Candidate Number			



## **Association of Taxation Technicians**

# **Examination**

November 2007

## PAPER 5 - PART I

#### VAT

TIME ALLOWED – 3 HOURS (for Part I and Part II)

You are required to answer **all** questions in Part I and Part II (printed separately).

#### Part I

- You must write your answers in this booklet using the space provided under each question and complete your candidate number at the top of this page.
- Each question carries between two and four marks as indicated in brackets.
- It is expected that your answers will be in brief bullet point format or summary computations.
- It is not expected that you will require all of the space provided.
- All workings should be shown and made to the nearest month and pound unless the question requires otherwise.

1)	How much VAT must be shown on the invoice when it is raised?	
2)	How much VAT should be accounted for to HM Revenue & Customs?	

2.	Krazy Kars Ltd is a VAT registered car rental company. It has purchased one car for £10,000 plus VAT which will be used as a pool car and rented to third party businesses. It is also leasing one car for £1,000 per month plus VAT from a car dealer for the use of the managing director. All fuel is purchased by the business and supplied in both cars.
	Explain the VAT recovery of the costs detailed above. (3)

3.	HM Revenue & Customs have reviewed the last VAT return that you have submitted and have raised an assessment. You do not agree with the reasons for the assessment being raised.
	State the options that are available to you and any conditions you are required to meet in order to pursue these options. (3)
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A company registered for VAT in the UK makes the following supplies: 4. 1) A sale of copyright to a private individual in the USA A sale of copyright to a private individual in France 2) 3) A sale of copyright to a company which is VAT registered in Italy. Briefly explain in which country the above sales of copyright will be supplied for VAT purposes. (3)

What are the consequences of forming a VAT group?	

out.	I on the purchase of a piece of capital equipment	
Calcula	te the VAT liability for the quarter.	

7.	1)	State whether the following supplies are standard rated, zero rated or exempt
		<ul> <li>(a) Sale of a house by the present owner/occupier.</li> <li>(b) Hire of a hotel conference room for a meeting.</li> </ul>
		<ul><li>(c) Sale of a two year old commercial building.</li><li>(d) The grant of an eight year lease in a commercial building.</li></ul>
	2)	Briefly explain if an option to tax could affect the liability of any of these supplies. (4)

3.	A new factory is bought by X Ltd for £400,000 plus VAT in year one. X Ltd makes a mixture of exempt and taxable supplies from the premises which are 50% taxable for the first year, 40% taxable for the second and then stay constant at 70% for each subsequent year of use.
	Calculate the amount of VAT deductible in year one and the Capital Goods Scheme adjustments required in each of the following relevant years. (3)

9.	Alan is currently unemployed but has just come into an inheritance. He has decided to buy the assets and customer base of a local VAT registered printing business. Alan has heard that he may not have to pay VAT on the purchase price if certain conditions are met. He also has been told that the land and property of the sale has been opted for tax.
	What are the main conditions that must be satisfied for this supply to be treated as a transfer of a going concern? (4)

10.	Following a control visit by HMRC to Slapdash Ltd, the company was found to have mistakenly under-declared output tax by £91,000 on the March 2007 VAT return. The return showed output tax due of £84,000 and input tax of £67,000.
	Briefly explain the implications of this discovery. (4)

Directly explain the unit	erence between tax avoidance and tax evasion.	
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