24 in brackets) for electricity the rate is 8% (8%), for gas it is 11% (12%), for LPG it is 23% (23%) and 11% (12%) for any other taxable commodity
- (2) The £422.80/£393.45 per thousand cigarettes is a minimum excise duty (if higher than the first calculation)
- (3) There are reduced rates for qualifying draught products

INHERITANCE TAX

Death rate	40% ⁽³⁾	Lifetime rate	20%
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Note: (3) 36% rate if 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 1.4.24	From 1.4.23
>£0.5m – ≤ 1m	£4,400	£4,150
> £1m – ≤ 2m	£9,000	£8,450
> £2m – ≤ 5m	£30,550	£28,650
> £5m – ≤ 10m	£71,500	£67,050
> £10m – ≤ 20m	£143,550	£134,550
> £20m	£287,500	£269,450

STAMP DUTY/SDRT

Stamp duty⁽¹⁾	- On shares transferred by physical stock transfer form	0.5%
Stamp duty reserve tax (SDRT)⁽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.

STAMP DUTY LAND TAX (SDLT)

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	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. Jilly is a VAT registered trader. She purchased the following assets for use in her business during the quarter ended 31 March:

	<u>VAT exclusive</u>
	£
Computer equipment (used 10% privately by Jilly)	5,000
A car for use by an employee (40% private use by employee)	25,000

Jilly pays for all fuel for the car, both for business and personal journeys.

Briefly explain the VAT which Jilly may recover on each asset, and her options assuming she wishes to recover at least some of the VAT on the fuel.

2. Julie is a clothes designer and registered for VAT in the UK. She is planning on moving to Italy for three months with her family. Whilst there, she has agreed to provide services to a fashion house and may also do some design work for private individuals, which she expects to amount to about £30,000.

Briefly explain whether the supplies made whilst Julie is in Italy will be subject to UK VAT, and how this may change depending upon Julie's actions.

3. Bob and Claire have been married for many years, each operating their own business. Bob supplies exempt products only, whereas Claire supplies both exempt and zero-rated goods.

You are required to:

- 1) Briefly explain whether Bob and/or Claire can voluntarily register for VAT.**
- 2) Give three advantages of voluntary registration.**

4. Franko Ltd purchased a freehold property in January 2022 for £300,000 plus VAT. As part of the property was sub-let, the company immediately exercised an option to tax. Franko Ltd makes both taxable and exempt supplies and has a 31 March VAT year end.

The directors are considering selling the property before 31 December 2025 for £500,000 but want to understand the VAT position.

Briefly explain the VAT implications of the proposed sale of the property during the VAT year ended 31 March 2026.

5. Steven became VAT registered on 1 November 2024. His first VAT return to 31 January 2025 was completed by a book-keeper who is unavailable to help complete the return for the next quarter ended 30 April.

Steven intends to complete the return himself, following the workings for the previous return. He has found that his returns are completed using the flat-rate scheme and has seen some notes about 'limited cost traders', which he does not understand.

Briefly explain how the relevant flat-rate percentage is determined and the relevance of being a limited cost trader.

6. Edna has decided to cease trading on 1 August, when the lease on her property ends. She is negotiating with two potential buyers.

The first potential buyer is interested only in the stock and certain fixtures which they will purchase for use in their existing business.

The second potential buyer is interested in purchasing the business as a whole, which they will then continue to run out of their existing property.

Briefly explain the VAT implications of the proposed cessation of trade and sale to each possible buyer.

7. John uses the annual accounting scheme and prepares returns to 31 March each year. For the year to 31 March 2024, VAT of £138,000 was payable. For the following year, the following information is available:

	£
Output VAT on sales	264,000
Input VAT on purchases and expenses	121,500

The input VAT includes £1,200 on the cost of entertaining customers and £4,100 on the purchase of a car for John. John used the car for business and personal journeys.

Calculate the balancing payment for the year ended 31 March 2025 and state when this will be payable.

8. Crabco Ltd offers children's play activities for £15 per child to include the provision of a t-shirt. Crabco Ltd does not sell the t-shirts to anybody not joining them on one of their sessions. Normally, the supply of the play activities would be standard-rated and the supply of the children's t-shirts would be zero-rated.

Briefly explain the VAT treatment of the supply of the play activity.

9. When completing the VAT return for Fredsum Ltd for the quarter ended 30 April, it was discovered that an error had been made on the previous quarter's return. £80,000 of sales (inclusive of VAT) made in January had been omitted from the return by mistake. The box 6 figure for the current quarter is £425,000.

Briefly explain how the error can be corrected.

10. Julia trades in antiques and memorabilia. As Julia purchases most of her items from members of the public and then sells them at fairs and online, she uses the second-hand goods margin scheme. During the latest quarter ended 31 March her sale and purchase records show the following:

Item A

Sold for £80

Purchased from Mr Brown for £150

Item B

Sold for £580

Purchased from Mrs White for £300

Item C

Sold for £660

Purchased from a local business for £400 plus VAT

None of the customers required a sales invoice. The only other costs incurred were some restoration costs totalling £100 exclusive of VAT.

Calculate the VAT effect of each of the above transactions.

11. Kate purchased the following properties:

1) New freehold commercial premises for use in her business for £300,000.

2) A second residential property to let out to tenants for £180,000.

Both prices are quoted exclusive of any applicable VAT.

Calculate the Stamp Duty Land Tax payable, if any, on each of the two properties.

12. Cath and Art agreed to exchange shares on 1 March.

Cath will transfer 10,000 shares in Pier Ltd to Art worth £2.50 each and Art will transfer 8,000 shares in Bay Ltd to Cath worth £2.80 each plus cash of £2,500.

Briefly explain, with supporting calculations, the Stamp Duty payable, if any. Your answer should clearly state who is liable to pay.

MODULE A – TEST 2

1. Hannah lives in Manchester and has provided the following information in relation to the quarter ended 30 September:

<u>Sales</u> (exclusive of applicable VAT)	£
Standard-rated goods to UK customers	90,000
Zero-rated goods to UK customers	20,000
Standard rated goods to American customers (all based in USA)	40,000
 <u>Purchases</u>	
Goods from China	12,500
Goods from Germany	18,000

You are required to:

- 1) **Calculate the VAT liability for the above quarter, clearly showing your treatment of each item. Hannah uses Postponed VAT Accounting.**
 - 2) **State the date by which the return for the quarter must be submitted.**
2. Bright Ltd has recently experienced significant growth and has decided to take action in order to better manage its cashflow.

During the previous VAT quarter, Bright Ltd took an average of 60 days to pay key suppliers because their customers were taking longer than normal to settle their invoices. Some of their larger customers took between 40 and 50 days to pay the sales invoices issued to them.

Bright Ltd has also taken on some new customers without undertaking thorough credit checks, and so has suffered significant bad debts.

Briefly explain the impact for Bright Ltd should it choose to apply to use the cash accounting scheme.

3. Plug Ltd and Cable Ltd are two unconnected companies.

Plug Ltd has been trading for many years but has recently experienced rapid growth. For the year to 30 September 2025 taxable supplies were £81,000 based on sales of £5,500 per month for the first six months of its year end (to 31 March) and £8,000 per month for the remaining six months to 30 September. Since 1 October 2025, monthly sales have been £10,500.

Cable Ltd began trading on 1 August 2025 and had taxable supplies of £20,000 for the month of August, £22,000 for September and £24,000 for October. On 2 November that same year the directors signed an agreement which means the taxable supplies for November will be £95,000.

Briefly explain when each company must register for VAT and from what date each registration will be effective.

4. During the year ended 30 April Purple plc reclaimed total input VAT of £48,800.

Supplies during the year were 78% taxable and 22% exempt. The input VAT has been analysed as follows:

	£
Wholly attributable to taxable supplies	42,000
Wholly attributable to exempt supplies	8,000
Non-attributable	<u>5,000</u>
	<u>55,000</u>

Calculate the annual adjustment, if any. You should ignore the simplified tests.

5. Hannah has been VAT registered for many years and supplies goods to business customers. She has recently started making smaller value sales and has heard that it may be possible to reduce her administration costs by issuing simplified invoices where the sales are a maximum £250.

You are required to state:

- 1) **Two examples of items which need not be included in a simplified invoice.**
- 2) **Three examples of items which must still be included in a simplified invoice.**

6. Andy had a good history of filing VAT returns until the quarter ended 31 March 2024. Since then, returns and payments have been made as follows:

<u>Quarter ended</u>	<u>Date filed</u>	<u>Payable/(Repayable)</u> £
<u>Returns in 2024:</u>		
31 July	20 September	14,500
31 October	2 December	6,100
<u>Returns in 2025:</u>		
31 January	18 March	(3,000)
30 April	2 July	10,200

Briefly explain, with supporting calculations, the consequences of the late filing and late payment, assuming HMRC imposes all penalties where applicable.

7. Hilary deregistered for VAT on 31 October 2025. She has gathered the following information to complete the final VAT return to the date of deregistration:

Standard-rated goods:	£
Sales	22,200
Purchases and expenses	14,000

At the date of deregistration, Hilary had stock on hand costing £4,000, machinery which had cost £50,000 and a car used by Hilary both in the business and personally which cost £12,000 but was worth just £4,000 at the date of de-registration.

Hilary could purchase a replacement machine for £32,000, but due to rising prices she would have to pay £4,600 to replace the stock.

All figures are quoted inclusive of VAT except for the purchases and expenses for the period.

You are required to:

- 1) **Calculate the VAT payable for the final period to 31 October 2025.**
 - 2) **Briefly explain how your answer would be different if Hilary had only held stock at the date of deregistration, and no machinery.**
8. Mark is completing his VAT return for the quarter ended 30 September but has queries on two transactions as follows:
- 1) A new customer placed an order for £40,000 for goods on 18 September. Mark requested a 50% deposit which was received with the order.

The goods were dispatched to the customer on 2 October along with the invoice.

The customer paid the balance due on 20 October.
 - 2) Another customer took delivery of goods worth £30,000 on 24 September, however the invoice was not sent to the customer until 4 October. The customer has not yet paid for the goods.

All figures are quoted inclusive of VAT.

Briefly explain what VAT, if any, should be included on the VAT return for the quarter ended 30 September in relation to these transactions.

9. Jakz Ltd has owned the freehold of an office block used in its trade for the last 10 years. The directors have identified that they have excess office space so have agreed to let the top floor of the building to another company from 1 January next year. The tenant will pay £1,500 per month in rent and a service charge of £500 per quarter.

Jakz Ltd also lets a residential property to an employee for £650 per month.

Briefly explain how the rental and service charge supplies will be rated for VAT purposes.

10. Brenda registered for VAT on 1 August 2025 and is now completing the return for her first quarter ended 31 October.

Brenda has asked for help with the effect of the following transactions:

- 1) Brenda has found that some of her customers are very slow to pay, so she offered a 2% early settlement discount for any invoice paid within one month of issue.

Total sales during the quarter amounted to £50,000 (exclusive of VAT). 45% of her customers paid within a month and claimed the discount offered.

- 2) Brenda sold a machine (that was acquired in 2020) for a total amount of £33,600 as she found a more efficient model to purchase in its place.

- 3) Purchases and expenses totalling £84,000 (exclusive of VAT) were recorded which include the purchase of a laptop for £2,000. Brenda is using the laptop in the business but also uses it 50% for personal purposes.

Briefly explain, with supporting calculations, how each of these transactions should be reflected in the VAT return for the above quarter.

11. In 2025, the following happened:

Julie purchased 1,000 ordinary shares in Pressed Ltd on 15 October for £23,520 and 500 ordinary shares in Squash Ltd on 20 October for £910.

On 22 October she inherited 200 ordinary shares in Pulp Ltd which had a market value at that date of £32,150.

Calculate the Stamp Duty payable on the share acquisitions and state the due date for payment.

12. Leaf Ltd has been a wholly owned subsidiary of Root plc since 2017.

Leaf Ltd sold a factory to Root plc on 1 September 2021 for £700,000.

Root plc will sell the factory to an unconnected company on 18 December 2025 for £850,000.

Briefly explain, with supporting calculations, the Stamp Duty Land Tax payable on the two disposals of the factory and state the due date for payment.

ANSWERS TO MODULE A – TEST 1**Examiner's report:**

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General Comments

On the whole the paper seemed to be well received, with most candidates attempting all questions. One general recurring problem is the incorrect reference to certain technical terms, with some confusion between exempt, zero-rated and transfers which are outside the scope of VAT. Specific feedback is given only on those questions which were answered poorly in a significant number of cases:

1. As the computer has some private use the VAT which can be recovered is restricted to the 90% business use. The amount recovered will be £900 (£5,000 x 20% x 90%). **[1]**

[Candidates who mention the Lennartz approach which allows full recovery and then an output charge for private use, will gain credit.]

Cars are blocked items and so no VAT can be recovered on this purchase. **[1]**

The VAT on the fuel can be recovered in full, despite the private use, but will then require VAT either on the fuel scale charge, or a charge to the employee, to be added to output VAT on the same return. **[2]**

Alternatively, if detailed mileage records were kept by the employee, Jilly could reclaim VAT on the business proportion only, with no fuel scale charge being applied. **[1]**

Examiner's report:

Many candidates incorrectly discussed the operation of the fuel scale charge, suggesting that this would be used to calculate the amount of VAT to reclaim in relation to business mileage.

2. The services to the fashion house will be B2B supplies and therefore based on the location of the customer. As this will be Italy, the supply is outside the scope of UK VAT. [2]

The work for private individuals will be B2C and based on the location of the supplier. As Julie is UK VAT registered, and established in the UK, this will be a UK supply and VAT should be charged at the standard rate (assuming the clothes are all for adults). [2]

[Credit given for mentioning ZR children's clothing and that if this is seen as consultancy then the place of supply shifts to where the customer belongs and is outside the scope of UK VAT]

In the event that Julie creates a fixed establishment in Italy she could be seen as belonging there, in which case her supplies would be outside the scope of UK VAT, and she would need to register in Italy. [1]

[An individual's place of belonging is their usual place of residence so unlikely that this would change in respect of a three month stay but potentially could if Julie takes steps to do so – eg setting up a business premises.]

Examiner's report:

No comments

3. To be able to voluntary register for VAT the business must be making taxable supplies. [1]

Bob is selling exempt products only so would be unable to register whereas Claire's zero-rated supplies are taxable and so she could register. [1]

The main advantages of voluntary registration are: **[any three examples, eg]** [3]

- Input VAT on purchases can be reclaimed
- To add credibility to the business
- Avoids any potential late registration (and therefore penalties)

Examiner's report:

No comments

4. The capital goods scheme (CGS) will apply to the property as the property was purchased for more than £250,000. [1]

As an option to tax was made, the sale will be standard rated and so Franko Ltd will charge VAT on the sale price at 20%. [1]

There will be a normal CGS adjustment for the VAT year 31 March 2026 based on the percentage of taxable supplies for the period. If the taxable supplies have increased, more VAT will be recoverable but, if they have reduced, some VAT recovered in the year of purchase will need to be repaid. [1]

An additional adjustment will need to be made for the remainder of the adjustment period based on deemed taxable supplies of 100%. [2]

[*This mark can be awarded for any reference to CGS applying to the property]

Examiner's report:

Whilst answered very well by a large number of candidates, those who did not score so well focused on the wrong party to the transaction and discussed the implications for the buyer rather than the seller.

5. The relevant "flat-rate" will have been determined based on the industry in which Steven operates. [1]

However, there is an exception to this for "limited cost" traders, the effect being that the rate is set at 16.5% regardless of the industry the trader works in. [1]

A limited cost trader is one whose VAT inclusive expenditure on goods is either:

- Less than 2% of their VAT inclusive turnover in a prescribed accounting period; [1]
- Greater than 2% of their VAT inclusive turnover but less than £1,000 per annum (pro-rated for accounting periods which are not of one year). [1]

The flat-rate is applied to the VAT-inclusive figure for outputs, so with standard-rated sales, the VAT paid on to HMRC will effectively be 19.8% (16.5% x (100+20)%) [1]

For the first year of VAT Registration under the Flat Rate Scheme, a 1% reduction applies. [1]

Max 5

Examiner's report:

No comments

6. On cessation of trade, Edna will need to deregister for VAT purposes with effect from 1 August. A final return will need to be completed. [1]

If Edna sells to buyer 1 each of the items (stock/fixtures etc) will be subject to a standard-rate VAT charge as normal. Any items not sold will potentially be a deemed supply based on there being assets still held by Edna at the date of deregistration. Any VAT charged will be included on the final VAT return. [2]

[Credit given for mentioning the £1,000 limit]

If Edna sells the whole business to buyer 2 it may qualify as a transfer of a going concern (TOGC) which would mean the sale is outside the scope of VAT such that no VAT would need to be charged on the individual items sold. [1]

As the same business will be carried on, the transfer is clearly of a going concern so the other conditions to be met are: [2]

The transferee must already be a taxable person or immediately become, as a result of the transfer, a taxable person.

There must be no significant break in the normal trading pattern.

Max 5

Examiner's report:

No comments

7.

Total due for year ended 31 March 2025: (264,000 – (121,500 – 1,200 – 4,100))	£ 147,800	[3]
Payments on account already made: 138,000 x 90%	(124,200)	[1]
Balance due 2 months after year end = 31 May 2025	<u>23,600</u>	[1]

Examiner's report:

No comments

8. As there are two parts to the supply which are potentially rated in different ways (activity is standard-rated, clothing is zero-rated) it is important to decide whether to treat the sale as a single supply or multiple supplies. [1]

The leading case to refer to in determining this is the *Card Protection Plan*. The key matter is whether either part of the supply is merely ancillary to the main supply. [1]

That is something that does not in itself constitute for customers an aim but is a means of better enjoying the principal service. [1]

The purchasers receive the t-shirt on the basis that they are booking the play session and as such this part of the supply would appear to be ancillary. [1]

The supply should therefore be treated as a single supply and VAT charged based on the rating of the principal service at the standard rate. [1]

Examiner's report:

No comments

9. Notification of an error can be made online (form VAT 652), or by post. [1]

Alternatively, under the error correction regime, certain 'small' net errors may be corrected by adjusting the next VAT return whether they had been made despite taking reasonable care or through carelessness. Deliberate errors cannot be corrected on a later return. [1]

An error can be corrected within a VAT return provided the net error is not more than the greater of:

- (i) £10,000; or [1]
- (ii) 1% of turnover (subject to a maximum of £50,000). [1]

The error is too big to be corrected on the current return. (The error is £80,000/6 = £13,333). This exceeds £10,000, which is greater than 1% of the box 6 figure of £4,250.) [1]

Consequently, this error must be corrected online or by post. [1]

Max 5

Examiner's report:

No comments

10.

Output VAT

Item A	Sold at a loss	-	[1]
Item B	Profit £280 x 1/6	47	[1]
Item C	Sale price £660 x 1/6	110	[1]

Input VAT

Item C	Purchase price £400 x 20%	(80)	[1]
Restoration costs	£100 x 20%	(20)	[1]

[No explanations required as the question simply asks for calculations for each transaction. If candidates assumed that global accounting was made and therefore the loss would also be included in the total margin calculation, credit will be given]

Examiner's report:

No comments

11. New freehold commercial premises would be subject to standard-rate VAT so the purchase price would be £300,000 x 120% = £360,000 [1]

SDLT is charged on the VAT inclusive amount:

£0 - £150,000	0%	£	
£150,000 - £250,000	2%	2,000	[1]
£250,000 - £360,000	5%	5,500	[1]
Total payable		<u>7,500</u>	

The residential property is either zero rated, exempt, or outside the scope for VAT purposes so the price subject to SDLT is £180,000. However this is a second residential property and so an extra 3% charge applies. **[1 for not adding VAT]**

2 nd property charge on £180,000	3%	5,400	[1]
Total payable		<u>5,400</u>	

[No explanations are required as candidates were asked to calculate only.]

Examiner's report:

As expected, the interaction of VAT and SDLT caused the main errors. On occasions, where VAT was considered it was incorrectly added on both properties.

12. On the exchange of shares there are two transfers subject to stamp duty (SD). The equality money element of the consideration has no impact on the stamp duty charge. [1]

Cath will pay SD on the value of the 8,000 shares in Bay Ltd ($8,000 \times £2.80$) £22,400. [1]

The SD at 0.5% is rounded up to the nearest £5 giving £115 to pay. [1]

Art will pay SD on the value of the 10,000 shares in Pier Ltd ($10,000 \times £2.50$) £25,000. [1]

The SD at 0.5% is £125. [1]

[Correct allocation of amount paid by Cath/Art
This transaction can be structured as a sale of the higher value shares in consideration of the lower value shares (plus cash). Where this happens, SD is only payable by Art on the shares in Pier Ltd, so SD of £125 only would be due. Credit will be given where candidates have mentioned this and therefore not calculated SD on the Bay Ltd shares.]

Examiner's report:

A surprising number of candidates were unable to correctly calculate the charge at 0.5% and gave an answer based on 5% even where the working showed a 0.5% rate.

ANSWERS TO MODULE A – TEST 2

Examiner's report:

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General Comments

Generally, candidates performed well on this module, although there were a number of candidates who did not attempt all questions.

1.

1)

OUTPUTS	£	£	
Standard rated goods to UK customers	90,000 x 20%	18,000	} [1]
Zero rated goods to UK customers	20,000 x 0%	-	
Standard rated goods to American customers	Zero rated exports		[1]
Import VAT	30,500 x 20%	6,100	[1]
INPUTS			
Import VAT to deduct		(6,100)	[1]
VAT payable for the quarter		<u>18,000</u>	

2)

Return due to be filed on or before 7 November. [1]

Examiner's report:

No comments

2. When using the cash accounting scheme, the tax point of a transaction is the date that cash is received from customers/paid to suppliers. [1]

Therefore, no output VAT is due to HMRC until payment has been received from a customer. [1]

However, it also means that input VAT can only be recovered once payment has been made to a supplier. [1]

As Bright Ltd take longer to pay their suppliers than their customers take to pay them, in this respect there may be a cashflow disadvantage in using the cash accounting scheme. [1]

However, as the scheme gives automatic bad debt relief, in this respect there would be a cashflow advantage rather than having to wait until the debt is 6 months overdue and has been written off. [2]

Max 5

Examiner's report:

No comments

3. Compulsory registration may be necessary under either the historic or future test. Under the historic test, taxable supplies for the last 12 months are accumulated and compared to the registration threshold of £90,000, whereas the future test compares expected taxable supplies in the next 30 days in isolation. [1]

For Plug Ltd, under the historic test the registration threshold will be exceeded at the end of November 2025. [1]

Tutorial Note:

12 months to 30 September are £81,000

12 months to October are £81,000 + £10,500 - £5,500 = £86,000

12 months to November are £86,000 + £10,500 - £5,500 = £91,000

Plug Ltd will have to notify HMRC within 30 days that they need to be VAT registered and the registration will be effective from 1 January 2026. [2]

Cable Ltd will need to register under the future test as the directors will have a reasonable expectation that taxable supplies will exceed the registration threshold in the next 30 days when they sign the contract on 2 November. They again have 30 days to notify HMRC, but the registration will be effective from 2 November 2025. [1]

Tutorial Note:

Under the historic test, the threshold would be exceeded by 30 November, with notification by 30 December and registration by 1 January the following year. As the future test gives an earlier date of registration, then this test is used.

[*The terms historic/future do not necessarily need to be mentioned provided it is clear in the answer that different tests are relevant to each company]

Examiner's report:

No comments

4.

	£	Taxable £	Exempt £	
Wholly attributable VAT		42,000	8,000	
Non attributable VAT	5,000 x 78%	3,900		[1]
	5,000 x 22%		1,100	
Total VAT		<u>45,900</u>	<u>9,100</u>	[1]*

VAT relating to exempt supplies compared to standard de-minimis tests: [1]
 ≤£625 per month on average
 ≤ 50% total input VAT

£9,100 is greater than £625 per month average so non-recoverable. Recoverable amount for year should be £45,900. [1]

Actually recovered during the year £48,800, so amount due to HMRC is £2,900. [1]

[*This mark is for using the total VAT relating to exempt supplies when comparing to de-minimis limits and not just the £1,100.]

Examiner's report:

Despite being given the split of taxable and exempt supplies in the body of the question, a quite a few candidates wasted time by calculating this based on the VAT analysis.

5.

1) Two examples:

[other valid examples will gain credit]

Rating of each individual item
 Customer name and address

2) Three examples:

[other valid examples will gain credit]

Supplier name, address and registration number
 Time of supply
 Description of goods

Tutorial Note:

Simplified invoices are covered in reg.16A of SI 1995/2518.

Examiner's report:

Whilst answered very well on the whole, some candidates simply gave a long list of potential contents of an invoice. These answers scored nil as it was not possible to tell which part of the question may have been attempted.

6.

<u>Returns in 2024:</u>	<u>Due date</u>	<u>Return late?</u>	<u>Payment late?</u>
31 July	7 September	Yes	< 15 days
31 October	7 December	No	No

<u>Returns in 2025:</u>			
31 January	7 March	Yes	None due
30 April	7 June	Yes	15-30 days

Late returns

When the first return is filed late a penalty point is awarded. **[1]**

The next return is filed on time so has no consequences.

The late filing of the 31 January 2025 return means a second penalty point is awarded. **[1]**

The late filing of the 30 April 2025 return means a third penalty point is awarded. **[1]**

Late payments

When the first return is paid late, there is no financial penalty as payment is made within 15 days of the due date. **[1]**

The next return is paid on time so has no consequences.

There is no late payment for the 31 January 2025 return as a repayment is due, so there is no financial penalty. **[1]**

The late payment of the 30 April 2025 return is between 15-30 days, so a 2% penalty of the £10,200 paid late, is payable. **[1]**

Max 5**Examiner's report:**

No comments

7.

1)

	£	£	
OUTPUTS			
Sales	22,200 x 1/6	3,700	[1]*
Deemed supply	(W)	6,100	[1]
INPUTS			
Purchases and expenses	14,000 x 20%	(2,800)	
VAT payable		<u>7,000</u>	

(W) Working

	Value £		
Car	-	[Not included as VAT not reclaimed on purchase]	[1]
Stock on hand	4,600		
Machinery	<u>32,000</u>		
Total	<u>36,600</u>	x 1/6 = £6,100	[1]

[*This mark only awarded if correctly apply 1/6 to the sales and 20% to purchases/expenses.

Note: roundings do not matter. 6,999 is an acceptable answer.]

2)

If the machinery had not been held at the date of deregistration, the deemed supply would relate only to stock and as the VAT would not exceed £1,000, nothing would need to be added on the final return. **[1]**

Tutorial Note:

The £1,000 limit is in para 8 of schedule 4 to VATA 1994.

Examiner's report:

This question was not attempted by a number of candidates. Those candidates who did attempt it generally scored well.

8. The goods were dispatched on 2 October giving a basic tax point after the return period. [1]

However, a payment was received on 18 September, which is earlier than the basic tax point, creating an actual tax point which falls within the return period. [1]

VAT of £3,333 (£40,000 x 50% x 1/6) should be included on the VAT return for the quarter ended 30 September, with the balance being included on the next return. [1]

With the second transaction, the basic tax point is again based on delivery, which was 24 September, however the invoice raised on 4 October was within 14 days of the delivery of goods. [1]

This creates an actual tax point of 4 October so nothing should be included on the return for this transaction for the quarter ended 30 September. [1]

Examiner's report:

No comments

9. The grant of any interest in or right over land or of any licence to occupy land other than those listed in Group 1 VATA 1994 Schedule 9 is an exempt supply. [1]

Tutorial Note:

If the tenant was using the top floor for storage, then this would make it a taxable supply. Credit will be given if this point is made.

However, this would not be the case if Jakz Ltd has previously or now exercises an option to tax.

Once made, an option to tax is irrevocable in most cases and continues to apply to all future supplies, turning them into standard rated supplies. [1]

Options to tax are made on a building by building basis. [1]

The service charge for the commercial property will follow the treatment of the rental and so will either be exempt, or standard rated, depending on whether an option to tax is made. [1]

A residential property (dwelling) is an example where making an option to tax would have no effect, and the supply remains exempt VATA 1994 Schedule 10. [1]

Any service charge for the residential property will again follow the treatment of the rental and hence be an exempt supply. [1]

Max 5

Examiner's report:

No comments

10. Initially the sale could be accounted for based on the full value, regardless of the discount offered, resulting in a VAT charge of £10,000 ($£50,000 \times 20\%$). [1]

For those customers taking advantage of the discount, Brenda could issue credit notes to show the discount and account for a reduction in the output VAT accordingly, amounting to £90 ($(£50,000 \times 45\% \times 2\%) \times 20\%$). [1]

[Alternative treatment to produce narrative on the invoice and only account for VAT on the 45% of sales at the discounted figure.]

The original machine purchase was made more than four years before Brenda registered and as such no input VAT would have been claimed. The sale of the machine will be exempt (group 14 sch 9). [1]

VAT on the purchases and expenses relating entirely to business use can be reclaimed as input VAT amounting to £16,400 ($£(84,000 - 2,000) \times 20\%$). [1]

However as there is some private use of the laptop, only the VAT on the proportion of business use can be reclaimed, amounting to £200 ($£2,000 \times 50\% \times 20\%$). [1]

[Alternative treatment to recover all the VAT on the laptop and have a deemed supply (Lennartz approach).]

Examiner's report:

No comments

11. 1,000 ordinary shares in Pressed Ltd:

Stamp duty $£23,520 \times 0.5\% = £117.60$, rounded up to £120 [2]

Payable within 30 days of the effective date, normally the date the forms are signed. [1]

500 ordinary shares in Squash Ltd:

No stamp duty payable as consideration is a maximum £1,000 [para 1 sch 13 FA 1999] [1]

200 ordinary shares in Pulp Ltd

Inherited – exempt from stamp duty as a gift [schedule to SI 1987/516] [1]

Examiner's report:

No comments

12. The sale by Leaf Ltd to Root plc would have been exempt from stamp duty land tax (SDLT) as it took place between members of a 75% group. [1]

The sale by Root plc will result in SDLT for the buyer of:

£		£	
0 - 150,000	0%		[1]
150,000 - 250,000	2%	2,000	[1]
250,000 - 850,000	5%	<u>30,000</u>	[1]
		<u>32,000</u>	

This will be payable within 14 days after completion of the sale. [1]

Examiner's report:

This was generally answered very well but again candidates should be careful in the use of technical terms. No gain/no loss transfers are relevant to CGT but not to SDLT.