

CROSS-BORDER INDIRECT TAXATION

Paper aim

To enable candidates to apply the legislation and gain the detailed technical knowledge and professional skills to identify and resolve Value Added Tax (VAT) Customs Duty (CD) and Excise Duty (ED) issues that arise in the context of businesses undertaking activities which take place within the UK and the European Union (EU).

Candidates will be required to use technical knowledge and professional judgement to identify, explain and evaluate alternative tax & duty treatments and to determine the appropriate solutions to taxation issues, giving due consideration to the needs of clients. Candidates should consider the commercial context and impact of recommendations in making such judgements.

Prior knowledge

The paper is aimed at students who have had two or three years' practical experience working in relevant areas of taxation, together with the appropriate level of private study and/or tuition.

Method of assessment

The Cross-Border Indirect Taxation paper will be examined by a traditional paper based assessment. The examination paper will be 3 hours 15 minutes in length of which 15 minutes will be reading time. This examination will contain questions requiring the use of communication, judgement and evaluation skills as well as an ability to understand and apply technical skills to scenarios which may affect UK businesses.

The questions will be for 10, 15 or 20 marks and there will normally be five or six questions.

The only printed material that candidates may take into the exam hall is one copy of the legislation, together with one copy of the duties material (see below). Candidates will be provided with tax tables.

The pass mark is 50%.

Syllabus

The syllabus for this paper comprises three elements:

- 1) VAT relating to activities within the UK and EU;
- 2) Customs Duties: and
- 3) Excise Duties

The detailed syllabus grid for this paper can be found at:

www.tax.org.uk/students-and-qualifications/cta-qualification/cta-prospectus-and-syllabus. At least 80% of the VAT on Cross-Border Transactions & Customs Duties paper will comprise material highlighted in the detailed syllabus grid as "core".

Whilst law is not specifically examined on this paper, questions may be set which require candidates to have a knowledge and understanding of relevant legal matters within the Law Computer Based Examination syllabus.

The following learning outcomes should be read in conjunction with the detailed syllabus grid.

Learning outcomes

Candidates will be able to analyse, evaluate and calculate the VAT & duty consequences of actions for businesses in given scenarios. This will involve advising and assisting clients in adhering to the requirements of tax statute and relevant regulations.

In the assessment candidates may be required to demonstrate:

1) Communication skills

- a. Communicate complex tax issues in a format appropriate to the recipient who may be an external client, a fellow professional, or an internal colleague.
- b. Prepare suitable advice to explain tax liabilities with supporting calculations.
- c. Recommend appropriate tax-planning advice.
- d. Identify further information required to complete VAT & duty calculations and finalise tax advice.
- e. Give advice which is appropriate, technically correct and within the law. Whilst ethics is not specifically examined in this paper, candidates are expected to produce solutions which meet the ethical guidance of the CIOT.
- f. Interpret and communicate UK & EU VAT legislation and apply it to a scenario.

2) Technical skills

VAT

- a. Understand the territorial scope of VAT and the requirement to become VAT registered either in the UK or elsewhere in the EU, including:
 - a. for non-EU established businesses.
 - b. the different types of taxable person and the circumstances in which VAT registration may apply to them, including tax representatives and agents.

A detailed knowledge of VAT registration requirements in other Member States is not required.

- b. Understand how an obligation to VAT can arise including:
 - a. the meaning of supply and consideration, and how supplies differ in respect of goods and services; and when treated as single or multiple supplies.
 - b. the different rules relating to the time and place that supplies and importations are deemed to occur, including importations and cross border services.
- c. Understand and calculate VAT liabilities, including:
 - a. the different rates of VAT and in what circumstances they apply
 - b. deemed intra Community supplies, and non-taxable income.

- c. the deductions and reliefs that are available against a VAT charge, including non-deductibles.
- d. the methods of valuing importations and intra community supplies and acquisitions for VAT purposes, and the reliefs available.
- e. how refunds of VAT are made to non-established persons.
- f. the simplification mechanisms for intra community trading.
- d. Demonstrate an understanding of how the VAT rules apply to different classes of business operating within the EU, including:
 - a. tour operators,
 - b. non EU based suppliers of electronic services,
 - c. financial and insurance providers and intermediaries.

Customs Duties

- a. Demonstrate an understanding of the legislative framework of Customs Duties in the UK, including:
 - a. the territorial scope of the EU for customs duty purposes, quota requirements, Common Agricultural Policy import charges, controls and licences .
 - b. an understanding of the Community Customs Code.
- b. Understand how liabilities for Customs Duties are calculated including:
 - a. how goods are classified for customs duty purposes, the valuation methods available, and how this interacts with the VAT valuation.
 - b. the different reliefs available for customs duties, including the storage of goods in approved warehouses, deferment and the requirement for guarantees.
- c. Understand export procedures, valuations, and controls.

Excise Duties

- a) Understand the statutory definitions of liquors, and have a general awareness of the manufacture of spirits;
- b) Understand the controls, record keeping requirements and warehousing of tobacco products
- c) Understand how excise warehouses work, what goods can be stored there and how they are controlled;
- d) Understand the different types of Registered Consignees, duty deferment and the controls relating to the movement of excise goods.

Note: - Excise Duties will be examined to Awareness level only.

Administration

Demonstrate an understanding of the administration of VAT, IPT, CD and ED including filing deadlines and the penalty regime for non-compliance; and HMRC's powers to investigate. Candidates may also be examined on matters affecting all taxes, such as Disclosure of Tax Avoidance Schemes, General Anti-Avoidance Regulations, and Alternative Dispute Resolution

3) Tax planning skills

Candidates will be able to advise on alternative tax & duty treatments to defer or minimise liabilities. Candidates will also be able to understand the interaction of taxes in given scenarios and to identify and discriminate between tax & duty evasion and avoidance.

In the assessment candidates may be required to:

- a. identify legitimate tax & duty planning measures to minimise liabilities.
- b. evaluate and advise on alternative tax & duty strategies relating to businesses.
- c. recognise, explain and communicate opportunities to use alternative tax & duty treatments.

Reference Materials

Candidates may bring into the examination any volumes from the following:

- Tolley's Yellow Tax Handbooks and Tolley's Orange Tax Handbook
- CCH Tax Statutes and Statutory Instruments Red book, including the index volume, and the CCH Green Book (VAT)
- HMSO copies of taxing statutes
- Tolley's Customs Duties Handbook and Tolley's Excise Duties Handbook; or
- CCH Purple Book (Customs and Excise Duties)

Publications brought into the examination must be bound copies. They can be underlined and highlighted. Annotating, use of "post-its", tagging and folding pages is NOT allowed.