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Indirect Tax

Input VAT, Output VAT and Special Schemes

Input VAT, Output VAT and Special Schemes – Exercise 1

Spring Limited is a business which is registered under the Annual Accounting Scheme. It has been told by HMRC that its estimated VAT liability for the forthcoming year is £198,630.

1. Calculate the payments to be made to HMRC using both the 'nine equal monthly instalments' method and the 'three interim payments method and state which months these payments need to be made in.

At the end of the VAT year it was discovered that the actual VAT liability for Spring Limited was £202,390.

2. Calculate the balance of VAT due to HMRC using both the 'nine equal monthly instalments' method and the 'three interim payments' method and state the month in which these payments will be made in.

Winter Limited is registered under the Flat Rate Scheme and operates this in conjunction with the Annual Accounting Scheme.

Winter Limited has been told by HMRC that it should apply the flat percentage rate of 11% to its turnover. HMRC have estimated that its turnover for the forthcoming year will be £123,000.

1. Calculate the estimated VAT liability for the forthcoming year.

2. Calculate the payments to be made to HMRC using both the 'nine equal monthly instalments' method and the 'three interim payments method and state which months these payments need to be made in.

At the end of the VAT year it was discovered that the actual VAT liability for Winter Limited was £14,980.

3. Calculate the balance of VAT due to HMRC using both the 'nine equal monthly instalments' method and the 'three interim payments' method and state the month in which these payments will be made in.

Summer Limited is registered under the Cash Accounting Scheme. It makes a sale of goods to Vivaldi Limited for £300 including VAT on 23 February on 30 day credit terms. Vivaldi Limited pays the invoice by BACS on 15 April.

1. What date should Summer Limited use when accounting for this VAT?

Autumn Limited makes both taxable and exempt supplies of goods. During the last year it made total sales of £195,000. Of this amount, £35,000 related to taxable supplies and the remainder related to exempt supplies.

Autumn Limited has incurred office expenses of £2,400 including VAT at 20%.

1. You should apportion this expenditure to work out what proportion of the Input VAT is reclaimable.

Nigel decides to buy a television from TV World. He pays a deposit of £100 for the television on 3 March and TV World issues a VAT invoice in respect of the deposit on 9 March.

1. What is the Tax Point in respect of this advance payment?

2. What would the Tax Point be if Nigel paid his deposit on 13 March? (Assume that TV World still issue the VAT invoice on 9 March)

Nigel pays the balance owed to TV world on 21 March. TV World issues a VAT invoice in respect of the balance on 27 March.

1. What is the Tax Point in respect of the balance?

2. What would the Tax Point be if Nigel paid the balance on 31 March? (Assume that TV World still issue the VAT invoice on 27 March)

Mary decides to buy a television from TV World and agrees to pay for it in 24 monthly instalments. Mary collects the television from TV World on 18 March. The price of the television is £900 plus Standard Rate VAT at 20%.

1. What is the Basic Tax Point for this transaction?

2. How much VAT should TV world account for on the sale of the television?