

THE TRAINING PLACE OF EXCELLENCE

Indirect Tax

Practice Assessment: Answers

Task 1

		True	False
A	All businesses must register for VAT		✓
B	If you make only exempt sales you cannot register for VAT	✓	
C	You cannot register for VAT until your turnover reaches the registration threshold.		✓
D	If you are registered for VAT, you can deregister if your turnover falls below the registration threshold required for registering.		✓

(b) ii) A trader who buys standard rated goods and sells mostly to other VAT registered businesses

Task 2

When you make a sale for £250 or less you can raise a simplified VAT invoice. What items **must** be shown on a simplified VAT invoice.

		True	False
A	An invoice number		✓
B	The seller's name and address	✓	
C	The seller's VAT registration number	✓	
D	The invoice date	✓	
E	The customer's name and address		✓
F	A description of the goods	✓	
G	The unit price		✓
H	The total amount payable excluding VAT		✓
I	The total amount payable including VAT	✓	
J	The total amount of VAT charged		✓

b)

	Goods Total (net) £	Trade discount (%)	Settlement discount (%)	Invoice Total (£)
A	500.00	10	1.5	538.65
B	2,000.00	15	2.0	2,033.20
C	250.00	0	2.5	298.75
D	35,000.00	5	0	39,900.00
E	100,000.00	10	3.0	107,460.00

c)

		Basic tax point	Actual tax point
A	Goods are supplied on 2 nd November and the customer is given a VAT invoice at that time.	2nd November	2nd November
B	Goods are supplied on 2 nd November but the customer was given an invoice when the goods were ordered on 26 th Oct.	2nd November	26th October
C	Goods are supplied on 2 nd November on a sale or return basis. On 16 th November the customer confirms that he will be keeping the goods.	2nd November	16th November
D	Goods supplied on 2 nd November and the customer is given a VAT invoice one week later on 9 th November.	2nd November	9th November
E	Goods are supplied on 2 nd November and the customer is given a VAT invoice three weeks later on 23 rd November.	2nd November	2nd November

Task 3

i) £15,000

£1850 is below the de minimis threshold of £625 per month

Total supplies are £164150 + £3350 = £167500

Exempt supplies are £3350/ £167500 x 100 = 2%

£350 is less than 50% of the total supplies

(b) The VAT on cars and business entertainment can't be recovered

Item	Price including VAT (£)	VAT to be reclaimed (£)
A new computer for the administration office	600.00	100.00
A company car for the director	24,000.00	nil
Hotel expenses for prospective customers	432.00	nil
A new desk for the office manager's office	420.00	70.00

c) i) **A** Yes (The joining threshold is £1.35 million)

ii) **B** Yes because he would pay VAT based on the previous year's amounts and so, delay paying the VAT. (The business has increasing sales and makes payments to **HMRC** rather than refunds from them)

Task 4

Circumstances	Net price of goods (£)	VAT amount to be charged (£)
You sell goods to a customer in France. The customer is registered for VAT in France and you have the customer's VAT registration number	1,250.00	nil
You sell goods to a consumer in Germany. They intend to buy the goods for their own use.	750.00	150.00
You receive goods from a customer in Belgium. You intend to sell them to UK customers.	2,500.00	500.00
You buy some men and women's clothing from a company in Beijing (China).	900.00	180.00
You sell goods to a company in Tokyo (Japan)	6,000.00	nil
You sell goods to a company in USA.	10,000.00	nil

(b) iii) Whenever you make a sale goods or services to another EU country.

Task 5

(a) iv) If you make an error on a tax return you can correct it on the next return provided the error is less than £10,000.

(b) ii) If you are late submitting your VAT return, and this is your first time you are late, you will be served with a surcharge liability notice, but you won't be charged with a penalty at this time.

(c) i) Under normal rule, it may be possible to legitimately delay payment of VAT to HMRC by issuing an invoice up to 14 days after goods are supplied.

Task 6

(a) $(£1800/120 \times 20) = £300$ to be added to box 4

(b) Box 1: $£17,397.80 + £18,129.60 + £24,018.00 + £191.60 + £232.60 + £205.40 = £60,175.00$

Box 2: $£(563.00 + 1,335.00 + 576.00) \times 20\% = £494.80$

Box 3: £60669.80

Box 4: $£8,412.40 + £19,956.60 + £7,950.80 + £570.80 + £1,345.40 + £539.00 + £109.30 + £113.75 + £147.08 + (£1,800 / 120 \times 20) = £39454.13$

Box 5: £21215.67

Box 6: $£86,989.00 + £90,648.00 + £120,090.00 + £958.00 + £1,163.00 + £1,027.00 = £300,875$

Box 7: $£41,499.00 + £98,448.00 + £39,178.00 + £563.00 + £1335.00 + £576.00 + £2,854 + £6,772.00 + £2,695.00 + £643.00 + £669.15 + £865.26 = £196,088$

Box 8: 0

Box 9: $£563.00 + £1,335.00 + £576.00 = £ 2,474.00$

(c) **Finance Director; Accounting Technician; 7 February 2015; VAT Return Submission dates; December 2014; 31st January 2015; 7 February 2015; 10th February 2015.**