Candidate Number			



Association of Taxation Technicians

Examination

May 2008

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.

10,000 fry	ing pans t s worth £	ery Fry Ltd : to be delive 280,000. Ve	red on 3 、	June 200	8, with pa	yment du	e on de	livery. ⁻	Th
State the date from	date by v which its	which Very registration	Fry Ltd on will tak	must no ce effect.	otify its lia	ability to	registe	er and	th (2

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	AT registered limited company sells the following three computers for £10 each to:
1)	a wholly owned subsidiary which is fully taxable;
2)	a wholly owned subsidiary which is partially exempt; and,
3)	a member of the public.
	normal selling price of a computer is £100 and each costs more than £10 to
Exp if th	lain whether each of these sales can be valued at £10 for VAT purposes and ey cannot, explain how the value will be calculated. (3

3.

4.	December (plus VAT)	exempt business purchased building A in October 2006 and building B in 2006. The costs of the buildings were £200,000 (plus VAT) and £400,000 respectively. Both buildings have exempt and taxable use. The business' overy rates are as follows:
	2006/07 2007/08	50% 40%
	Calculate and the ac	the amount of input tax that can be reclaimed in the year of purchase djustment required in the following year. (4)

Stat	te the VAT liability of the following items:	
1) 2) 3) 4)	A child's car seat Cold take-away food Medical care provided by a registered doctor A train ticket	
5) 6)	A newspaper An educational CD-ROM	(3)

5.

6.	The sales ledger for Knot Be with its customer, Noke Ash.		lowing sales invoice transactions						
	<u>Date</u>	Net £	VAT £						
	20 December 2006 15 January 2007 1 February 2007	1,000 2,000 2,000	175 350 350						
	Payment is due within 30 da	ys of the invoice date.							
		On 1 April 2007, Noke Ash made a payment of £1,000 towards the first invoice, but refuses to pay the VAT. No more payments are received.							
	Explain how much bad de the return for quarter ende		n respect of these invoices on (4)						

7.	HM Revenue & Customs. Du	able business which has recently undergone a visit from uring the visit it was identified that on the March 2008 VAT for £650,000 plus VAT had been erroneously recovered as nated for as output VAT.
	The March 2008 VAT return	was submitted with figures as follows:
	VAT on sales VAT on purchases	£200,000 £150,000
	State the implications of th	is error. (4)

Fred owns his own company. He has incurred the following expenses and wants 8. to know if he can recover the VAT: 1) The business had a fantastic sales record for the week, so on the spur of the moment Fred took all his staff out for lunch on Friday; Fred's car broke down and had to go to the garage to be fixed. He leased a 2) car from Quickhire Ltd for four days; Fred went away to lecture at the university and incurred some taxi 3) expenses - this is something Fred does on an occasional basis to share his experiences of work. He does not get paid and does it as a favour for his friend, a lecturer at the university.

Give	three examples of these directions.	
0.10	and examples of these and thousand.	

Briefly state four reasons why this distinction is important.	

Briefly state what these policies are.	
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