

Tolley[®] Exam Training

ATT PAPER 6

VAT

PRE REVISION QUESTION BANK

FA 2024 & F(No. 2)A 2024

May and November 2025 Sittings

PQ866

Tolley[®]

Tax intelligence
from LexisNexis[®]

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of the publisher.

This material contains general information only. Whilst every care has been taken to ensure the accuracy of the contents of this work, no responsibility for loss occasioned to any person acting or refraining from action as a result of any statement in it can be accepted by the author or the publishers.

Unless otherwise agreed to by LN in writing, use of the Online Services is permitted only via individual users engaged in an active user session and may not be collected via automated or robotic methods.

Regardless of the data delivery method, content may not be used in conjunction with a generative AI solution.

INTRODUCTION

This Pre Revision Question Bank contains exam standard questions all 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.

You will need a copy of the **ATT Tax Tables 2025** (included in this bank) either as a hard copy on your desk or as a pdf on your screen or on a second screen/device.

Format of the exam

All the ATT exams are **3.5 hours and** will have a mixture of computational and written **questions** carrying from 15 to 25 marks each, usually split into shorter subsections with marks allocated to each subsection, with no question choice. There are **98 marks for technical content and 2 marks for presentation skills** available.

Presentation Skills Marks

The presentation skills marks on this paper will be awarded as follows:

2 marks - Presentation is very good. Full sentences are used where appropriate throughout. Answers flow well and are in a logical order. Explanations clearly relate to the question scenario.

1 mark - Broadly the presentation is acceptable. Full sentences are used where appropriate, although some minor lapses are acceptable. Answers generally flow well and in a logical order. Explanations contain a reasonable reference to the question scenario.

0 marks - There is little effort to use full sentences where they would be expected. The answers do not flow well, with ideas not presented in a logical order. Explanations are mainly regurgitation of legislation/ learning materials with limited reference to the question scenario.

There are likely to be letter/email style questions and these (together with other questions) will contribute towards awarding the two marks. There will not be separate marks for formats but the absence of the required formats would reduce the likelihood of gaining a full two marks.

Using this question bank

You should attempt each question as if you were in the real exam. Try to **avoid just reading the answers** to questions - it is all too easy to nod as you read our answer saying "yes I know that point, yes I understand that advice given" - 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 therefore recommend you use the on-screen version of this QB**. Ensuring you type up "proper" answers also gives you a good idea of how long an exam standard answer will take you to produce.

We recommend you **allocate 2 minutes per mark** which leaves 14 minutes to be split as you like between some reading time at the start of the exam and some final review time at the end of the exam.

Reviewing your answers

It is essential to read through your answer when you have finished typing it (within the time allocated to that question). We thought it might be useful at this stage to pass on some tips about how to review your answers effectively – before you look at the model answer.

Remember the first thing the marker will do is read your answer through as a whole – what overall impression are you giving of your ability? Have you put the marker in a good mood as soon as they see your script or are they going to be dreading marking what you have handed in?

Key **presentation considerations** include using proformas, spacing your answer out, cross referencing your workings and using subheadings and short paragraphs.

You may be able to make some small corrections at this 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 your answer. 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.

Reviewing the model answer

Review critically both your answer and the model answer. Are there points in the model answer which you could have included in your answer to get extra marks? Are there points you have included which, with the benefit of hindsight, you should have left out? You may have included valid points which are not included in the model answer.

ETHICS

From May 2025 onwards ATT Papers 1 to 6 are each expected to each contain questions that have parts testing Ethics topics for between 3 and 7 marks in total across the paper.

The chapters from the ATT/CIOT Ethics text book “Professional Responsibilities and Ethics for Tax Practitioners” (6th edition) that are included in the Papers 1 to 6 syllabuses are:

Chapter 4	New clients and engagements
Chapter 5	Client service
Chapter 6	Objectivity (including conflicts of interest)
Chapter 7	Other client handling issues
Chapter 8	Charging for services
Chapter 9	Complaints
Chapter 10	Ceasing to act
Chapter 19	The Fundamental Principles
Chapter 20	The Standards for Tax Planning
Chapter 21	Help sheet A: Submission of tax information and 'tax filings'
Chapter 22	Help sheet B: Tax advice
Chapter 23	Help sheet C: Dealing with errors
Chapter 24	Help sheet C2: Dealing with errors – Members in business
Chapter 25	Help sheet D: Requests for data by HMRC
Chapter 26	Help sheet E: Members' personal tax affairs

The required depth of knowledge is “Principles” ie candidates are expected to have an awareness that a principle exists and its main thrust.

As the exams are open book as copy of the ATT/CIOT Ethics text book can be referred to during the exam and so you should either have a hard copy on your desk or have access to the e-book version in MyLiveBook either on your main screen or on a second screen/device.

To get you familiar with the type of questions that may be examined, elements of ethics may appear in some of the questions in this Pre Revision Question Bank and may also be tested in the Pre Revision and Revision mock exams. There are also some short questions for Ethics at the back of this bank. Attempting these questions will be good preparation for the exams.

CONTENTS

ATT TAX TABLES 2025

QUESTIONS FOR PAPER 6

No	Name	Topic	Marks
1	Mats-r-us Ltd	Partial Exemption	19
2	Robert	Land	20
3	John Macey	Penalties	20
4	George	VAT registration	20
5	Leticia Legume	Overseas	16
6	Canny Ltd	CGS	22
7	Flog It Ltd	TOGC	20
8	Peter	Land and Buildings	19
9	Portia l'Exempcion	Partial Exemption	20
10	Buildfast Ltd	Annual a/c FRS	16
11	Mimi, Charlotte and Louis	PE simplified & input tax recovery	18
12	Greenfield Ltd	Land & Buildings	15
13	Alice and Otis	Registration	20
14	Alyson	New late filing/payment rules	16
15	Marshall Kitchens Ltd	Imports & Exports & Duty Deferment	15

ETHICS FOR ATT PAPER 1-6

No	Name	Topic
1-20	n/a	Various short Ethics questions



ATT EXAMINATIONS

2025

TAX TABLES

INCOME TAX

	2024/25
Rates (Note 1)	%
Starting rate for savings income only	0
Basic rate for non-savings and savings income only	20
Higher rate for non-savings and savings income only	40
Additional and trust rate for non-savings and savings income only	45
Dividend ordinary rate	8.75
Dividend upper rate	33.75
Dividend additional rate and trust rate for dividends	39.35
Thresholds	£
Savings income starting rate band	1 – 5,000
Basic rate band	1 – 37,700
Higher rate band	37,701 – 125,140
Dividend allowance	500
Savings allowance	
– Taxpayer with basic rate income	1,000
– Taxpayer with higher rate income	500
– Taxpayer with additional rate income	Nil
Scottish Tax Rates and Thresholds (Note 2)	
£	%
1 – 2,306	19
2,307 – 13,991	20
13,992 – 31,092	21
31,093 – 62,430	42
62,431 – 125,140	45
125,140+	48
Reliefs	£
Personal allowance (Note 3)	12,570
Transferable tax allowance for married couples and civil partners (Note 4)	1,260
Blind person's allowance	3,070
Enterprise investment scheme relief limit (Relief at 30%) (Note 5)	1,000,000
Venture capital trust relief limit (Relief at 30%)	200,000
Seed enterprise investment scheme relief limit (Relief at 50%)	200,000
De minimis trusts amount	500

- Notes:** (1) Welsh taxpayers pay income tax using the same rates and thresholds as other UK (but not Scottish) taxpayers.
- (2) Scottish taxpayers pay Scottish income tax on non-savings income.
- (3) The personal allowance of an individual with adjusted net income above £100,000 is reduced by £1 for every £2 of adjusted net income above the £100,000 limit.
- (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.

ISA limits	Maximum subscription
	£
'Adult' ISAs	20,000
Junior ISAs	9,000

ATT EXAMINATIONS 2025 TAX TABLES

Pension contributions

Basic amount qualifying for tax relief	£3,600
	Annual allowance (Note 1) £
2024/25	60,000
	Minimum pension age
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.

ITEPA mileage rates

Vehicles

Car or van (Note 2)	First 10,000 business miles	45p
	Additional business miles	25p
Motorcycles		24p
Bicycles		20p
Passenger payments		5p

Note: (2) For NIC purposes, a rate of 45p applies irrespective of mileage.

Company cars and fuel – 2024/25

Emissions	Electric range (miles)	Car benefit % (Note 3)	
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: (3) 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 £27,800

Taxable benefits for vans – 2024/25

Van benefit – No CO ₂ emissions	£ Nil
Van benefit – CO ₂ emissions > 0g/km	3,960
Fuel benefit	757

Official rate of interest - 2024/25 2.25%

ATT EXAMINATIONS 2025 TAX TABLES

Childcare

Employer supported childcare – basic rate taxpayer (Note 1) £55 per week

Note: (1) 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.

STUDENT AND POSTGRADUATE LOAN RECOVERY

Student Loans

	Plan 1	Plan 2	Plan 4
Employee earnings threshold	£2,082 per month	£2,274 per month	£2,616 per month

Rate of deductions is 9% of earnings above the threshold rounded down to the nearest whole pound.

Postgraduate Loans

Employee earnings threshold £1,750 per month

Rate of deductions is 6% of earnings above the threshold rounded down to the nearest whole pound.

STATUTORY PAYMENTS

	Weekly rate
Statutory sick pay	
Average weekly gross earnings	£123.00 or more £116.75
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

QUALIFYING CARE RELIEF

	Flat rate	Placement < 11	Placement ≥ 11
Year to 5 April 2025	£19,360 per year	£405 per week	£485 per week

CHILD BENEFIT

Year to 5 April 2025

Rates	Weekly rate
	£
First child	25.60
Each subsequent child	16.95

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

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%

ATT EXAMINATIONS
2025
TAX TABLES

NATIONAL INSURANCE CONTRIBUTIONS

2024/25

Class 1 limits

	Annual £	Monthly £	Weekly £
Lower earnings limit (LEL)	6,396	533	123
Primary threshold (PT)	12,570	1,048	242
Secondary threshold (ST)	9,100	758	175
Upper earnings limit (UEL)	50,270	4,189	967
Upper secondary threshold for U21 (UST)	50,270	4,189	967
Apprentice upper secondary threshold for U25 (AUST)	50,270	4,189	967

2024/25

Employment allowance

Per year, per employer £5,000

Class 1 primary contribution rates

Earnings between PT and UEL 8%
 Earnings above UEL 2%

Class 1 secondary contribution rates

Earnings above ST (Notes 1 & 2) 13.8%

- Notes:** (1) The rate of secondary NICs for employees under the age of 21 on earnings between the ST and UST is 0%.
 (2) The rate of secondary NICs for apprentices under the age of 25 on earnings between the ST and AUST is 0%.

Other contribution limits and rates

Class 1A contributions 13.8%
 Class 1B contributions 13.8%

Class 2 contributions

Rate £3.45 pw
 Small profits threshold (Note 3) £6,725 pa

- Note:** (3) 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

Class 4 contributions

Annual lower profits limit (LPL) £12,570
 Annual upper profits limit (UPL) £50,270
 Percentage rate between LPL and UPL 6%
 Percentage rate above UPL 2%

SIMPLIFICATION MEASURES

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

ATT EXAMINATIONS

2025

TAX TABLES

FLAT RATE EXPENSES FOR UNINCORPORATED BUSINESSES

Motoring expenses		
Car or van	First 10,000 business miles	45p per mile
	Additional business mile	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

CAPITAL ALLOWANCES

Annual investment allowance for plant and machinery (AIA) (Note 1)	100%
WDA on plant and machinery in main pool (Note 2)	18%
WDA on plant and machinery in special rate pool (Note 3)	6%
WDA on structures and buildings (SBA)	3%

- Notes:** (1) 100% on the first £1,000,000 of investment in plant and machinery (except 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).

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 if the car either emits 0g/km of CO₂ or it is electrically propelled (until 1 April 2025).

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

Further FYAs available to companies

Additional FYA for companies incurring expenditure on new plant and machinery (other than cars) from 1 April 2023 onwards.

FYA for assets in main pool 100% (130% for expenditure 1 April 2021 to 31 March 2023)

FYA for assets in special rate pool 50% (from 1 April 2021)

VALUE ADDED TAX

Standard rate 20% VAT fraction 1/6

Limits

Annual registration limit £90,000

De-registration limit £88,000

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

**ATT EXAMINATIONS
 2025
 TAX TABLES**

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%

Research and development expenditure

Financial year	2024
RDEC (merged scheme RDEC) (Note 1)	20%
Alternative relief for loss making R&D intensive SMEs (Note 2):	
Enhanced R&D Intensive Support (ERIS) - total relief	186%
R&D tax credit for R&D intensive SME losses	14.5%

- Note:** (1) From 1 April 2024 the merged scheme RDEC is available to all companies.
 (2) SMEs must have < 500 employees and *either* turnover ≤ €100m or assets ≤ €86m.

INHERITANCE TAX

Death rate	40% (Note 3)	Lifetime rate	20%
-------------------	--------------	----------------------	-----

- Note:** (3) 36% rate applies where ≥10% of the deceased'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 (Note 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 > £2 million.

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

ATT EXAMINATIONS 2025 TAX TABLES

CAPITAL GAINS TAX

Annual exempt amount **2024/25**
£3,000

CGT rates for individuals (Notes 1 & 2)

Gains qualifying for business asset disposal relief/investors' relief 10%
Gains falling within remaining basic rate band (Notes 3 & 4) 10%
Gains exceeding basic rate band (Note 5) 20%

CGT rates for trusts

Gains qualifying for business asset disposal relief/investors' relief 10%
Other gains (Note 5) 20%

CGT Rate for personal representatives (PRs)

All gains (Note 5) 20%

Business Asset Disposal relief (BADR)

Relevant gains (lifetime maximum) (Note 6) £1 million

Investors' relief (IR)

Relevant gains (lifetime maximum) £10 million

- Notes:** (1) For individuals, gains are taxed as if they are the top slice of income.
(2) Capital losses and the annual exempt amount may be offset in the most beneficial manner, ie against gains not qualifying for BADR/IR first.
(3) The remaining basic rate band is calculated as £37,700 (2024/25) less taxable income less any gains on which BADR/IR has been claimed. The remaining basic rate band can be allocated in the most beneficial manner.
(4) The rate is 18% if the gain is in respect of a residential property
(5) The rate is 24% if the gain is in respect of a residential property
(6) For qualifying disposals made before 11 March 2020 the lifetime limit was £10 million

Lease percentage table

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

ATT EXAMINATIONS 2025 TAX TABLES

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

**PAPER 6
QUESTIONS**

1. It is May 2025.

MatsRus Ltd has been in business for many years selling floor mats to a variety of customers in the UK. The company also rents part of its premises to a third party for £12,000 per month. (No option to tax has been made.)

In the year ending 31 March 2025, MatsRus Ltd made the following taxable supplies of goods, excluding VAT:

	£
Quarter ended 30 June	179,543
Quarter ended 30 September	154,928
*Quarter ended 31 December	198,418
Quarter ended 31 March	<u>140,416</u>
Total	<u>673,305</u>

* This quarter includes the sale of an old press for £18,000 excluding VAT

The company's input tax for the same four quarters is analysed as follows:

	<u>Mat production</u>	<u>Rental area</u>	<u>Overheads</u>
	£	£	£
Quarter ended 30 June	16,718	1,705	1,186
Quarter ended 30 September	13,675	1,142	1,443
Quarter ended 31 December	13,011	1,940	1,410
Quarter ended 31 March	<u>17,352</u>	<u>1,612</u>	<u>1,276</u>
Total	<u>60,756</u>	<u>6,399</u>	<u>5,315</u>

There are no partial exemption special methods agreed with HMRC.

Requirement:

Calculate the recoverable input tax for each VAT quarter and the year-end adjustment. (Show all workings). (19)

2. It is May 2025.

Robert, a construction manager, has called you about the VAT treatment of a building project on which he would like advice. Robert has just bought an old mill site which consists of two buildings which have until now always been used for commercial purposes. He wants to convert one building into self-contained flats and the other into office space. After extensive refurbishment, he will sell all the properties. In order to make the flats more attractive he will include in the sale price carpets, washing machines and freezers and will build detached garages for the flats on an adjacent plot. On the phone Robert explained that he has several questions that he would like to be answered. These are as follows:

As far as selling the properties is concerned, will he have to charge VAT on the income? He has heard that he may be able to apply VAT to the sale income. What should he do if he wanted to apply this treatment, what information would he need to give HMRC and when should he do it? Would it apply to both of the buildings? Would the property be less attractive to any customers if he opted to tax the sale?

For the expenditure, will it be possible to reclaim any VAT incurred on the costs of developing the property? When he is building new houses, Robert's sub-contractors normally zero rate their invoices to him. Will this apply to those working on the flats or is there any other relief available? If so, what are the conditions of this relief? If there is any relief, will it also include architect's fees, laying pipes to supply water to the dwellings, the new garages and soft landscaping? Are there any VAT issues around buying the carpets, washing machines and freezers and having them fitted?

Requirement:

Draft a letter to Robert answering his questions. (20)

You are not required to provide any advice on the operation of the domestic reverse charge.

3. It is November 2025.

You have recently received an email from one of your dearest friends, John Macey. Two years ago, he started a small double-glazing firm and, due to the great customer service that he provides, the business has become extremely successful.

“Dear Fred

I hope that you don’t mind me emailing you like this – I could do with a little advice. As you know my focus, since starting the business, has been on the service that I provide to my customers, and I have been having some difficulty keeping my financial records up to date.

Over the past twelve months or so, the VAT returns have been completed and submitted (however not always on time!) and I have received various letters from HMRC, including penalties, which seem to be extremely large.

I do not understand all of the paperwork and terms used and would be grateful if you could enlighten me and confirm whether the penalties have been administered correctly.

For information, the VAT returns were submitted as follows;

<u>VAT Return</u>	<u>Submitted</u>	<u>Paid</u>	<u>Output Tax £</u>	<u>Input Tax £</u>
December 2023	31 January 2024	Same as submission date	250,000	57,000
<u>Returns in 2024:</u>				
March	15 May 2024	Same as submission date	420,000	74,000
June	31 July 2024	25 August 2024	474,000	96,000
September	30 October 2024	Same as submission date	555,000	320,000
December	14 February 2025	Same as submission date	780,000	222,000

Is there any way that I can get the penalties rescinded – it is hard enough building a business as well as trying to keep on top of all of the paperwork!

In April 2025, I was lucky enough to win a new contract – however I was so busy, that although I raised the invoice, I forgot to account for the output tax in the VAT return to June 2025. Turnover in that quarter was £650,000, in addition to the new contract. The value of the contract was £1million plus VAT. I am considering just putting this omission on my next VAT return – can you confirm that this is acceptable?

I look forward to hearing from you soon.

Kind regards

John”

Requirement:**Draft a response to John. Your reply should:**

- 1) Explain when VAT returns should be submitted and outline the rules regarding penalties. (8)
 - 2) Explain the consequences of each of the VAT returns submitted by John. (4)
 - 3) Explain whether any of the penalties incurred may be reduced or rescinded by HMRC. (4)
 - 4) Explain how John should account for the output tax still due and whether any penalty may be incurred in relation to this. (4)
- Total (20)

You should assume that HMRC has issued all penalties where available.

4. It is November 2025.

Dear Arthur

Thank you so much for your time at the meeting last week. As you know, my business has been a booming success. It seems that as people get busier, they simply want someone trustworthy and reliable to undertake the decorating jobs around the house.

Given the fantastic summer weather I have also been really busy painting outside jobs. As you know I set up Paintbrush Ltd approximately six months ago.

The business was busy from the start and from simple beginnings I now employ four people and have a packed order book from now until after Christmas.

Given my push on the sales for the business, I have somewhat overlooked the general day to day accounting. It had not occurred to me that the business would have exceeded the VAT threshold so quickly and I am now concerned that I have got myself into a bit of a mess.

Consequently, I really do need some assistance to sort out the VAT registration and minimise any penalty that may arise. As you know, this was just a simple oversight, so I hope that there are no dire consequences!

For information, the turnover in 2025 to date has been as follows:

	£
May	15,000
June	20,000
July	25,000
August	32,000
September	35,000
October	40,000

I have not charged any VAT to date and will not be able to do so as all of my customers are private individuals with whom I have agreed a fixed price.

I look forward to speaking to you soon.

Thanks,
George

Requirements:

1) Respond to George explaining:

- i) From when Paintbrush Ltd should be registered for VAT purposes.** (3)
- ii) How any VAT due at the date of registration will be calculated?** (4)
- iii) Whether HMRC may levy any penalty for late registration.** (5)
- iv) What information he needs to show on a VAT invoice.** (4)

2) State four things a member of the Association of Taxation Technicians should do before accepting new instructions from a potential client according to the ATT's Professional Rules and Practice Guidelines. (4)

Total (20)

5. It is November 2025 and you have received the following letter from a client:

Dear Ann

Good news! Remember that training course I run on successfully growing vegetables in your back garden? Well I have finally managed to get a deal to run the course abroad in 2026 and beyond. It is for a series of events to be run in Kenya. I have heard that some of this overseas business can be done without charging VAT. Could you drop me a line to let me know how to decide whether I should be adding VAT to the course? If it makes a difference, some of the customers will be businesses and I also expect to attract a number of individuals who are preparing for a career in growing vegetables.

Some of my potential customers cannot make my first few dates and have asked whether the courses can be recorded. I was wondering what the VAT treatment would be if this was available to download after the event on my website. Again, I'm expecting there to be a wide variety of customers.

Also, as you know, after the courses I usually get further consultancy work with individual clients. Can I apply the same rules in deciding whether to charge VAT on the consultancy work to Kenyan customers? I expect the same types of customer (private individuals and businesses) as for the courses, and the actual consultancy time will be spent both here in the UK and at the overseas locations.

I will be incurring VAT in the UK on costs associated with my courses and the consultancy. If you advise that I should not charge VAT on the income, could you also advise whether I will still be able to reclaim the VAT on my costs?

I am hoping that I will be able to use the courses as a springboard for the sale of two other products. One is my new book of photographs of amusingly shaped vegetables. I will be selling these to individuals in Kenya. How are these treated for VAT? Do I need to keep any particular evidence? If so, please give me some examples.

Thanks for your help.

Leticia Legume

Requirement:

Write a letter to your client answering the points raised in her letter.

Marks will be awarded as follows:

1) Overseas courses	(5)
2) Overseas consultancy	(2)
3) Downloadable Courses	(4)
4) Input VAT recovery	(1)
5) Sales of books	(4)
Total	(16)

6. It is January 2025.

Canny Ltd is a partially exempt company which bought a building in November 2021 for £2,000,000 plus VAT of £400,000. The company's tax year runs to 31 March each year and the percentage of taxable supplies that the building was used for were as follows:

Year 1 (to 31 March 2022) - 50% taxable supplies

Year 2 - 40% taxable supplies

Year 3 - 60% taxable supplies

60% taxable supplies then remained constant until sale.

Canny Ltd opted to tax the building when it was first purchased and has decided to sell it in February 2025. A number of interested potential purchasers have come forward with their ideas for how they would use the building in the future, as set out below. All potential purchasers are VAT registered.

Purchaser 1: a charity for rehoming stray dogs. It is currently in discussions over whether it will house the dog kennels in this building or whether it will use it as its administrative headquarters.

Purchaser 2: a property developer wishing to convert the building into 15 separate apartments.

Purchaser 3: a financial institution wishing to use this building as its regional headquarters.

You are also aware of another potential purchaser for the property who is an acquaintance of yours and who has agreed to pay you a commission for introducing them to Canny Ltd.

Requirements:

- 1) Calculate the amount of input tax recoverable on the building in years one to three. (3)
 - 2) Explain the VAT liability of the supply of the building to each of the potential purchases 1 to 3 (do not provide calculations). (7)
 - 3) Explain what effect the sale will have on the calculations for the interval of sale and any remaining intervals if they sell it to either purchaser 2 or 3. (4)
 - 4) If they sell the building to purchaser 2, show, with calculations, why it may be advantageous to delay the sale until after 31 March 2025. (5)
 - 5) Explain whether it is possible to accept a commission for introducing your acquaintance to Canny Ltd. (3)
- Total (22)

7. It is May 2025.

Flog It Ltd makes supplies of stationery to both companies and individuals located in the UK. The company was set up thirteen years ago and since this time has grown very quickly. The company registered for VAT in late 2012 and is fully taxable for VAT purposes.

It has recently been approached by a larger competitor who has made an excellent offer for the business. The prospective purchaser has suggested that it either purchases the assets of the business or, alternatively, the shares of the business.

As the business has been fairly simple from a VAT perspective, no external advice has been required in the past. The prospective purchaser has been extremely helpful with the whole acquisition process and has suggested that the same advisers are used by the vendor and purchaser on the basis that this “may speed up the whole process”.

The vendor will incur some legal costs in relation to the proposed sale.

Requirements:

- 1) **Provide examples of those elements of a business which, if disposed of, would indicate a Transfer of a Going Concern (‘TOGC’).** (3)
 - 2) **Explain the conditions that must be satisfied for a disposal to be treated as a TOGC.** (5)
 - 3) **Explain the options available with regard to VAT registration where there is a TOGC. What are the implications of these options?** (2)
 - 4) **Explain the VAT implications for the vendor, if the conditions of a TOGC are not met.** (1)
 - 5) **Explain the VAT treatment of a sale of shares by the vendor.** (1)
 - 6) **Determine the VAT recoverability of costs incurred by the vendor on a sale of assets, a TOGC and a sale of shares.** (3)
 - 7) **State what the Association of Taxation Technicians’ Professional Rules and Practice Guidelines advise ATT members to do if they are asked to act for both parties to a transaction.** (5)
- Total (20)

8. It is May 2025.

The tax partner in your office has recently received the following letter from a client, which raises a number of VAT questions:

Dear Fred,

I have a niece who is getting married soon and as neither she nor her fiancé have a well-paid job, they are having trouble affording their own house. I would like to help my niece and have bought a nearby piece of land with a derelict house on it, which I intend to demolish and have a small cottage newly built for them. As you know I am a builder so will do some of the work myself, but I will employ an architect to design the house and specialist sub-contractors for demolition/building work as required.

I would be grateful if you could confirm the following information for me, as outlined below.

Kind regards,

Peter

Requirement:

Draft a letter to Peter replying to the points he has raised below:

- 1) I am VAT registered and will sell the house to my niece for a profit as part of my business. Please confirm what the VAT provisions relating to the demolition/construction services and associated building materials of the house would be. (8)
 - 2) If I decided to provide my services for free to my niece in order to build the property as a wedding gift completely outside of my business, would they be able to mitigate any VAT incurred on other costs from the build? (6)
 - 3) Further to question 2) what would be the VAT consequences if I decided to renovate the derelict house (which has not been lived in for seven years) instead of building a new one, and what conditions apply? (5)
- Total (19)

You are not required to discuss the domestic reverse charge.

9. It is May 2025.

Portia l'Exempcion teaches French as a self-employed tutor. The income she receives from this is exempt from VAT. Portia also provides a translation service and the income from this is liable to VAT. Portia is unaware of the implications of being partially exempt and has reclaimed all of the VAT she has incurred on expenditure to date.

Portia's records show the following entries for the four quarters in year ending March 2025. All sales income is VAT exclusive.

Quarter ending 30 June

<u>Income</u>		<u>Expenditure</u>	<u>Input tax</u>
	£		£
Teaching	20,000	Business overheads	3,000
Translation	25,000	Costs of undertaking translation work	1,000
		Purchase of learning materials	600

Quarter ending 30 September

<u>Income</u>		<u>Expenditure</u>	<u>Input tax</u>
	£		£
Teaching	20,000	Business overheads	1,000
Translation	5,000	Costs of undertaking translation work	500
		Purchase of learning materials	500

Quarter ending 31 December

<u>Income</u>		<u>Expenditure</u>	<u>Input tax</u>
	£		£
Teaching	10,000	Business overheads	3,000
Translation	25,000	Cost of undertaking translations	1,000
Sale of office (VAT exempt)	100,000	Purchase of learning materials	500

Quarter ending 31 March

<u>Income</u>		<u>Expenditure</u>	<u>Input tax</u>
	£		£
Teaching	15,000	Business overheads	3,000
Translation	20,000	Cost of undertaking translations	1,000
		Purchase of new furniture for classroom	2,000

Requirements:

- 1) Prepare a memo for a meeting with Portia which explains briefly what partial exemption is and what the partial exemption standard method is intended to achieve. (5)
 - 2) Using the standard method, calculate the amount of input tax Portia is entitled to reclaim on each VAT return. (12)
 - 3) Calculate Portia's annual adjustment. (3)
- Total (20)

10. It is May 2025, and you have received the following letter:

Dear Matt

As you are aware my first 18 months trading as Buildfast Ltd was a great start for the business. Work was busy and in general there was lots of it!

Last year my VAT-exclusive turnover was £150,000. Over the whole year, costs (mainly of building materials) associated with the business came to £75,000 plus VAT at the standard rate.

Sadly, the amount of work coming in this year has declined.

I was out with some old friends last night who also run their own businesses. One friend, a motor dealer, said that he was operating a scheme called “annual accounting” for VAT purposes and another said he used a “flat-rate” scheme. They both said they spent less time doing paperwork – this may give me more time to try to find more work to get more money!

The problem is, they could not really provide me with any details on the schemes. Can you advise me as to whether they would benefit me?

Kind regards

Billy

Requirement:

Write to Billy:

- 1) **Stating three features of the annual accounting scheme.** (3)
- 2) **Stating three advantages of using the annual accounting scheme.** (3)
- 3) **Stating the conditions for admission to the annual accounting scheme.** (2)
- 4) **Outlining how the flat-rate scheme works.** (2)
- 5) **Stating two conditions for admission to the flat-rate scheme.** (2)
- 6) **Stating what would happen if Billy was considered a ‘limited cost’ trader.** (1)
- 7) **Advising whether the annual accounting scheme and flat-rate scheme can be used together.** (1)
- 8) **Stating how much VAT would be paid to HMRC over a 12-month period (a) using the normal method of calculation and (b) using the flat-rate scheme. (Assume that the flat-rate percentage is 9.5%.)** (2)

Total (16)

11. It is November 2025.

Mimi is VAT registered and runs a small farming operation selling crops and livestock and she lets out an unused field to another farmer for grazing. Income generated from these activities is all zero rated for VAT purposes.

She also has four residential properties on her land which are let on six-month leases to each tenant. This rental income is exempt from VAT.

While Mimi knows that she doesn't charge VAT on any of her income, whether zero rated or exempt, she is not entirely sure why there is a distinction between each type of supply.

She prepares VAT returns on a monthly basis. Income and expenditure for the month of October was as follows:

	£
Sale of crops and livestock (zero rated)	9,000
Grazing income (zero rated)	2,000
Residential rents (exempt)	2,000
Purchases attributable to taxable income:	£4,000 plus £800 of VAT
Purchases attributable to exempt income:	£1,000 plus £200 of VAT
Overhead costs:	£1,000 plus £200 of VAT

Her friends, Charlotte and Louis run a delivery business as a partnership and are registered for VAT. The partnership owns four vans that are used to make deliveries for customers. They also have bought a motor car which Charlotte and Louis use partly for business travel and partly for private travel, but without recording the mileage. The motor car has CO₂ emissions of 170g/ km and the gross quarterly scale charge is £420.

The partnership has a storage tank for diesel which is used to fuel all five vehicles, it is topped up once per month. In addition, Charlotte and Louis may buy fuel at a petrol station for the motor car.

In the quarter ending 31 October the partnership made the following fuel purchases:

	£
Fuel delivered to the storage tank	2,500 plus VAT of 500
Fuel purchased from a petrol station	300 plus VAT of 60

They have also received the following invoices for purchases made during the current VAT quarter (all amounts are inclusive of VAT):

- 1) Purchase of the new car, used 40% privately by Charlotte and Louis, for £30,000;
- 2) Cost of a staff party to celebrate winning a new contract. The invoice is for £4,000;
- 3) Cost of a meal to thank the new London-based client at a cost of £600; and
- 4) Repairs to the car at a cost of £1,500

They have recently entered into a barter transaction with Red Alert Accountants to provide deliveries in return for the preparation of the partnership's accounts.

Requirements:

- 1) Briefly explain the implications of Mimi's business making both taxable and exempt supplies and calculate her input tax recovery for the month of October, using the simplified de minimis tests. Show workings using both simplified test 1 and test 2. (8)
 - 2) For Charlotte and Louis explain whether the VAT incurred on these fuel purchases is recoverable by the partnership along with any conditions which must be fulfilled and explain whether they can reclaim input tax on the above invoices. (8)
 - 3) Explain how the value of Charlotte and Louis's services to Red Alert Accountants is established, and how the VAT amount is computed. (2)
- Total (18)

12. It is May 2025.

Greenfield Ltd is a VAT registered business that specialises in multi-use property development. It has just purchased a parcel of land with a disused factory, and is currently putting together a business plan to develop it in several phases:

- 1) Phase 1 will be to build a holiday home complex with eight holiday cottages, a swimming pool, and a three-bedroom house which will be rented to the manager of the site. The swimming pool will mainly be for the use of visitors to the holiday cottages, but Greenfield Ltd would also like to rent it out to local schools or sports clubs in the early mornings and evenings.
- 2) Phase 2 will be to build office space which will be rented out to start-up businesses. Greenfield Ltd will also provide maintenance services to the tenants as part of the rental agreement.
- 3) Phase 3 will be to convert an unused factory on the site into flats. Greenfield Ltd hopes to be able to grant a lease, the length of which is yet to be decided, on the flats, to a housing association who will rent them out to tenants. The construction work for this phase will be carried out by a specialist building company.

Greenfield Ltd has not opted to tax the site but is considering whether it should.

Greenfield Ltd has secured a mortgage on the site to provide funds for the development.

Requirements:

Write a letter to the Directors of Greenfield Ltd which explains:

- 1) **The VAT liability of the rental of holiday cottages, the three-bedroom house, the swimming pool, and office space including the maintenance contract.** (4)
 - 2) **The impact opting to tax the site would have on the VAT liability of the holiday cottages, the three bedroom house, and office space including the maintenance contract.** (2)
 - 3) **The benefit to Greenfield Ltd, and the potential negative impact on Phase 2 prospective tenants of opting to tax the site.** (3)
 - 4) **If Greenfield Ltd does opt to tax the site, whether it will be able to revoke the option.** (2)
 - 5) **Whether Greenfield Ltd will be entitled to recover any input VAT on Phase 3.** (4)
- Total (15)

13. It is 5 November 2025.

You are the tax manager at Hall & Co, a small firm of chartered accountants. One of the partners, Lewis Hall, has two new clients; Alice Fletcher and Otis.

Alice Fletcher

Alice is setting up a business as a self-employed language tutor. She will teach business French and German and she will deliver all the tuition personally. As well as giving private lessons, she will sell textbooks and language DVDs. Alice has found some business premises, but they are too large for her needs, so she intends to sublet part of the building.

Alice is intending to start making supplies in earnest from 1 December 2025. In preparation for this she applied to register for VAT with effect from 1 November 2025, but Alice is unsure what the VAT liability of her sales, including the office lease, will be.

In addition, while setting up the business, Alice incurred the following costs, (all in 2025):

- a) In January she bought a new computer and printer for £1,000 plus VAT and incurred £500 plus VAT on legal advice associated with the business.
- b) In February she bought 75 language DVDs for £4 plus VAT each. By 1 November she had sold 60 of these.
- c) In August she spent £550 plus VAT on marketing, taking potential UK corporate clients out to lunch.

Otis

Otis, who lives in Nottingham, has designed some adult cycling socks made from a new type of waterproof material. He found a suitable manufacturer in China to make his socks and entered into a contract with them to manufacture 20,000 pairs. The shipment of socks from China arrived at his new rented storage unit in Nottingham on 8 March 2025.

Otis used a Customs clearance agent to bring the goods into the UK and was required to pay the agent's services as well as the VAT and Customs Duty due on importation of the goods into the UK. The VAT totalled £3,472 and the Customs Duty £1,860.

The cost of renting the storage unit is £1,250 plus VAT per month.

Otis received interest from cycling retailers in the UK after sending them each a free sample of a pair of the socks. The cost price (to Otis) of a pair of socks is £1.55 and he sent out a pair to 3,000 potential customers. He also secured an order from a Swiss retailer.

After paying for a website with an online shop to be set up, he was also able to sell directly to UK consumers from 1 July 2025.

He had the following transactions in the period 25 March – 30 September 2025:

<u>Transaction type</u>	<u>Value (£)</u>	<u>Invoice date(s)</u>
Sales to UK retailers	38,000	25 March – 30 September
Refund to a UK retailer	(4,000)	Goods returned to Otis on 2 August
Online sales to UK individuals	13,000	1 July – 30 September
Sales to a Swiss retailer	40,000	29 September

The socks ordered by the Swiss retailer on 29 September were not sent out until mid-October.

Lewis has asked you to prepare some notes in preparation for meetings with Alice and Otis.

Requirements:

With regard to Alice explain:

- 1) **The VAT liability of the supplies Alice will make and whether she will be able to recover input tax on expenditure incurred after 1 November 2025.** (5)
- 2) **Whether she will be able to recover VAT incurred on her pre-registration expenditure.** (5)

With regard to Otis:

- 3) **Explain, with supporting calculations, whether Otis has exceeded the VAT registration threshold making reference to the VAT liability of all sales made and the samples given away.** (5)

Do not cover penalties for any potential late registration.

- 4) **Explain the advantages and disadvantages of Otis registering for VAT as an intending trader before he made his first sale.** (5)

Total (20)

14. It is May 2025.

Alyson has contacted you for advice. She was previously using Bodge, Brake and Reckit Accounting Services Ltd as her advisers, but on reviewing her accounts has discovered that they have been persistently late in filing her VAT returns. She has therefore decided to engage you as her adviser.

She has asked for all working papers to be transferred to you and is considering making a claim against her former advisers.

Details of the returns are set out below. In each case, Alyson arranged for payment on the date they were submitted.

<u>VAT period ending in 2024</u>	<u>Date submitted</u>	<u>Amount due</u> £	<u>Comments</u>
31 March	15 May 2024	1,200	
30 June	14 August 2024	3,400	
30 September	26 November 2024	9,000	
31 December	28 February 2025	(1,000)	Repayment due to equipment purchase
<u>In 2025</u>			
31 March	13 June 2025	6,280	

Requirements:

- 1) **Explain how the penalty regime applies to Alyson's returns. You are not required to consider any defence she might have to a penalty.** (8)
 - 2) **Explain what would happen if the 30 June 2025 return was filed late and payment was made 17 days late.** (2)
 - 3) **Describe what the Association of Taxation Technicians' Professional Rules and Practice Guidelines say about the transfer of working papers on ceasing to act.** (6)
- Total (16)

15. It is May 2025.

Marshall Kitchens Ltd is an established business based in Newcastle, Great Britain, supplying and installing kitchens for private individuals in the UK. To date all materials purchased have been sourced from Great British suppliers.

To try to differentiate themselves in the marketplace, the directors have been looking for suppliers further afield and have recently found a new supplier of unique kitchen worktops in the US. The directors plan to purchase and import the worktops from the US, when a customer orders them, rather than buying in stock and holding it in Great Britain. Therefore, the company will have a high number of imports.

Whilst on a business trip to meet the US supplier, Mr Rubble, one of the directors, made contact with another kitchen fitting business based in the US that is keen to buy specialised taps from Marshall Kitchens Ltd. A bulk load of 30 taps will be shipped by Marshall Kitchens Ltd, from Great Britain to this US customer, as a first order.

As Marshall Kitchens Ltd have only traded in Great Britain until now, Mr Rubble has asked for advice on the VAT implications that Marshall Kitchens Ltd is likely to face with these new trading arrangements. It does not want to apply for a deferment account.

Requirements:

- 1) **Explain what imports are for Marshall Kitchens Ltd, and how the UK import procedures work in relation to the new kitchen worktops.** (9)
 - 2) **Explain whether there is a simplification measure that Marshall Kitchens Ltd could take advantage of to avoid paying VAT at the time of import, given they will have a large number of imports.** (2)
 - 3) **Explain what exports are, for Marshall Kitchens Ltd, and how the company should treat the sale of taps to the US customer for VAT purposes.** (4)
- Total (15)

ANSWERS TO QUESTIONS

1. MATSRUS LTD

Input tax calculation quarter ended 30 June

	£	
Directly attributable to taxable supplies	= 16,718	[½]
Non-Attributable =		
1,186 x 179,543/(179,543 + 36,000) = (83.29% rounded to 84%)	= 996	[1]+[½]
Input tax recoverable in this quarter	= 17,714	[½]

£1,705 (directly attributable exempt input tax) + (1,186 – 996) = £1,895 > de minimis of £625 per month [½]

Input tax calculation for quarter ended 30 Sept

	£	
Directly attributable to taxable supplies	= 13,675	[½]
Non-Attributable =		
1,443 x 154,928/(154,928 + 36,000) = (81.14% ie 82%)	= 1,183	[1]+[½]

However, 1,142 + (1,443 - 1,183) = 1,402 ≤ de minimis of £625 a month on average and a maximum 50% of the total input tax for the period. Therefore, all the exempt input tax is recoverable. [1]
 = 13,675 + 1,142 + 1,443 = 16,260 [½]

Input tax calculation for quarter ended 31 Dec

	£	
Directly attributable to taxable supplies	= 13,011	[½]
Non-Attributable = 1,410 x (198,418 - 18,000*)/216,418)		[1]+[1]
(*disregarded due to SI 1995/2518 reg 101) = (83.4% ie 84%)	= 1,184	[½]
Not de minimis so the total input tax recoverable	= 14,195	[1]

Input tax calculation for quarter ended 31 March

	£	
Directly attributable to taxable supplies	= 17,352	[½]
Non-Attributable = 1,276 x 140,416/176,416 = (79.6% ie 80%)	= 1,021	[1]+[½]
However, £1,612 + (£1,276 - £1,021) = £1,867 ≤ de minimis of £625 a month on average (£1,875) and a maximum 50% of the total input tax for the period. Therefore, all the input tax is recoverable. [1] = £17,352 + 1,612 + £1,276 = 20,240 [½]		

Year-end adjustment

	£	
Input tax directly attributable to taxable supplies	= 60,756	[½]

Non attributable =		[1]
--------------------	--	-----

5,315 x (673,305 – 18,000) / 817,305 – 18,000		
= (81.98% i.e. 82%)	= 4,358	[1]

However, £6,399 + (£5,315 - £4,358) = £7,356 ≤ de minimis of £625 a month on average (£7,500) and a maximum 50% of the total input tax for the period. Therefore, all the input tax is recoverable.

= £60,756 + £6,399 + £5,315	= 72,470	[½]
-----------------------------	----------	-----

Already recovered £17,714 + £16,260 + £14,195 + £20,240	= 68,409	[½]
---	----------	-----

Therefore, under recovered input tax	= 4,061	[½]
--------------------------------------	---------	-----

This underclaim can be recovered on the VAT return for the quarter ended 30 June 2025 or if the business so chooses the return for the previous quarter ended 31 March.

[½]

Max for question 19

2. ROBERT

Your address

Our address

Date

Dear Robert,

Further to your recent query, I am writing to explain the VAT treatment of the refurbishment of the mill site that you have just acquired.

First, I will deal with the income from selling the properties on completion. **[1]** The sale of the offices is exempt from VAT. It is however possible, in certain circumstances, to make an option to tax over the properties. **[1]**

In order to do this, you must first decide that you are going opt to tax. **[1]** You should make a note of the date that you have made the decision and retain supporting evidence. You should then write to HMRC within 30 days setting out: **[½]**

- The effective date of the option; and **[½]**
- The land/building which is to be affected by the option. **[½]**

The decision to opt to tax should be made before any input tax is incurred on expenditure for the refurbishment. **[½]**

Please note that if you decide to opt to tax, then that will only apply to the commercial property. **[1]** It is not possible to opt to tax domestic accommodation. **[1]** However, the sale of the flats will be zero-rated as it is the first grant of a major interest in a building which has been converted to residential accommodation. **[1]**

If you decide to opt to tax the property, then you will need to charge VAT on the sale price. **[1]** This will make the property more expensive for businesses that are not VAT registered or that make exempt sales, because they will not be able to reclaim the VAT charged. **[1]**

For the commercial property, the treatment of the input tax will depend on whether you opt to tax the property. **[1]** If you opt then as you are making a taxable sale you will be allowed to reclaim VAT incurred on expenditure. **[1]** If you do not opt, then input tax will not be reclaimable as it will relate to an exempt sale. **[1]**

You will be able to reclaim the input tax incurred on developing the flats as the sale of these will be zero-rated, which is a taxable supply. **[1]**

Zero-rating of construction services only applies where a new building is being constructed. This is not the case here as the building already exists. **[1] + [½]**

However, the reduced rate of VAT may apply to any construction services used in creating dwellings. **[1]** The reduced rate applies where an existing building, which has not formerly been a dwelling, is converted into a dwelling or series of dwellings. **[1]** The planned project meets these criteria in respect of the building to be converted to flats. **[½]**

The reduced rate will include the laying of pipes and the construction of the new garages (provided they are constructed at the same time) and some of the landscaping (for example top soil and seeding with grass), but not architect's fees and further landscaping such as planting of shrubs and trees. **[1]**

The reduced rate will not apply to the carpets, or the other items mentioned, as these are specifically excluded from the reduced rate, even if they are bought from the sub-contractors who are performing the rest of the work. **[1]** The costs of fitting these items will also be liable to VAT at the standard rate. **[1]** The input tax on the carpets is not eligible for recovery (SI 1992/3222 article 6). The VAT on the freestanding goods is eligible for recovery but the onward supply of these will be standard rated. **[1]**

I hope that this answers your questions in full, but if you require further information please do not hesitate to ask.

Yours sincerely

A Candidate

Max for question 20

3. JOHN MACEY

To: John Macey
 From: Fred Bloggs
 Subject: VAT query
 Date: xx/xx/xx

It was great to hear from you. Congratulations on the success that you are having with the business.

Before going into detail with regard to the implications of each VAT return, I thought that I would provide you with some information in general.

Completion of VAT Returns

VAT returns should be completed and paid to HMRC on a timely basis. For information, the VAT return must reach HMRC by the due date not later than one month and seven days following the end of the return period. **[1]**

Penalties

There are separate penalties for sending a return in late and paying the VAT late. **[1]**

For late filing penalties, each late filing can result in a penalty point being issued by HMRC. **[1]**

Once four penalty points have been issued, a financial penalty of £200 can be applied. **[1]**

The fifth late filing can result in another £200 penalty but no further penalty points. Penalty points re-set to zero once four consecutive returns are submitted on time. **[2]**

For a late payment, a 2% penalty of the late paid VAT is due where payment is received between 15-30 days late. Payments made within 15 days incur no financial penalty. **[2]**

Where payments are 30 days late a further 2% penalty can be applied (to the VAT outstanding at that date). **[1]**

Max 8**Tutorial Note:**

All valid points will receive credit, for example, explaining the daily penalty rate for payments outstanding from day 31 onwards.

VAT Returns

Given the details that you have provided, I have summarised the implications of each of the VAT returns:

<u>VAT Return</u>	<u>Submitted</u>	<u>Paid</u>
12/2023	31/01/24	Same as submission date
On time		
03/2024	15/05/24	Same as submission date

If HMRC feel your error was careless a 30% penalty of £60,000 (£200,000 x 30%) applies. However, if you make an unprompted disclosure (as I suggest above) this penalty may be reduced to £nil. **[2]**

However, you will incur interest when payment is made to HMRC. **[1/2]**

Please give me a call if you would like to discuss.

Max 4

Total for question 20

4. GEORGE

1) Letter

Address

Dear George

VAT Registration

The VAT registration threshold of £90,000 was exceeded by the end of August 2025. **[1]**

Paintbrush Ltd should have notified HMRC of the liability within 30 days of the end of the relevant month, ie by 30 September 2025. **[1]** Unless mutually agreed otherwise HMRC would have registered Paintbrush Ltd with effect from the start of the following month ie 1 October. **[1]**

Total 3

Calculation of VAT Due

On the basis that Paintbrush Ltd should have been registered for VAT with effect from 1 October 2025, then VAT must be accounted for on all supplies from that date. **[1]**

As you are unable to charge your clients the additional VAT then the amounts you have received to date will be treated as gross. On this basis you will be required to pay HMRC £6,666 (£40,000 x 1/6) in respect of the sales to date. **[1]**

You should note that you will also be able to recover VAT that you have incurred in respect of your sales in October 2025. There is also some potential to look at the VAT you had incurred pre-registration as there is the possibility VAT incurred on both goods and services may be recovered: **[1]**

- VAT on supplies of goods acquired in the four years before registration is recoverable provided the goods are still on hand at the date of registration. **[1]**
- VAT on supplies of services is recoverable if incurred in the six months before the registration date. **[1]**

Max 4

Late Registration Penalty

As Paintbrush Ltd has omitted to notify HMRC of its requirement to register for VAT then it will incur a late registration penalty. **[½]**

The penalty is levied at a rate dependent upon the reason for the failure to notify. If the failure was due to: **[½]**

- Careless error – a 30% penalty is levied **[½]**
- Deliberate action but without concealment – 70% penalty **[½]**
- Deliberate action with concealment – 100% penalty **[½]**

The above percentage will be levied against the 'relevant amount' of VAT. The relevant amount of VAT is the output VAT due less any input VAT that may be recovered. **[1]**

If HMRC are told about the failure to notify they will allow a reduction to the penalty [$\frac{1}{2}$] for disclosure; with larger reductions if the disclosure is unprompted. [1] I would recommend that you notify the error to HMRC as a matter of urgency because if it is disclosed to them within 12 months of occurring, the penalty can be reduced to nil. [1]

Max 5

VAT invoices

A VAT invoice must show certain particulars, such as: [$\frac{1}{2}$ for each point]

- a) A sequential number which uniquely identifies the document.
- b) The time of the supply, ie tax point.
- c) The date of issue of the document.
- d) The name, address and registration number of the supplier.
- e) The name and address of the person to whom the goods or services are supplied.
- f) A description sufficient to identify the goods or services supplied.
- g) The total amount payable excluding VAT.
- h) The rate of any cash discount offered.
- i) The rate of VAT chargeable and the total amount of VAT.

Max 4

I trust that this answers your queries. Please let me know if I can be of any further help.

Arthur

Tutorial Note:

The content of a VAT invoice is in Reg 14 SI 1995/2518 and other points from the regulation will gain credit.

2) New Client

Before accepting instructions from a new client, a member should:

- Comply with the identification requirements set out in the anti-money laundering/terrorist financing guidance.
- Consider whether the potential client will be an acceptable client in terms of the risks which will arise for the practice from acting for that client and whether the member has the capability/resources to manage those risks.
- Consider whether the member and firm will have the skills and competence to service the client's requirements during the course of the engagement.
- Consider whether there is any conflict of interest in accepting the client and, if so, whether and how it might be managed.

[1 for each point – other valid points will gain credit]

Max 4

Tutorial Note:

This is covered in para 4.3.1 of the 6th edition Ethics book.

Total for question 20

5. LETICIA LEGUME

Leticia Legume
Address

Date

Dear Leticia,

Thank you for your recent letter in respect of your new activities. I set out below answers to your questions in the order that you have raised them.

There are rules for determining where, for VAT purposes, an activity takes place [½].

These rules determine that the place of supply for an educational activity such as yours usually depend on whether the customer is in business or not. [1]

The type of course you are offering is likely to be considered admission to an educational event. When supplied to a business customer the country in which the course takes place determines the place of supply. [1]

If you supply other services to business customers (other than relating to the admission to the course) then these are deemed to be supplied where the customer is based. [1]

Where the customers are private individuals, the place of supply for both admission and any other services is where the course itself takes place. [1]

All of your supplies would, therefore, be outside the scope of UK VAT. [1]

Max 5

For consultancy work, the issue is similar. For supplies in Kenya, there is effectively no real difference in the treatment of business and individual customers. [1]

If the customer is not in business, then the place of supply is where the Kenyan customer belongs and therefore the Kenyan consultancy work to individuals will also be outside the scope of UK VAT. [½]

Similarly, if the customer is in business then the supply is deemed to be made also where the customer belongs – so once again in Kenya and thus outside the scope of UK VAT. [½]

Total 2

The downloadable courses will be treated as an electronically-supplied service as they are automatically delivered over the internet. [1] This will not be case where there is a significant level of human interaction (such as a live online tutor). Therefore please let me know if this is going to be the case, and I can advise further. [1]

The place of supply of electronically-supplied services is the place where the customer belongs irrespective of whether that customer is a business or non-business person. [1] The only exception is where a business customer uses and enjoys the service other than in a country in which they belong. [1]

Therefore, any supplies to UK customers are subject to UK VAT and any supplies to consumers belonging outside the UK should be outside the scope of UK VAT. [1]

As a result, it is important that you are able to evidence the location of your customer when they download the course. An example of this is the Internet Protocol address of the device used to download the course. [1]

Max 4

Even though you will not be charging VAT on all of your services, VAT can be reclaimed on services supplied overseas provided that the service would have been taxable had it been performed in the UK. Thus, you will be able to reclaim the VAT incurred on your associated expenditure. **[1]**

Total 1

Sales of the book to customers in Kenya will be zero-rated as an export. **[1]**

Acceptable evidence that you have exported the books could include any of the following:

- Goods departed messages generated by the NES;
- Endorsed SAD; or
- Authenticated sea or airwaybills.

[1 for each – max 3 – credit will be given for other examples]

Max 4

I hope this answers your queries, but please do let me know if I can be of further assistance.

Yours sincerely

Ann Adviser

Tutorial Note:

The export evidence is detailed mainly in paras 6.2 & 6.3 of Public Notice 703, which is reproduced in the Orange Part 1 Handbook.

Total for question 16

6. CANNY LTD

1)

Year 1: Initial input tax deduction = £400,000 x 50% = £200,000 [1]

Year 2: £400,000/ 10 x (50-40)% = £4,000 payment to HMRC [1]

Year 3: £400,000/10 x (50-60)% = (£4,000) to reclaim from HMRC [1]

Total 3

2)

The VAT liability of the supply of the building to the three purchasers would be as follows:

Purchaser 1: the sale of an opted freehold commercial property is standard-rated [1]. However, if the purchaser is intending to use the building for a relevant charitable purpose (non-business purposes), such as housing the dog kennels, then the option to tax (OTT) would be disapplied [1]. However, use of the building as the charity's administrative headquarters would not be regarded as solely for a relevant charitable purpose and hence your supply of the building to this purchaser for this use would be standard-rated [1].

Tutorial Note:

Some charities charge a sum of money for the re-homing of rescue dogs, which makes the sale a business activity. However, it is a zero rated supply of a rescue dog (a sale of goods donated to a charity under schedule 8, group 15). Where this is the case then the OTT would not be disapplied. Credit would be given for making this point.

Purchaser 2: if the purchaser is intending to convert the building into use as a dwelling or number of dwellings, and certifies this as such, then the option to tax would be disapplied [1]. Consequently, your supply of the building would be exempt [1]. The certificate must be issued before the price has become legally fixed. [1]

Purchaser 3: the fact that the purchaser makes solely, or mainly, exempt supplies has no bearing on the VAT liability of your supply of the property. Your supply remains standard-rated [1] and the VAT charged will be a cost to them.

Total 7

3)

Irrespective of whether the building was sold to purchaser 2 or 3, the effect of the buildings sale within the final interval does not affect the percentage for that interval. [1] As the usage percentage has stayed at 60% until the date of sale, the calculation for year 4 is the same as year 3.

The remaining complete intervals (6 in this case) will be treated according to the liability of the sale. An exempt supply is considered to be a taxable usage of zero percent and a taxable supply is considered to be 100% taxable usage. [1]

If the building was sold to purchaser 2 and a certificate was issued before the price was legally fixed this would be an exempt supply and would result in a large repayment of VAT being made to HMRC (see below). [1]

If the building was sold to purchaser 3 this would be a standard-rated supply and would result in a large recovery of VAT from HMRC. [1]

Total 4

4)

If the building was sold to purchaser 2 and a certificate was issued before the price was legally fixed the following would apply:

- As the building was sold on or before 31/3/25 then as per year 3 an additional £4,000 ($\text{£}400,000/10 \times (50-60)\%$) could be claimed for that year. **[1]**
- The remainder of the intervals would be treated as fully exempt so a repayment of $\text{£}400,000/10 \times (50-0)\% \times 6$ (intervals left) = £120,000 must be made to HMRC. **[1]**
- If the sale of the building was delayed until after 31/3/25 then an additional £4,000 could be claimed for year/interval 5 **[1]** and the repayment for the remaining 5 intervals would be $\text{£}400,000/10 \times (50-0)\% \times 5$ (intervals left) = £100,000. **[1]**
- Therefore, the advantage for delaying the sale until the next interval would be $\text{£}120,000 - (\text{£}100,000 - \text{£}4,000) = \text{£}24,000$. **[1]**

Total 5

5)

It is possible to accept the commission provided that the member informs the client of their relationship with the third party **[1]**, and of the amount and terms of commission which the member will receive **[1]**. Moreover, a member should be able to justify the introduction of the client to the third party as being in the best interests of the client **[1]**. The way in which commission is to be treated should be agreed with the client **[1]** and it is recommended that this is documented in writing eg in the engagement letter or otherwise **[1]**.

Max 3**Total for question 22**

7. FLOG IT LTD

1)

The following are elements of a business being transferred which, when combined, will be indicators of a TOGC:

- a) Goodwill
- b) Customer Lists
- c) Business Name
- d) Contracts and work in progress
- e) Stock
- f) Plant and equipment
- g) Premises
- h) Staff.

[see para 1.4 of Notice 700/9 for some of these]

[½ each]

Max 3

2)

The following conditions must apply:

- a) The assets are to be used by the transferee in carrying on the same kind of business;
- b) Where the transferor is a taxable person, then the transferee must also be a taxable person, or immediately become one;
- c) If a part transfer then that part of the business must be capable of separate operation;
- d) The business must be transferred as a “going concern”;
- e) There must not be a series of immediately consecutive transfers;
- f) There should be no significant break in trading.

[1 each]

Max 5

3)

If being acquired by the new business, the acquirer has the option to retain the existing VAT registration number or to register for VAT separately. [1]

If the existing VAT registration is retained, then the historic liability of the business is retained by the new owner. [1]

Total 2

4)

If it is not a TOGC then the sale will be a sale of assets and, as such, VAT will be incurred at the standard rate where relevant. [1]

Total 1

5)

A sale of shares is exempt for VAT purposes. **[Credit to be given for mentioning cases that have held a share sale to be a TOGC – eg where the business involves trading portfolios of shares and VAT recovery (in part 6 below) as a general overhead.][1]**

Total 1

Tutorial Note:

Public Notice 700/9 contains useful information on TOGCs. This is reproduced in the Orange Part 1 Handbook.

6) In relation to the recovery of the VAT on the costs incurred by the vendor:

- a) A sale of assets – the VAT is attributable to a taxable activity and as such will be fully recoverable; **[1]**
- b) A TOGC – VAT will be recoverable in accordance with the taxable status of the business being transferred ie if fully taxable, recoverable in full; **[1]**
- c) A sale of shares – the VAT will be irrecoverable, subject to the partial exemption de minimis limits. **[1]**

Total 3

7) Acting for two parties

In most circumstances, a member who is asked to act for both parties to a transaction should refuse to do so. However, this may present difficulties if both the parties are existing clients. **[½]**

The member has three choices:

- To act for neither party. This is often the best course of action where the conflict cannot be managed acceptably. **[1]**
- To advise both clients of the conflict and to give both the opportunity to consider whether or not they wish the member to act or whether they wish to seek alternative representation. **[1]**

If both clients are agreeable the member may act for both provided that there is adequate disclosure of all relevant facts to both parties. **[1]**

With the agreement of the clients the member may manage the potential conflict by appointing a separate team to act for each client, who maintain ethical 'walls' to prevent confidential information relating to one client becoming known to the team acting for the other. **[1]**

- To act for only one client. Generally, this will be the client who first sought advice. **[1]**

A member who decides to act only for the first instructing client should advise the other client of this decision in order to avoid any suggestion of acting improperly or misusing any confidential information concerning that client. **[1]**

Max 5

Tutorial Note:

Para 6.4.2. of the 6th edition 'Professional Responsibilities & Ethics for Tax Practitioners' book contains the choices.

Total for question 20

8. PETER

Yes Accountants
Silver Street
Northampton

Date

Address

Dear Peter

Thank you for your letter, I will answer your queries in the order you raised them.

1)

Subject to certain exceptions, the supply of any services in the course of the construction of a dwelling is zero-rated (Group 5 Sch 8 VATA 1994). **[2]**

The services supplied for the demolition of the existing building are considered to be closely connected to the construction of the building and can be zero-rated so long as a significant delay before construction does not occur. **[1½]**

The VAT on the architect's fees cannot be zero-rated but can be reclaimed as input tax through your VAT return. **[1]**

Goods supplied with the zero-rated construction services are zero-rated; provided that they are used in connection with those services and that the goods consist of builders' materials (defined in Note 22 to Group 5 Schedule 8 VATA 1994). **[2]**

The input tax on relevant goods (ie building materials incorporated in the building) purchased directly by you for the house can be reclaimed through your VAT return. **[1½]**

Total 8

2)

As with scenario 1) your niece would be able to gain zero-rating of the construction and demolition services provided to her. **[1]**

However, the input tax on relevant goods (ie building materials incorporated in the building) purchased directly by your niece for the house will have to be reclaimed using the DIY House builder's scheme (s.35 VATA 94). **[2]**

Form VAT 431 parts 1-4 is used to make the claim. **[2]**

The VAT on the architect's fees cannot be reclaimed. **[1]**

Tutorial Note:

VAT form 431 is referred to in reg 201A of SI 1995/2518.

Total 6

3)

When renovating a derelict building, a reclaim of VAT under the DIY scheme is not possible unless the building has been unoccupied for 10 years. **[1]**

In this case it would be possible to obtain a reduced rate of VAT (5%) for the qualifying services and eligible goods used in the renovation of this single household as the dwelling been empty for more than two years. **[2]**

You would need to obtain proof that the house had been empty for more than two years, such as electoral role evidence or council tax data, and provide this to the suppliers to receive this reduced rate. **[1]**

Also, any planning consent or building control needed for the renovation must have been granted. **[1]**

I hope this answers your queries. Please let me know if I can be of any further help.

Total 5

Kind regards

Fred

Total for question 19

9. PORTIA L'EXEMPCION

1)

Memo for meeting with Portia

Date: xx/xx/xx
 Subject: Partial exemption.

VAT on expenditure can only be reclaimed when it relates to a taxable supply. VAT cannot be recovered on expenditure which relates to exempt supplies. **[1]**

VAT is often incurred on expenditure which relates to both exempt and taxable supplies – this is called non-attributable VAT and only a proportion of this VAT can be reclaimed. **[1]**

The calculation that determines what proportion may be reclaimed is called a partial exemption calculation – so called because part of the business' activity is exempt. The calculation is intended to work out a fair and reasonable apportionment of non-attributable VAT between taxable activity and exempt activity. **[1]**

The standard calculation assumes that the same amount of overhead is used to generate £1 of income, irrespective of whether that income is taxable or exempt. It therefore apportions the input tax on overheads in the same proportion as a business' taxable supplies to the total of the business' taxable and exempt supplies. **[1]**

If the total amount of VAT incurred on items bought wholly to produce exempt income and the amount attributed to exempt activity as a result of the apportionment is below certain limits, then the whole of the VAT can be reclaimed. **[1]**

Total 5

2)

The simplified de minimis tests do not apply to any of the quarters. This is due to the high level of residual input VAT in the June, December and March quarters and, in relation to the September quarter, more than 50% of the supplies were exempt supplies.

Quarter ending 30/6 **[1]**

Taxable sales = £25,000
 Total sales = £20,000 + £25,000 = £45,000

Therefore reclaim % = £25,000/£45,000 = 55.5% rounded to 56% **[1]**

Non-attributable input tax = £3,000
 Taxable proportion £3,000 x 56% = £1,680

Taxable input tax = £1,680 + £1,000 = £2,680 **[1]**
 Exempt input tax = £1,320 + £600 = £1,920

Exempt input tax not more than 50% of input tax but greater than £625 per month, therefore not de minimis

Input tax claim for quarter = £1,680 + £1,000 = £2,680

Quarter ending 30/9

Taxable sales = £5,000

Total sales = £5,000 + £20,000 = £25,000

Therefore reclaim % = £5,000/£25,000 = 20% [1]

Non-attributable input tax = £1,000

Taxable proportion £1,000 x 20% = £200

Taxable input tax = £200 + £500 = £700 [1]

Exempt input tax = £800 + £500 = £1,300

Exempt input tax greater than 50% of input tax, therefore not de minimis. [1]

Input tax claim for quarter = £700

Quarter ending 31/12

Taxable sales = £25,000

Total sales = £25,000 + £10,000 = £35,000

Disposal of office excluded from calculation (reg 101(3))

Therefore reclaim % = £25,000/£35,000 = 71.42% rounded to 72% [1]

Non-attributable input tax = £3,000

Taxable proportion £3,000 x 72% = £2,160

Taxable input tax = £2,160 + £1,000 = £3,160 [1]

Exempt input tax = £840 + £500 = £1,340

Exempt input tax not more than 50% of input tax and £625 per month, therefore de minimis. [1]

Input tax claim for quarter = £4,500

Quarter ending 31/3

Taxable sales = £20,000

Total sales = £20,000 + £15,000 = £35,000

Therefore reclaim % = £20,000/£35,000 = 57.14% rounded to 58% [1]

Non-attributable input tax = £3,000

Taxable proportion £3,000 x 58% = £1,740

Taxable input tax = £1,740 + £1,000 = £2,740 [1]

Exempt input tax = £1,260 + £2,000 = £3,260

Exempt input tax more than 50% of input tax, and greater than £625 per month, therefore not de minimis. [1]

Input tax claim for quarter = £2,740

Total 12

3) Annual adjustment

Total taxable sales = £25,000 + £5,000 + £25,000 + £20,000 = £75,000

Total exempt sales = £20,000 + £20,000 + £10,000 + £15,000 = £65,000

Total sales = £75,000 + £65,000 = £140,000

Therefore reclaim % = £75,000/£140,000 = 53.57% rounded to 54%

Non-attributable input tax = £3,000 + £1,000 + £3,000 + £3,000 = £10,000

Taxable proportion £10,000 x 54% = £5,400

[1]

Exempt proportion = £4,600

Taxable input tax = £5,400 + £1,000 + £500 + £1,000 + £1,000 = £8,900

Exempt input tax = £4,600 + £600 + £500 + £500 + £2,000 = £8,200

[1]

Exempt input tax not more than 50% of input tax, but greater than £625 per month, therefore not de minimis.

Total input tax claimed = £10,620

Total input claimable = £8,900

[1]

Adjustment = £1,720 to pay to HMRC

Total 3

Total for question 20

10. BUILDFAST LTD

Our address

Your address

Date

Dear Billy

As requested, I have now had the opportunity to look at this information from you.

The main features of the annual accounting scheme are: **[1 each, Max 3]**

- It allows business to complete one VAT return per year.
- Businesses must make interim payments on account usually based on the previous VAT year's liability.
- A balancing payment must be made with the VAT return two months after the end of the annual VAT year.

The advantages of using the annual accounting scheme are: **[1 each, Max 3]**

- A reduction in the number of VAT returns the business is required to complete.
- Management of cash flow with more certainty by paying a set amount each month.
- An extra month to complete the annual VAT return.

[Note: candidates were only required to give three advantages. Other 'features' and 'advantages' will gain credit eg fewer penalties such as for late payment.]

The requirements for admission to the scheme are as follows: **[1 each, Max 2]**

- All VAT returns must be up to date.
- There are reasonable grounds for believing that taxable supplies in the next 12 months will not exceed £1.35 million.
- Registration is not in the name of a group.
- The business has not ceased to operate the scheme in the 12 months preceding the application.

Flat-rate Scheme

How it works: **[1 each, Max 2]**

- The appropriate flat-rate percentage is applied to relevant turnover for the period.
- Relevant turnover is gross turnover including zero-rated and exempt supplies.
- There is no deduction for input tax (apart from on capital expenditure in excess of £2,000).

Conditions for Using the Scheme:

[1 each, Max 2]

- taxable turnover for the next 12 months is not expected to exceed £150,000
- the business is not a tour operator, is not required to make adjustments under the capital goods scheme and does not apply the second-hand margin scheme
- the business has not been convicted of any offence in the previous year
- the business has not stopped using the flat-rate scheme in the previous year.

If you were a 'limited cost' trader then you would use a flat rate percentage of 16.5%, as opposed to the appropriate rate for your business sector (which is 9.5% - see below).

[1]

Yes – the flat-rate and annual accounting schemes may be used together if the above requirements are fulfilled.

[1]

The amount of VAT payable for the year using the normal method of calculation is:

		£	
VAT Payable	150,000 x 20% =	30,000	
Less Input VAT	75,000 x 20% =	<u>(15,000)</u>	
Total VAT Payable		<u>15,000</u>	[1]

The amount payable using the flat-rate scheme is: $150,000 \times 1.20 \times 9.5\% = \text{£}17,100$.

[1]

Total for question 16

11. MIMI, CHARLOTTE & LOUISPart 1 - Mimi

Zero rated and exempt income is different for VAT purposes. Input tax incurred on the costs of making zero-rated supplies is recoverable because although there is no VAT charged, the income is taxable [½]. Input tax incurred on the costs of making exempt supplies is irrecoverable [½]

Mimi therefore has to categorise her expenditure between that incurred for taxable purposes, that incurred for exempt purposes, and that expenditure which cannot be attributed to one activity or another, eg overheads. [½]

The proportion of taxable income over total income (taxable plus exempt) [½], expressed as a percentage, is applied to VAT on non-attributable expenditure [½]. The resulting figure plus VAT on expenditure directly related to taxable activity, will be fully recoverable from HMRC. [½]

VAT on expenditure related to the exempt rents, along with the exempt proportion of VAT on non-attributable expenditure [½] is irrecoverable in the first instance subject to the de minimis limits. [½]

Simplified De minimis Tests

Simplified test one: Total input tax incurred is no more than £625 per month on average [½] and the value of exempt supplies (£2,000) is no more than 50% of the value of all supplies (£13,000). [½]

This test is failed as total input tax in the month is £1,200. [1]

Simplified test two: Total input tax incurred less input tax directly attributable to taxable supplies is no more than £625 per month on average [½] and the value of exempt supplies is no more than 50% of the value of all supplies. [½]

This test is met as £1,200 less £800 = £400 which is not more than £625 [½] and exempt supplies of £2,000 are no more than 50% of total supplies of £13,000.

So total input tax of £1,200 can be reclaimed. [1]

Max 8

Part 2 - Charlotte & Louis

VAT incurred on fuel for the vans is recoverable in full as this has been purchased for business purposes [1].

In principle, VAT incurred on private use of fuel cannot be recovered as the partnership cannot isolate the cost of the fuel used for private use because it does not keep detailed mileage records [1].

Therefore, VAT incurred on fuel used for the motor car, which includes VAT incurred on the diesel in the storage tank, may only be recovered if output tax is accounted for on the private use [1].

Thus, £560 of input tax can be claimed if output tax of £70 (£420/6) is declared on the VAT return [1].

- 1) Input tax cannot be claimed on the purchase of cars where there is an element of private use. [1]
- 2) Input tax can be claimed on staff entertainment. [1]
- 3) Input tax cannot be claimed on business entertainment. [1]
- 4) Input tax can be claimed on the cost of repairs for company cars. [1]

Total 8

Part 3 - Charlotte & Louis

It is necessary for Charlotte & Louis to determine the amount that would have been given in money for the supply of the deliveries, if the accounts preparation service had not instead been used for all of the payment. [1]

This amount should then be multiplied by the VAT fraction (1/6th) to establish how much VAT is due to HMRC. [1]

Total 2

Total for question 18

12. GREENFIELD LTD

Greenfield Ltd
Address
Date

Dear Directors,

Thank you for the information about your development. Please find below an explanation of what the VAT position will be and the impact of opting to tax the site.

- 1) The rent on the holiday cottages will be standard rated [½] but the rent on the three-bedroom house will be exempt [½]. The liability for the swimming pool depends upon the contract for hire [½]. The starting point is that rental of the swimming pool will be standard rated [½], however if the agreement is for a series of 10 or more periods at a time it would be exempt [½]. The liability for office space will be exempt [½] **subject to the option to tax (see below)** [½]. The liability for office space maintenance will also be exempt if part of the rental agreement [½].

Total 4

Tutorial Note:

The question wasn't clear as to whether a charge would be made for the swimming pool for those renting the cottages (or for the three-bedroom house). Where students discuss this and conclude that the swimming pool use by them is ancillary to the main supply of rent (or not), this would gain credit.

- 2) If Greenfield Ltd opts to tax the site, this will have no impact on the VAT liability of the holiday cottages or the three-bedroom house [1]. The option to tax will change the liability of the office space, and maintenance charge, to standard rated [1].

Total 2

- 3) The benefit to Greenfield in opting to tax the site is that they would be able to recover the input VAT on the costs of building the office space and any costs relating to maintenance [1]. They should consider whether the tenants who are likely to occupy the office space will be able to recover input VAT on the rent [1]. One example is that if the tenants are start-up businesses they may not be registered for VAT and so could not recover input VAT [1]. A second example is that if the tenants make exempt supplies, they may not be able to recover some or all of the input VAT.

Total 3

- 4) Greenfield would be able to revoke the option in two situations. The first is that the option can be revoked within the first six months after making it, provided that no supplies have been made which are affected by the option [1]. Thereafter the option can only be revoked 20 years after it was made [1].

Total 2

- 5) If Greenfield Ltd grants a long lease (more than 21 years) to the housing association this will be zero rated [1], and so Greenfield will be able to recover the input VAT on the costs of this phase [1]. However, if the grant is not a long lease, then this will be exempt [1], and Greenfield Ltd will not be able to recover any input VAT on this phase [1]. The option to tax would not apply to the leases on the flats, so VAT recovery would still not be available. [1]

Max 4

Please let me know if you would like to discuss any of the above further.

Yours Etc

Ann Adviser

Total for question 15

13. ALICE & OTISAlice Fletcher

1)

The VAT liability of the supplies made by Alice will be as follows:

- Language lessons – exempt from VAT [½]
- Textbooks – zero rated [½]
- DVDs – standard rated [½]
- Office lease – this will be exempt from VAT [½] unless Alice opts to tax the building. [½]

Alice will be entitled to recover input tax which is wholly and exclusively attributable to taxable sales [½], but any VAT which is wholly and exclusively attributable to the exempt sales will be irrecoverable (subject to the de minimis rule below) [½].

VAT incurred on overhead costs, will be recoverable according to the percentage of taxable sales over total sales [½] However, if Alice is de minimis [½], this is where exempt input tax is a maximum £625 per month and a maximum 50% of total input tax, then all input tax is recoverable [½].

Total 5

2)

As the goods were purchased within four years of VAT registration, the input tax incurred on the computer and printer is available to be recovered [1], but as Alice is partially exempt it will only be recoverable according to Alice's partial exemption position [1].

The legal services were purchased more than six months ago, so VAT cannot be recovered [1].

VAT on the 15 DVDs still in stock as at 1 November is recoverable, ie $15 \times 80p = £12$. [1]

VAT incurred on taking potential UK clients out to lunch cannot be recovered [1].

Total 5Otis

3)

The VAT liability of sales of adult cycling socks to all types of UK customers are standard-rated [1]; sales to the Swiss customer are zero-rated exports provided the conditions are met [1].

The supply of samples is not a taxable supply if they qualify as commercial samples, which these socks appear to be, so they are excluded from calculating whether the VAT registration threshold has been exceeded. [1]

Otis has not exceeded the VAT registration threshold as at 30 Sep 2025 [1]. His taxable turnover in the rolling period 25 Mar-30 Sep totals £87,000 (£38k – 4k + 13k + 40k) and there was no expectation of exceeding the £90,000 limit in the next 30 days alone. [1]

Total 5

4)

Advantages: (other relevant points will receive credit)

- Principally to recover input tax. Otis would not have been able to present the customs clearance agent with his VAT number/EORI number so the goods would have been cleared under the agent's EORI number. As such, Otis could not recover the import VAT shown on the agent's invoice, nor the VAT on the rental of the storage unit nor on any other costs (such as the design and maintenance of the online shop) **[1]**.

Tutorial Note:

Technically a non-VAT registered trader can obtain an EORI but the assumption from the question is that Otis has not done this.

- Credibility. VAT-registered businesses have a degree of credibility that non-registered traders may not have and they can appear bigger than they actually are. Some businesses (particularly overseas business customers such as the Swiss retailer) will only deal with other VAT registered businesses. **[1]**
- To avoid late registration penalties. **[1]**

Disadvantages:

- Output tax will be charged on all sales liable to VAT at the standard rate. This increases prices by 20%. For Otis's online private consumers this may make the price unattractive. **[1]**
- VAT administration. VAT registered businesses must file VAT returns (usually on a quarterly basis). This is an additional significant compliance burden for Otis. **[1]**

Total 5

Total for question 20

14. ALYSON

1)

Penalties will apply as follows:

<u>VAT period ending in 2024</u>	<u>Amount due (£)</u>	<u>Calculation</u>
31 March	1,200	First late return – penalty point given by HMRC for late return [$\frac{1}{2}$] Payment made within 15 days of due date, so no financial penalty for late payment [$\frac{1}{2}$]
30 June	3,400	Second late return, a penalty point is given for the late return, so two penalty points have accrued [1] The late payment is within 15 days, so no financial penalty applies for the late payment [$\frac{1}{2}$]
30 September	9,000	Third late return, a penalty point is given for the late return, so three penalty points have now accrued [1]. The late payment is between 15-30 days late, so a 2% financial penalty applies to the VAT paid late = £180 [1].
31 December	(1,000)	This is the fourth late return, and a penalty point is issued so that four points have now accrued. A £200 penalty is imposed. [1] There is no penalty for late payment, as there was no payment due. [$\frac{1}{2}$]
<u>VAT period ending in 2025</u>		
31 March	6,280	The maximum number of late penalty points have been allocated for late returns so there is no further point awarded but a further £200 penalty applies [$1\frac{1}{2}$]. The payment is over 30 days late. A 2% penalty applies for a late payment 15-30 days and a further 2% for payments outstanding at the 30 day point. 4% per annum (but calculated on a daily basis) is due for VAT owing each day from day 31. [1]

Max 8

2)

If the June 2025 return is filed late then there are already the maximum penalty points awarded for late returns, but a £200 penalty will apply. **[1]**

For the late payment a 2% penalty - of the VAT outstanding - will be levied as it was paid more than 15 days late. **[1]**

Total 2

3)

[As per Chapter 10, section 10.1, para 10.1.5 of the 6th edition 'Professional Responsibilities & Ethics for Tax Practitioners' Book]

If the request to transfer papers does not come from the client direct, the member should obtain written consent from their former client prior to providing papers to a successor. **[1]**

Where documents on the member's files belong to the client, the member is required to provide these, subject to any lien the member may have. **[1]** Where the original documents are handed over, the member should first take copies, so that he can maintain proper professional records. **[1]**

Where documents belong to the member, the member should cooperate in providing copies of documents relevant to the client's ongoing tax affairs. **[1]** If a significant amount of work in providing copies is required or if it is provided for in the member's engagement letter, a reasonable charge may be made. **[1]**

If there is a risk that the former client may use the information provided to support a claim against the member, the member should consult their professional indemnity insurers and consider whether to take legal advice. **[1]**

Total 6

Total for question 16

15. MARSHALL KITCHENS LTD

- 1) When goods [½] arrive into Great Britain from the US [½] this is an import.

The place of supply is not the UK as the goods are arriving into the UK [1] therefore the overseas supplier will not charge UK VAT [½] unless they are actually the importer. [½]

Instead, as the goods enter Great Britain they will be subject to a UK import VAT charge. [1] The goods are valued at the point of import [½] and VAT charged at the rate that would have been charged if bought in the UK. [1] With regard to kitchen worktops, this will be 20%. [½]

It is the importer's obligation to account for this VAT [1] and usually it has to be paid at the time of import. [1]

The VAT paid is deductible via the VAT return in the same way as any input VAT incurred on expenditure, [1] but a C79 [½] certificate from HMRC must be held as evidence of right to deduct this input tax. [½] This will be generated by HMRC and sent to the importer once the import procedures have been completed and paperwork sent by the freight agent to HMRC. [1]

Tutorial Note:

Form number not required for the mark – 'certificate' is acceptable.

[All valid points will gain credit]

Max 9

- 2) As HMRC will usually require payment of the import VAT prior to the goods being released from the port of entry then this gives a cashflow issue before this VAT is then recovered as input VAT. [½]

Rather than paying the import VAT at the point of import, Marshall Kitchens Ltd can use Postponed VAT Accounting [½]. It quotes its VAT number on the import declaration [½] and the import VAT is deferred until the next VAT return, where it is accounted for as output tax [½].

The import VAT is recoverable as input tax on the same VAT return which means for a fully taxable trader no net cash is paid to HMRC. [1]

Max 2

- 3) Exports, for Marshall Kitchens Ltd, are where it sells goods [½] which are located in GB and which are moved to a place outside of the UK (ie to the EU or non-EU). [½]

The place of supply of exported goods is the UK as the goods are leaving the UK. [1] Exports are zero-rated for VAT purpose regardless of what the underlying goods are. [1]

Marshall Kitchens Ltd must hold appropriate documentary evidence to prove that the goods have left the UK within the prescribed three month time limit from the time of supply. [1]

Total 4

Total for question 15

ETHICS QUESTIONS

1. A member must be courteous and considerate to all with whom they come into contact in a professional capacity.

Courtesy falls within which of the five 'Fundamental Principles' relating to members?

2. The 'Standards for Tax Planning' are critical to any planning undertaken by members.

What are the five Standards and provide a brief explanation of them.

3. You have taken on a new client and wish to agree a contingent fee as the basis of payment for the work required.

State three of the guidelines in relation to using contingent fees.

4. A director of a company to which you provide tax advice has asked if you would like to invest in the company.

Outline the guidance given to members on financial involvement with a client.

5. **When should engagement letters for tax clients be reviewed?**

6. You receive a call from the bank manager of a client. He requests a copy of the client's latest income tax return in order to support an application for a loan.

According to the Professional Rules and Practice Guidelines, which of the five 'Fundamental Principles' is threatened in this situation?

7. The Professional Rules and Practice Guidelines list four examples of ways in which a member can charge for services.

List the four methods.

8. **Where a member of the ATT is to pay a commission to a third party for introducing a client, what disclosure must the member make to the client?**

9. **State four matters that you would expect to be dealt with in the covering letter accompanying a typical contract for the provision of tax services.**

10. **What are the three choices available to a member who is asked to act for both parties to a transaction?**

11. You are a tax technician working on a personal tax return for a client. Looking back to last year's return you think you have discovered an error. You are unsure of how to deal with this.

What steps should you take, according to the flowchart on 'Dealing with Errors'?

12. The profits of a trade, profession or vocation must be computed in accordance with Generally Accepted Accounting Principles (GAAP) subject to any adjustment required or authorised by law in computing profits for those purposes. This permits a trade, profession, vocation or property business to disregard non-material adjustments in computing its accounting profits.

How does the accounting concept of materiality apply when making adjustments required to accounting figures so as to arrive at taxable profits?

13. A member dealing with third parties on a client's behalf must be careful not to inadvertently assume a duty of care towards the third party.

State four ways in which the member may manage these risks.

14. A member may sign a tax return in their capacity as a liquidator.

Name three other ways in which they can sign a return.

15. The Professional Rules and Practice Guidelines state that a member should request the prospective client's permission to communicate with the client's existing adviser before accepting a new appointment.

Explain why a member should communicate with an existing adviser.

16. **Describe briefly four principles set out in the Professional Rules and Practice Guidelines that govern a member accepting a new client.**

17. **According to the Association of Taxation Technician's Professional Rules and Practice Guidelines, what procedures should be put in place to handle complaints from clients?**

18. P Ltd is engaging Dov, a member of ATT, to assist with tax compliance work. The company is offering to pay a monthly fee in return for which its finance department is likely to want between two and five days of work from Dov per month.

Identify the major areas of concern when accepting a client on a retainer arrangement.

19. You discover that due to an error by HMRC you have received an excessive repayment of tax, on behalf of a client.

Briefly state what action you should take.

20. **When a member delegates work to a junior, or subcontracts it, who takes responsibility for this work, according to the Professional Rules and Practice Guidelines?**

ETHICS ANSWERS

The references in brackets at the end of the answers are to the 6th edition of the text book "Professional Responsibilities & Ethics for Tax Practitioners".

1. Professional behaviour.

[Chapter 19 section 19.6 para 2.22]

2. The five standards are:

- Client Specific – it must be specific to the particular client's facts and circumstances;
- Lawful – Members must act lawfully and with integrity at all times and expect the same from their clients;
- Disclosure and transparency – All relevant facts must be disclosed to HMRC;
- Tax planning arrangements – Members must not promote tax planning that is set out to achieve results contrary to the intention of Parliament;
- Professional judgement and appropriate documentation – members must exercise professional judgement on a number of matters and keep timely notes.

[Chapter 20 section 20.2 point 1]

3. Any three from Chapter 8, section 8.2, for example:

- Contingent fees can carry increased risks, such as a third party questioning the independence and objectivity of the member. Accordingly, where a contingent fee basis is adopted, a member should take care not only to ensure that their conduct meets, but is seen to meet, the required principles of integrity and objectivity.
- A member should be aware that there may be legal or regulatory restrictions to having a contingent fee.
- It is advisable that where contingent fees are used the engagement letter should set out the scope of the work they cover and stipulate the action to be taken should subsequent events cancel all or part of the benefits to the client of the contingent fee arrangement. It should set out clearly and precisely whether part or the entire fee is to be repaid and whether interest is payable.

4. Having a financial involvement with a client may impair or be perceived as impairing a member's ability to act objectively. Members should exercise care before entering into any kind of financial arrangement with a client. This includes, for example, lending money or investing in the business of a client.

[Chapter 6 section 6.5 para 6.5.1]

5. Engagement letters should be reviewed:
- annually; and
 - when the scope of services changes significantly.
- [Chapter 4 section 4.10 points 1 and 3]
6. Confidentiality
- [Chapter 19 section 19.5 para 2.16]
7. Time and expenses
Fixed fees
Contingent (including success) fees
Insurance
- [Chapter 8 section 8.1 para 8.1.2]
8. If an ATT member is to pay a commission, they must disclose to the client:
- the amount and nature of the fee, commission or other reward; and
 - the identity of the third party recipient.
- [Other valid points will gain credit]
[Chapter 4 section 4.2 para 4.2.1]
9. Any four from Chapter 4 section 4.11, for example:
- (i) Who we are acting for;
 - (ii) Period of engagement;
 - (iii) Scope of services;
 - (iv) AEOI, including FATCA
10. The three choices are:
- To advise both parties of the conflict and to give both the opportunity to consider if they wish to seek alternative representation, or agree that you continue to act for both, if appropriate;
 - To act for one client only – normally the one who first sought advice;
 - To act for neither party – if the conflict cannot be managed.
- [Chapter 6 section 6.4 para 6.4.2]

11. You should:
- 1) Establish the facts – is there an error?
 - 2) If there is an error – is it trivial?
 - 3) If it is not trivial – is specific authorisation required from the client to disclose the error to HMRC?
 - 4) If specific authorisation is required and the client is unwilling to give authorisation, and this is confirmed in writing, you must write to the client explaining the consequences of non-disclosure
 - 5) If client still refuses to authorise disclosure, you are required to cease to act, notify HMRC, and your MLRO/NCA. **[Other valid points will get credit.]**

[Chapter 23 section 23.2 - flowchart]

12. The application of GAAP does not extend beyond the accounting profits. Thus, the accounting concept of materiality cannot be applied when completing tax filings, for example, when computing adjustments required to accounting figures so as to arrive at taxable profits.

[Chapter 21 section 21.6 points 16-17]

13. Any four from Chapter 7 section 7.2 para 7.2.5, for example:

- Including a clear notice or caveat in the information stating that the advice has been prepared for the client and that no liability is accepted to any third parties who choose to make use of the information.
- Requiring that the client seek consent before information with which the name of member is associated is released by the client to third parties.
- Requiring the third party and/or its advisers to undertake in writing that a member be excluded from liability or held harmless as a consequence of making the information available to them.
- Communicating to the third party the terms upon which the information is released including limitations on scope, stating that the advice was prepared only with the client's interests in mind, may not apply in all circumstances, and confirmation that no responsibility is accepted.

14. Any three from:

- receiver
- administrator
- under personal appointment as trustee
- under personal appointment as executor
- under personal appointment as attorney
- under personal appointment as director

[Chapter 21 section 21.11 point 33]

15.

- a) The member is aware of any professional reason why they should not accept the appointment.
- b) The client's affairs are properly dealt with, on a timely basis, and that no filing deadlines, time limits for claims, elections, notices of appeal and other similar matters are missed in the transitional period.

[Chapter 4 section 4.4 paras 4.4.1-4.4.2]

16. Any four from Chapter 4 section 4.3 para 4.3.1, for example:

- Comply with the identification requirements set out in the anti-money laundering/terrorist financing guidance.
- Consider whether the potential client will be an acceptable client in terms of the risks which will arise for the practice from acting for that client and whether the member has the capability to manage those risks.
- Consider whether the member and firm will have the skills and competence to service the client's requirements during the course of the engagement.
- Consider whether there is any conflict of interest in accepting the client and if so whether and how it might be managed.

17. The ATT's rules state that the procedures should ensure that:

- Each new client is informed in writing of the name and status of the person to be contacted in the event of the client wishing to complain about the services provided and of the ability to complain to the Taxation Disciplinary Board (TDB). This information should be included in the engagement letter.
- Each complaint is acknowledged promptly in writing.
- Each complaint is investigated thoroughly and without delay by a person of sufficient experience, seniority and competence who preferably was not directly involved in the act or omission giving rise to the complaint and the client is told about investigation.
- If the investigation finds that the complaint is justified, wholly or in part, any appropriate action is taken.
- Consideration is given as to whether to inform the firm's professional indemnity insurer

[Chapter 9 section 9.1 para 9.1.1]

18. One area of concern is what is covered by the arrangement. Therefore, the member should normally set out the retainer arrangement in writing so that the member and the client clearly understand the extent and limitations of the agreement and the point when further charges may be levied.

The other area for concern is that a member should watch out for conflicts of interest, given that under a retainer, the client can call on that member's services at any time, which may mean that the member may not be able to fulfil their obligations to other clients.

[Chapter 8 section 8.4 paras 8.4.2-8.4.3]

19. You should return it to HMRC as soon as practicable.

You do not need your client's authority to return an excessive repayment but should notify your client that you have done so.

[Chapter 23 section 23.5 point 21]

20. If a member delegates work, the member remains primarily responsible for the work so should exercise sufficient supervision to confirm that the work performed is satisfactory and that it is carried out by persons who have been suitably trained to carry out the work involved.

[Chapter 5 section 5.4 para 5.4.1]