The Chartered Tax Adviser Examination

November 2015

AWARENESS

MODULE F– Environmental Taxes, Excise Duties and Stamp Duties

Suggested solutions
Question 1

1) Not subject to Aggregates Levy – not subject to commercial exploitation per s.19(3)(b) FA 2001 (1 mark)

2) Subject to Aggregates Levy - it has been removed from the site and cannot use the exemption under s.17(3)(b) FA 2001 as the pitch is not regarded as a new building being erected per the tribunal case Pat Munro (Alness) Ltd (1 mark)

3) Not subject to Aggregates Levy – not subject to commercial exploitation as it has become part of the land at the site from which it was won without being mixed with any other substance s.19(3)(e) FA 2001 (1 mark)

4) Not subject to Aggregates Levy – exempt under s17(3)(d) FA 2001 as long as the purpose is not to extract the aggregate. Once exempt it cannot be brought to charge no matter how used. (1 mark)

5) Not subject to Aggregates Levy as exempt s.17(4)(e) FA 2001 (1 mark)

(Statutory or Case references not required for marks)

Question 2

1) The weight of any quantity of aggregate is to be determined at the time it is first subjected to commercial exploitation. (1 mark)

Where there is a working weighbridge at a site it must be used. (1 mark)

Where a weighbridge cannot be used the operator must contact HM Revenue & Customs to agree an alternative approved method of calculating the weight. (1 mark)

2) Natural water content cannot be discounted as it is part of the legal definition of the aggregate (1 mark) however added water (excluding rain water) may be discounted after agreeing an appropriate method with HM Revenue & Customs. (1 mark)

Question 3

1) The consideration for the supply of gravel (200 x £3.85 = £770) is less than twice the Aggregates Levy on the supply (200 x £2 = £400). (1 mark)

Therefore, the bad debt relief credit is restricted to half of the consideration written off, (770 /2 = £385). (1 mark)

2) The conditions that must be satisfied before Burn Aggregates Ltd is entitled to a tax credit for the Aggregates Levy paid on this supply are that:

1) The aggregate has been commercially exploited
2) The Aggregates Levy due has been accounted for and paid to HMRC
3) Burn Aggregates Ltd and the customer are not connected
4) The customer has become insolvent or has gone into liquidation
5) The debt has been written off in the accounts
6) Other relevant conditions such as, must keep correct records (or credit will be denied)

(Reg 12 SI 2002/761)

(1 mark for each relevant condition from above – maximum 3 marks)
Question 4

1) £0 – Excluded from CCL as for domestic use – para 9(2)(d) Sch 6 FA 2000 (1 mark)

2) £0 – as at least 60 per cent of the commodity is supplied for domestic or charity use, the whole supply is treated as excluded – para 8(4)(a) Sch 6 FA 2000 (1 mark)

3) 5,000 x £0.00188 = £9.40 (1 mark)
   Not excluded as in the course or furtherance of a business (1 mark)

4) £0 – Excluded as ‘for domestic use’ as less than 1,000 kilowatt hours of electricity supplied in a month – para 9(1)(e) Sch 6 FA 2000 (1 mark)

Question 5

A supply is treated as taking place each time a Climate Change Levy accounting document (CCLAD) is issued (1 mark).

The document must be issued no later than 15 weeks (for small scale users) (1 mark) or 6 weeks (for other users) (1 mark) after the day on which the actual supply was made.

If the CCLAD is not issued within these time limits then the supply is treated as taking place at the end of the respective 15 week or 6 week period. (1 mark)

For electricity, “small scale user” is a customer whose maximum demand in any one year period including the date they are having their status determined is less than 100 kilowatts. (1 mark)

(Para 27 Sch 6 FA 2000 & reg 53 SI 2001/838)

Question 6

1) A Climate Change agreement is an agreement between an energy intensive business and the Environment Agency (“The Administrator’). Facilities covered by the agreement are required to deliver energy efficiency or carbon saving reduction targets in return for obtaining the right to claim a reduced rate of Climate Change Levy. (1 mark)

   There are two types of agreements:

   Umbrella agreements are negotiated between industry sectors and the Department of Energy and Climate Change. (1 mark)

   An Underlying agreement is held by a site or group of sites owned by an operator within a particular sector. (1 mark)

2) 10% reduced rate for electricity (1 mark) and 35% reduced rate for gas (1 mark)
**Question 7**

1) Weight of the material disposed of (1 mark)

2) Description of the material disposed of (1 mark)

3) The rate of tax chargeable on each disposal (1 mark)

4) The total amount payable for which the invoice is issued (1 mark)

5) Where the Landfill Tax chargeable is shown separately on the invoice a statement must be included confirming that the tax must not be treated as input tax for VAT purposes. (1 mark)

(SI 1996/1527 reg 37)

**Question 8**

1) To distinguish clearly between activities on a landfill site which are taxable disposals and those which are non taxable, HM Revenue & Customs may require that non taxable uses of materials take place in a designated “information area” at the site. (1 mark)

2) The landfill site operator must maintain records in relation to the information area, available on request to the Commissioners, and should record

   (a) The weight and description of all material deposited in the information area (1 mark)

   (b) The intended destination or use of all such material and, where any material has been removed or used, the actual destination or use of that material (1 mark); and

   (c) The weight and description of any such material sorted or removed (1 mark)

3) The records should be retained for a period of six years. (1 mark)

(SI 1996/1527 reg 16 & 16A)

**Question 9**

1) Reclamation of, or reduction in pollutants on, land with no benefit accruing to the person who permitted the previous use of the land (1 mark)

2) Provision, maintenance or improvement of a public park or other public amenity, which is not run for profit, in the vicinity of a landfill site (1 mark)

3) Maintenance, repair or restoration of a building or other structure of religious or architectural interest, which is open to the public and not run for profit, in the vicinity of a landfill site (1 mark)

4) The conservation or promotion of biological diversity through the provision, conservation, restoration, or enhancement of a natural habitat; or the maintenance or recovery of a species in its natural habitat, on land or in water situated in the vicinity of a landfill site and must not be required by a notice or order (1 mark)

5) The provision of financial, administration and other similar services to enrolled environmental bodies (1 mark)

(SI 1996/1527 reg 33)
Question 10

The UK Duty Stamps Scheme applies to bottles and other retail containers of spirits and wine or made-wine with an alcohol by volume of 30 per cent or more in bottle sizes of 35cl or more.  
(1 mark)

If these types of products are imported, or made for the intention to be consumed in the UK, there is a requirement to affix a duty stamp or include one on the label.  (1 mark)

There are some exceptions where products within the scope of the scheme do not have to bear a duty stamp:

1) Goods held or sold by Registered Mobile operators on board ships and aircraft
2) Goods held or sold to passengers within Export shops at ports and airports
3) Goods imported in to the UK by private individuals from outside the EU as part of their traveller's allowance
4) Goods imported in to the UK by private individuals from outside the EU which exceed their individual allowance but have been declared and the Excise Duty paid on them
5) Goods imported into the UK by private individuals, for their own use, from other EU member states
6) Goods for the use of diplomats
7) Goods being held on a compounding’s premises that are the subject of a drawback claim
8) Goods removed from an excise warehouse for export or ships stores
9) Goods exported otherwise by an individual for private use
10) Goods entered for removal from an excise warehouse for export or ship stores
11) Goods for retail sale outside the UK and Isle of Man

(Part 2 (3) & 6 SI 2006/202)

(1 mark for each exception from above – maximum 3 marks)

Question 11

1) Remote Gaming Duty is a duty on the profits of gaming providers who provide facilities for playing games of chance for prizes through remote communications including telephone, internet or interactive televisions.  (1 mark)

2) Remote Gaming Duty is based on the ‘place of the consumption’ (1 mark) and is applicable to any operator regardless of where they are situated if the customer usually lives in the UK. Consequently Zed Inc. will have a liability if it has UK resident customers.  (1 mark)

3) There is an online only registration process and Zed Inc. must register at least 31 days before the start of the gaming attracting a liability.  (1 mark)

Returns are submitted for three month accounting periods and must be submitted with the payment no later than 30 days after the end of the accounting period.  (1 mark)
**Question 12**

1) \( 100,000 \times 0.5\% = £500 \) (1 mark) payable by Mr Young (1 mark)

2) Most paperless share transactions are carried out electronically through CREST, which is an electronic settlement and registration system. (1 mark)

3) The notification of the transaction and tax payment must be made to HM Revenue & Customs by the seventh day of the month following the month in which the shares are sold (1 mark)

4) If the transaction could have been made through CREST but wasn’t the deadline becomes the same as those agreements processed through CREST which is 14 days from the date of the agreement. (1 mark)

(SI 1986/1711 reg 2)