Cand	idate N	Numbe	r



Association of Taxation Technicians

Examination

May 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.

o n	customer ordered goods at a cost of £6,000 plus VAT. The customer paid a deposit f £2,000 on 15 May 2006 and the goods were collected on 30 June. The seller did not nanage to raise an invoice for the balance until 30 August. The invoice was paid on 15 eptember.
S	tate what tax points were created for the above transaction and how much tax as due at each tax point. (3)
_	
-	
_	
-	

- 2. Consider the following list of items:
 - 1) Purchase of a capital asset for use in the business.
 - 2) Purchase of a car to be used by an employee whilst at work and for driving to and from their home.
 - 3) Catering for the annual staff party to which external guests are not invited.
 - 4) A restaurant meal with potential clients of the business.
 - 5) Purchase of equipment for the staff canteen.
 - 6) Hotel charges incurred by an employee on business in the UK.
 - 7) An unpaid tax invoice which is one month old.
 - 8) An unpaid tax invoice which is one year old.

Explain which of the above would not be eligible for a full input tax reclaim by a fully taxable trader. (3)		

3.	Colin's Corner Shop uses Apportionment Scheme 1 as its retail scheme to calculate its VAT liability. The scheme requires a taxpayer to calculate the value of purchases for resale at different rates of VAT and apply the proportions of those purchase values to sales. It also requires an annual adjustment. In the quarter ending 31 May 2006, Colin's corner shop had purchased £60,000 worth of standard rated items and £20,000 of zero rated items for resale. The gross takings from sales were £120,000.
	Calculate the output tax liability for that quarter.
	State why an annual adjustment is included in some retail schemes. (3)
	•

4.	State the items which should be included on a 'less detailed tax invoice' issued by a retailer. What is the maximum value for which a less detailed invoice can be issued? (4)

5	Tructing Ltd	l hac mada a	number of eur	onlige to Hardi	up Ltd as follows:

	<u>Net</u>	<u>VAT</u>	<u>Gross</u>
	£	£	£
16 April 2006	790	-	790
22 May 2006	1,000	175	1,175
18 August 2006	400	70	470
24 September 2006	1,240	217	1,457

Hardup Ltd is experiencing severe financial difficulties. Trusting Ltd received an unallocated payment on account from Hardup Ltd on 5 November 2006 for £2,200, but has been told that it is unlikely to receive any further payments.

(3)

State two advantages and two disadvantages of VAT group registration.	
·	

7.	Kindly Ltd intends to purchase a van for deliveries of its goods for business purposes. However, as a perk, Kindly Ltd has stated in advance of this new purchase that all employees will be able to borrow the van at weekends and evenings if they need it to move personal belongings, so long as they replace the fuel used. (It is anticipated that this offer will be popular.)
	Briefly explain what the input tax implications are and advise how the Lennartz mechanism could be used in this situation. (3)

ope	Kwik Kall Ltd is a partly exempt business which is registered for VAT. The company operates the standard partial exemption method. During the VAT quarter ending 31 March 2007, which is also the VAT year-end, it made the following sales:					
	kable supplies empt supplies	£ 100,000 20,000				
Inp	ut VAT directly attributable to taxable supplies ut VAT directly attributable to exempt supplies ut VAT attributable to head office costs	30,000 350 7,500				
1)	Calculate the amount of VAT that the company may recove 2007 VAT return.					
2)	State when the annual adjustment calculate	tion needs to be made. (4)				

9.	Assu has t	Assume that a business has been transferred as a going concern, and the new owner has taken over the existing VAT registration number.					
	1)	What are the implications for the new owner of taking over the VAT registration number?					
	2)	What should happen to the business records?					
	3)	For how long should the records be retained? (3)					

11.	Briefly state the main contain according Guidelines.	n aim of to the	a letter of enga Association's	agement and t Professional	he key areas Rules and	it should Practice (3)
	======================================					

Briefly engage	state what ment(s).	choices	you h	ave in	deciding	whether	or not	to accept
