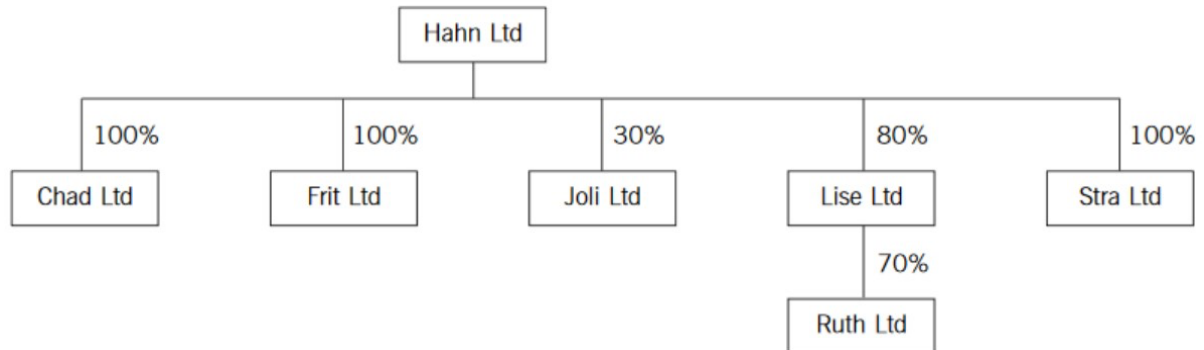


Your manager has had a meeting with the finance director of Hahn Ltd, which is a client of your firm. Extracts from the memorandum she prepared following the meeting, and an email from her in connection with the Hahn Ltd group are set out below:

Extracts from the memorandum - dated 8 September 2016



Notes

1. All of the companies are UK resident trading companies with a year end of 31 March.
2. All of the companies are registered for the purposes of value added tax (VAT).
3. With the exception of Chad Ltd, all of the companies have been members of the Hahn Ltd group for many years.
4. Hahn Ltd purchased Chad Ltd from Zeno Ltd on 1 September 2016. Prior to its disposal to Hahn Ltd, Zeno Ltd had owned Chad Ltd, and six other wholly-owned subsidiaries, for many years.
5. Joli Ltd is not a consortium company.

Extracts from the memorandum - dated 8 September 2016 (continued)

VAT

- The Hahn Ltd group is considering registering as a VAT group. Frit Ltd makes some exempt supplies, such that it is a partially exempt company. The other six companies all make standard rated supplies only. Stra Ltd uses both the annual accounting scheme and the cash accounting scheme.
- On 1 September 2016, Chad Ltd received a refund of VAT from HM Revenue and Customs (HMRC). The company has not been able to identify any reason for this refund.

Please prepare a memorandum for the client files which addresses the following issues:

(c) Chad Ltd — refund of VAT

Prepare a summary of the actions which we should take, and any matters of which Chad Ltd should be aware, in respect of the refund of VAT.

Tax manager

Required:

Prepare the memorandum as requested in the email from your manager. The following marks are available:

(c) Chad Ltd – refund of VAT. (5 marks)