



Osborne Books Tutor Zone

Indirect Tax

Finance Act 2019

Answers to practice assessment 1

Task 1

- (a) (d) The final consumer of the goods
- (b) To find out more information about the cash accounting scheme for VAT, Percy should first of all **look at the HMRC website.**
- (c) (1) £3,540
(2) True
- (d) FALSE. Making Tax Digital is a requirement for all VAT registered businesses unless HMRC is satisfied that they are exempt

Task 2

- (a) (b) Where the seller is a retailer
- (b) (a) Where the invoice is for less than £250 including VAT
- (c) (c) All of the input VAT can be reclaimed providing certain (de minimis) conditions are met
- (d) (b) 13 May

Task 3

- (a) (a) A business with a taxable turnover of £1.6 million at the time it wishes to register for the annual accounting scheme
- (b) (b) The business pays its suppliers when the goods are delivered and supplies to its customers on credit
- (c) (b) Estimated turnover for the next 12 months of not more than £150,000 excluding VAT
- (d) (a) No
(b) Yes
(c) No
(d) No

Task 4

- (a) (b) If the net error is more than £10,000 or 1% of the seller's quarterly turnover
- (b) (c) The net VAT will decrease by £144
- (c) (a) Explain to Charles that as this is personal expenditure it is disallowed for VAT so the VAT cannot be reclaimed.
- (d) True

Task 5

- (a) (b) The amount payable will decrease
- (b) (b) £214.72
- (c) (a) £10.34

Task 6

- (a) £811
- (b) £55,728.66 (ie £54,917.66 + (£4,866 x 1/6)). The £326 overstated input tax will be adjusted through Box 1 of the VAT Return
- (c) £321,758
- (d) (b) My ethical principles means that I cannot ignore this and we would need to inform HMRC if you managed to recover the debt from the customer

Task 7 (a)

Online VAT Return for period ended 30 June		£
VAT due in this period on sales and other outputs	Box 1	93,888.31
VAT due in this period on acquisitions from other EC Member States	Box 2	0.00
Total VAT due (the sum of boxes 1 and 2)	Box 3	Calculated value
VAT reclaimed in the period on purchases and other inputs, including acquisitions from the EC	Box 4	59,490.48
Net VAT to be paid to HMRC or reclaimed by you. (Difference between boxes 3 and 4. (If Box 4 is greater than Box 3, use a minus sign.))	Box 5	Calculated value
Total value of sales and all other outputs excluding any VAT. Include your box 8 figure. WHOLE POUNDS ONLY	Box 6	592,164
Total value of purchases and all other inputs excluding any VAT. Include your box 9 figure. WHOLE POUNDS ONLY	Box 7	341,702
Total value of all supplies of goods and related costs, excluding any VAT, to other EC Member States. WHOLE POUNDS ONLY	Box 8	61,524
Total value of all acquisitions of goods and related costs, excluding any VAT from other EC Member States. WHOLE POUNDS ONLY	Box 9	0

- (b) Box 3 £93,888.31; Box 5 £34,397.83

Task 8

(a)

To: **Finance Manager**
From: **Accounting Technician**
Date: 29 November

If the rate of VAT increases the business must decide whether the prices we charge to our customers, which are inclusive of VAT, should change. The rate of VAT included in our sales prices **must change on the date of the VAT change as specified by HMRC.**

If the date of the change in VAT rate falls during one of our VAT quarters, our system must **apply both the old and the new rates of VAT during that VAT period depending on the date of each sales transaction.**

The new rate of VAT must be reflected in the amount of VAT we pay to HMRC **whether we change our prices to customers or not.**

Kind regards

A Technician

(b) (b) 'I don't know the answer so I cannot advise you without guidance from the Finance Manager.'