

## THE TRAINING PLACE OF EXCELLENCE

### Indirect Tax

# Practice Assessment: Questions

#### Task 1

(a) Are the following statements true or false? You are to tick the box which applies.

		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) Which of the following is most likely to voluntarily register for VAT?

- i) A trader who sells mostly to the general public.
- ii) A trader who buys standard rated goods and sells mostly to other VAT registered businesses.
- iii) A trader who sells only exempt items.
- iv) A person who sells personal items on EBay.

#### Task 2

(a) 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) State the total amount to be shown on the following invoices assuming all goods are subject to standard rate VAT of 20%.

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

(c)

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

### Task 3

(a) A builder makes taxable sales of £164,150 (excluding VAT) for the period 1<sup>st</sup> July to 30<sup>th</sup> September. He also let some of his houses and so, over the period receives £3,350 rental income. The rental income is exempt from VAT. Input tax incurred over the period is £15,000, £1,850 of which is attributable to the exempt supplies. What is the amount of VAT recoverable for the period?

- i) £15,000      ii) £14,700      iii) £300      iv) nil

(b) The following table shows the payments made in the last 3 months for a manufacturing business. Calculate the VAT amount which can be reclaimed in each of the following cases.

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

(c) A retail business makes payments to HMRC every 3 months. Turnover for the next 12 months is expected to be £800,000 which is a great improvement on the previous year of £700,000. The owner is considering joining the Annual Accounting Scheme.

i) Is the business eligible to join Annual Accounting Scheme?

- A Yes  
B No

ii) Would it be beneficial for the owner to join the Annual Accounting Scheme?

Choose ONE answer.

- A Yes, because he would pay less VAT.  
B Yes, because he would pay the VAT based on the previous year's amounts and so delay paying the VAT.  
C No, because he would pay more VAT.  
D No, because repayments would be delayed.

#### Task 4

(a) Calculate the amount of VAT (at a rate of 20%) you would need to charge in the following circumstances. You should assume that all goods are standard rate and that you are a VAT registered trader.

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	
You sell goods to a consumer in Germany. They intend to buy the goods for their own use.	750.00	
You receive goods from a customer in Belgium. You intend to sell them to UK customers.	2,500.00	
You buy some men and women's clothing from a company in Beijing (China).	900.00	
You sell goods to a company in Tokyo (Japan)	6,000.00	
You sell goods to a company in USA.	10,000.00	

(b) Which of the following statements is true? Choose ONE answer.

You must complete an EC Sales list:

- When you make sales to other EU countries of more than £250,000.
- When you makes sales to other EU countries of more than £600,000.
- Whenever you make a sale of goods or services to another EU country.
- Only for goods sold to another EU country; not services.

#### Task 5

(a) Which of the following statements is true? Choose ONE answer.

- If you make an error on a tax return, you can always correct it on the next return.
- If you make an error on a tax return, you can ignore it as long as it is less than 1% of the total VAT payable.
- If make an error on a tax return, you must always notify HMRC on a form VAT 652.
- 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) Which of the following statements is true? Choose ONE answer

- If you are late submitting your VAT return, and this is the first time you are late, you will be charged a penalty of 2% of the VAT which is due.
- If you are late submitting your VAT return, and this is the first time you are late, you will be served with a surcharge liability notice, but you won't be charged a penalty at this time.
- If you are late submitting your VAT return, and this is the first time you are late, you will only be charged a penalty if your annual turnover is more than £150,000.
- If you are late submitting your VAT return, you will receive a visit from an HMRC officer.

(c) Which of the following statements is true? Choose ONE answer.

- Under normal rules, it may be possible to legitimately delay payment of VAT to HMRC by issuing an invoice up to 14 days after goods are supplied.
- Under normal rules, it may be possible to legitimately delay payment of VAT to HMRC by issuing an invoice up to 31 days after the goods are supplied.
- Under normal rules, it may be possible to legitimately delay payment of VAT to HMRC by issuing an invoice before the goods are supplied.
- Under normal rules, it may be possible to legitimately delay payment of VAT to HMRC by paying by direct debit.

**Task 6**

You have the following information from Superior Homes for past three months.  
(Standard rate of VAT is 20%)

<b>SUPERIOR HOMES</b>			
<b>Sales Day Book Summary: Quarter Ended 31<sup>st</sup> December 2014</b>			
	October £	November £	December £
Standard rate (UK) (excluding VAT)	86,989.00	90,648.00	120,090.00
VAT on standard rate goods	17,397.80	18,129.60	24,018.00
<b>TOTAL</b>	<b>104,386.80</b>	<b>108,777.60</b>	<b>144,108.00</b>

<b>SUPERIOR HOMES</b>			
<b>Purchases Day Book Summary: Quarter Ended 31<sup>st</sup> December 2014</b>			
	October £	November £	December £
Standard rate (UK) (excluding VAT)	41,499.00	98,448.00	39,178.00
Purchases from the EU (excluding VAT) (all standard rates)	563.00	1,335.00	576.00
VAT on standard rate goods and EU purchases	8,412.40	19,956.60	7,950.80
<b>TOTAL</b>	<b>50,474.40</b>	<b>119,739.60</b>	<b>47,704.80</b>

<b>SUPERIOR HOMES</b>			
<b>Cash Book (receipt)</b>			
	October £	November £	December £
Received from credit customers	42,256.19	43,986.33	99,658.26
Cash sales (UK) (excluding VAT)	958.00	1,163.00	1,027.00
VAT on cash sales	191.60	232.60	205.40
<b>TOTAL</b>	<b>43,405.79</b>	<b>45,381.93</b>	<b>100,890.66</b>

<b>SUPERIOR HOMES</b>			
<b>Cash book (payments)</b>			
	October £	November £	December £
Paid to credit suppliers	38,747.00	48,434.39	104,348.07
Cash purchases (UK) (excluding VAT)	2,845.00	6,772.00	2,695.00
Payment for petty cash top up	752.30	782.90	1,012.34
Payment to HMRC for previous quarter	15,778.55	0.00	0.00
VAT on cash purchases	570.80	1,354.40	539.00
<b>TOTAL</b>	<b>58,702.65</b>	<b>57,343.69</b>	<b>108,594.41</b>

<b>SUPERIOR HOMES</b>			
<b>Petty Cash Book (receipt)</b>			
	October £	November £	December £
Top up from bank	752.30	782.90	1,012.34

<b>SUPERIOR HOMES</b>			
<b>Petty Cash Book (payments)</b>			
	October £	November £	December £
Expenses (excluding VAT)	643.00	669.15	865.26
VAT on expenses	109.30	113.75	147.08
<b>TOTAL</b>	<b>752.30</b>	<b>782.90</b>	<b>1,012.34</b>

You are also told that one of Superior Homes' customers has gone out of business. The customer owes £1,800.00 including VAT. The debt is over 6 months old and has been written off in Superior Homes' books. You are now to claim debt relief on the current VAT return.

a) Calculate the figure to be reclaimed for bad debt relief. £.....

b) You are to complete the VAT return form.

VAT due in this period on **sales** and other outputs (Box 1)

VAT due in this period on **acquisitions** from other **EC Member States** (Box 2)

Total VAT due (**the sum of boxes 1 and 2**) (Box 3)

VAT reclaimed in the period on **purchases** and other inputs (including acquisitions from the EC) (Box 4)

Net VAT to be paid to HM Revenue & Customs or reclaimed by you (**Difference between boxes 3 and 4**) (Box 5)

Total value of **sales** and all other outputs excluding any VAT. **Include your box 8 figure** (Box 6)   
Whole pounds only

Total value of **purchases** and all other inputs excluding any VAT. **Include your box 9 figure** (Box 7)   
Whole pounds only

Total value of all **supplies** of goods and related costs, excluding any VAT, to other **EC Member States** (Box 8)   
Whole pounds only

Total value of all **acquisitions** of goods and related costs, excluding any VAT, from other **EC Member States** (Box 9)   
Whole pounds only

(c) Complete the following email to the financial director advising him of the various deadline dates for submission of the return.

To: .....

From: .....

Date: .....

Subject: .....

I have just completed the VAT return for the quarter ended.....

If we had completed a paper return, we would have had to ensure that the return reached HMRC by (date).....

Now that we make our return and pay the amount outstanding electronically, the due date is (date).....

If we had arranged to pay by direct debit, the money would have been taken from our bank account on (date).....

Kind Regards