CHAPTER 11

PARTIAL EXEMPTION

11.1 Introduction

A partially exempt business is simply a business which makes taxable and exempt supplies, i.e. part of its business is taxable and part of it is exempt.

This could be a firm of business advisers. Business advisers could offer consultancy services (standard-rated) and they may also provide insurance services (exempt).

Or a village shop could sell confectionery and stationery (standard-rated), books and magazines (zero-rated) and provide postal services (exempt).

The issue with partially exempt businesses is how much input tax they can reclaim.

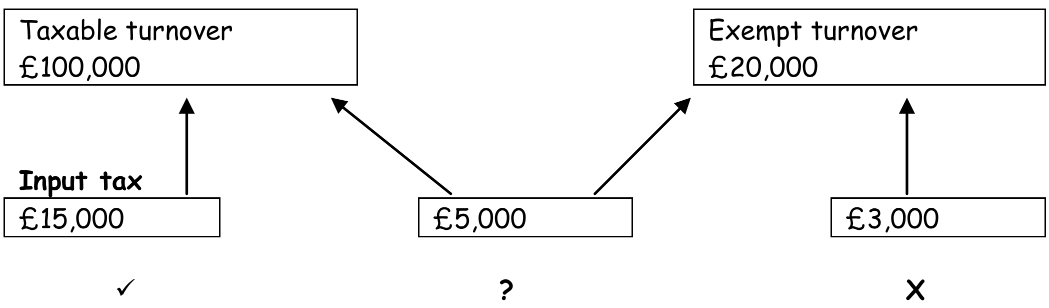
The amount of input tax which a taxable person is entitled to reclaim is so much of the input tax as is attributable to making taxable supplies. SI 1995/2518 Reg 101(1)

Where a business makes partly taxable and partly exempt supplies, the input tax must be apportioned (on a "just and reasonable" basis) between taxable and exempt supplies to determine the extent of the input tax recovery.

Some of the input tax cannot be apportioned as it could relate to both taxable and exempt supplies (for example, on overheads such as light and heat etc). This is "residual" input tax and special rules exist to determine how the input tax is allocated.

Illustration 1

ABC Ltd is partially exempt, i.e. some of the company's turnover is standard-rated and some is exempt.



The input tax relating to the taxable business of £15,000 is fully recoverable.

£3,000 of input tax relating to the exempt business would not be recoverable.

There is also input tax ("residual" input tax) which relates to both the taxable and exempt business. This £5,000 is effectively attributable to both. The business will need to apportion this input tax between the taxable and exempt supplies to determine recoverability of the £5,000.

11.2 Apportionment

The standard method of apportionment of residual input tax is as follows.

$$\frac{\textbf{Taxable supplies (excluding VAT)}}{\textbf{Total supplies (excluding VAT)}}$$ SI 1995/2518 Reg 101 (2)

This fraction is then **expressed as a percentage**. The percentage is then **rounded up** to the next whole number. For example, if it came out to 83.1%, it would round up to 84%. SI 1995/2518 Reg 101 (4)

Rounding up is only available to businesses whose residual input tax is less than £400,000 a month. Therefore most businesses will benefit from rounding.

This percentage is applied to the residual input tax, i.e. to the £5,000 in the previous illustration.

In making the calculation, the value of all the following supplies must be **excluded**. SI 1995/2518 Reg 101(3)

(*a*) Any sum receivable in respect of a supply of **capital goods** used for the purposes of the business.

(*b*) The value of any supply which the business makes to itself (self-supplies).

(*c*) The value of any goods or services provided as a business transaction which is neither a taxable nor an exempt supply (e.g. the transfer of a business as a going concern).

Illustration 2

Taxable turnover £100,000		Exempt turnover £20,000
Input tax		
£15,000	£5,000	£3,000
Taxable supplies	Residual	Exempt supplies

Round up from 83.33%

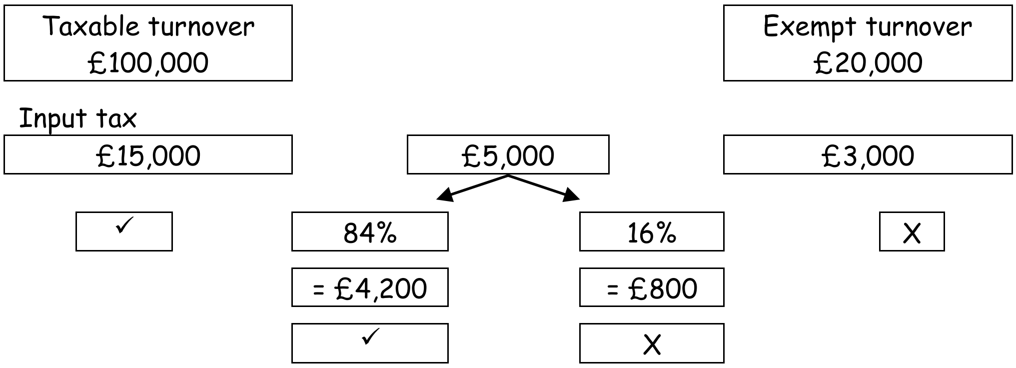
$$\frac{100{,}000}{100{,}000 + 20{,}000} \times 100 = 84\%$$

Applying the formula to the illustration, £100,000 over £120,000 x 100 equals 83.33% (rounded up to 84%).

Consequently 84% of the £5,000 relates to the taxable business and 16% relates to the exempt business.

This equates to £4,200 on the taxable side and £800 on the exempt side.

The input tax that relates to the taxable supplies, is recoverable, and the input tax relating to the exempt business is irrecoverable.



Consequently in this quarter the business will recover £19,200 (£15,000 + £4,200) of input tax.

For returns in the tax year commencing 1 April 2009, new partly exempt businesses can recover their input tax on the basis of use during their registration period, or their first tax year, provided they did not incur any input tax relating to exempt supplies during their registration period, or during any tax year provided they did not incur input tax relating to exempt supplies in their previous tax year. Recovery on the basis of use means that input tax is attributed in accordance with the use or intended use of the costs. HMRC suggest that businesses use their cost accounting plan set out in their business plan. Provided the business plan is logical, objective and transparent it will form an ideal basis for recovery of input tax.

Example 1

In the quarter to 31 March, Zap Limited had the following:

Taxable supplies (excluding VAT)	292,000
Exempt supplies	40,000
Input tax:	
Directly attributable to taxable supplies	7,000
Directly attributable to exempt supplies	4,000
Residual	14,000

Taxable supplies include £12,000 (excluding VAT) for the sale of equipment during the quarter.

You are required to calculate the recoverable input tax.

11.3 De Minimis Input VAT

It is possible to reclaim input VAT relating to exempt supplies if the amounts involved are below a certain limit. SI 1995/2518 Reg 106(1)

Such input tax is normally irrecoverable, but HMRC state that if the amounts are low enough, they will allow the trader to reclaim the input tax even though it relates to making exempt supplies.

To be de minimis the **total exempt input tax** must be **less than or equal to £625 per month on average** and **less than 50% of total input tax**. The trader must satisfy both conditions.

Total exempt input tax is the input tax directly attributable to exempt supplies plus the exempt proportion of the residual input tax.

The £625 per month on average equates to £1,875 per quarter, or £7,500 per annum.

Simplified de minimis tests have been introduced to save some businesses the need to carry out a full partial exemption calculation to confirm that they are de minimis. If in a VAT period, a business passes **test one** or **test two** it can treat itself as **de minimis** and provisionally **recover input tax** relating to exempt supplies. It must still **review** its **de minimis** status at the **year-end** as before and account for any over or under recovery of input tax as part of its **annual adjustment** (see 11.4).

The simplified tests are as follows:

- Test one – **total** input tax incurred is no more than **£625 per month on average** and the value of exempt supplies is no more than **50% of the value of all supplies.**

- Test two – **Total** input tax incurred **less input tax directly attributable** to taxable supplies is no more than **£625 per month on average** and the value of exempt supplies is no more than **50% of the value of all supplies.**

These new tests **supplement** the current test. A business is de minimis if it passes **test one, test two** or the **current test.** If it passes any one test, there is no need for it to consider the other two. Even if a business fails test one and test two the information gathered for these tests will be required to carry out a full partial exemption calculation for the current test.

These simplified tests can be applied to VAT periods commencing on or after **1 April 2010.**

Illustration 3 – normal de minimis test

Quarter to 31 December	
Taxable supplies	£60,000
Exempt supplies	£9,000
Input tax:	
Directly attributable to taxable supplies	£5,000
Directly attributable to exempt supplies	£1,600
Residual input tax	£1,200

The recoverable input tax for the quarter is calculated as follows:

Quarter to 31 December	
Taxable supplies	£60,000
Exempt	£9,000
60/69 x 100 = 87%	

Input tax

	Total	*Taxable*	*Exempt*
Directly attributable to taxable supplies	£5,000	£5,000	
Directly attributable to exempt supplies	£1,600		£1,600
Residual input tax	£1,200	£1,044	£156
	£7,800	£6,044	£1,756
			De-minimis

The total exempt input tax of £1,756 is below the de minimis limits of £625 per month on average or £1,875 per quarter; and is less than half of the total input tax. Half the total input tax is £3,900 (£7,800 x 50%), so £1,756 is below this limit.

Thus in this particular quarter the trader can claim all of his input tax back, i.e. £7,800.

Illustration 4 – simplified de minimis test 1

Quarter to 30 June 2010

Taxable supplies	£30,000
Exempt supplies	£20,000
Total input tax	£1,800

Input tax < £625 x 3 = £1,875

Exempt supplies = £20,000 x £50,000 x 100 = 40% <50%

Business is de minimis for this period and can provisionally claim input tax of £1,800.

Illustration 5 – simplified de minimis test 2

Quarter to 30 June 2010

Taxable supplies	£30,000
Exempt supplies	£20,000
Total input tax	£5,000
Input tax directly relating to taxable supplies	£3,500

Business fails test 1 as its total input tax is more than £625 per month on average. (Input tax £5,000 is greater than £625 x 3 = £1,875)

Business passes test 2 as its total input tax incurred less input tax directly attributable to taxable supplies is no more than £625 per month on average (£5,000-£3,500)/3

and the exempt supplies are no more than 50% of all supplies. (Exempt supplies = £20,000/£50,000 x 100 = 40% <50%)

Example 2

In the quarter to 30 June, Zap Limited had the following:

	£
Taxable supplies (excluding VAT)	300,000
Exempt supplies	50,000
Input tax:	
Directly attributable to taxable supplies	9,000
Directly attributable to exempt supplies	1,000
Residual	4,000

Taxable supplies include £5,000 (excluding VAT) for the sale of equipment during the quarter.

You are required to calculate the recoverable input tax.

11.4 Annual Adjustment

The partial exemption calculations are made on a quarterly basis and input tax is recovered every quarter. These calculations are however not final.

At the end of the trader's VAT year, he must perform an **annual** calculation. This is the same calculation again, but this time using annual supplies and annual input tax figures. SI 1995/2518 Reg 107

When considering the de minimis limits the **annual** de minimis limit is applied which is less than £7,500 (that is £625 times 12 months) and 50% of total input tax.

The trader should calculate the correct reclaim for the year based on these annual figures. The trader then compares the quarterly reclaims to the correct annual claim. The difference is known as the "annual adjustment".

The annual adjustment is **accounted for on the first VAT return of the new VAT year.** For return periods ending or after 30 April 2009, it is possible for businesses to enter the annual adjustment on the final return of the VAT year rather than waiting until the first return of the new VAT year.

A VAT year will depend on the trader's VAT Stagger Group. It will either be the year ended 31 March (Stagger 1), 30 April (Stagger 2) or 31 May (Stagger 3). Consequently a trader's annual adjustment for the VAT year to 31 March, if that is their stagger, will be made in the quarter to 30 June, i.e. the quarter following the VAT year end.

For returns commencing after 1 April 2009, a business can use the previous year's overhead recovery rate during the following year instead of making a calculation each quarter. At the end of the year, it will still be required to make an annual adjustment by calculating the actual recovery for the year and comparing it to the amount already recovered.

This procedure is optional and a business can continue to use the old calculation if it wishes as long as it applies one procedure consistently throughout the year.

Where a business has calculated its recovery on the basis of use in its first year of being partly exempt, its annual adjustment must also be calculated on the basis of use.

If a business has treated itself as de minimis using the new tests, test one or test two, it still needs to carry out an **annual calculation**. If it **passes test one or test two** for the year it can **recover all its input tax** relating to **exempt supplies** and does not need to carry out any further partial exemption calculation.

If a business fails test one and test two for the year then it needs to carry out a **full partial exemption calculation** for the year to see whether it passes the original de minimis test and account for any under or over recovery in the normal way.

Furthermore, there is a new annual de minimis test that can be applied to partial exemption years beginning on or after 1 April 2010. It will give businesses the option of **applying the de minimis test once a year** instead of four or five times a year. It applies if the business passed the de minimis test in the previous partial exemption year.

Where a business was **de minimis** in its **previous** partial exemption year, it can treat itself as **de minimis** in its **current partial exemption year**. This means it can provisionally **recover input tax** relating to exempt supplies in each VAT period, **saving the need** for partial exemption calculations in every period. It is still necessary to carry out an **annual adjustment calculation** at the end of the year and if the de minimis test is failed, input tax relating to exempt supplies that was provisionally recovered **must be repaid**.

There are some conditions for using this annual test too. These are as follows:

- the business must pass the de minimis test for its previous partial exemption year;
- it must consistently apply the annual test throughout any given partial exemption year; and
- have reasonable grounds for not expecting to incur more than £1 million input tax in its current partial exemption year.

Illustration 6

A trader has results for the last 4 VAT quarters as follows. The taxable supplies are stated exclusive of VAT.

	Qtr to 31.7.09	*Qtr to 31.10.09*	*Qtr to 31.1.10*	*Qtr to 30.4.10*	*Year to 30.4.10*
Supplies:	£	£	£	£	£
Taxable	80,000	71,000	77,000	81,000	309,000
Exempt	10,000	14,000	8,000	15,000	47,000
Total	90,000	85,000	85,000	96,000	356,000
%	89	84	91	85	87

The correct percentages are calculated as follows;

- 89% for quarter 1 i.e. £80,000 over £90,000 times 100 rounded up to 89%.
- Quarter 2 is 84%, i.e. £71,000 divided by £85,000 times 100 and that is then rounded up to 84%.
- Quarter 3 is £77,000 divided by £85,000 times 100 which equals 91%.
- Quarter 4 is £81,000 divided by £96,000 times 100 which rounds up to 85%.
- To calculate the annual percentage apply the same method. £309,000 divided by £356,000 times 100, rounded up equals 87%.

Now we have our percentages, we can move on to the input tax reclaims.

	Qtr to 31.7.09	*Qtr to 31.10.09*	*Qtr to 31.1.10*	*Qtr to 30.4.10*	*Year to 30.4.10*
Input tax:	£	£	£	£	£
Direct Taxable	6,000	7,500	7,000	6,750	27,250
Direct Exempt	2,000	1,500	1,700	1,800	7,000
Residual	1,500	1,800	1,650	700	5,650
Taxable	1,335	1,512	1,502	595	4,916
Exempt	165	288	148	105	734
Total taxable	7,335	9,012	8,502	7,345	32,166
Total exempt	2,165	1,788	1,848	1,905	7,734
Claim	7,335	10,800	10,350	7,345	
Total claim					32,166

In the first quarter we multiply the residual input tax of £1,500 by the percentage for that quarter. £1,500 times 89% equals £1,335. The remainder of the residual is exempt, i.e. £165.

Similar calculations are performed to calculate the amounts for quarters 2, 3 and 4; ie

Quarter 2: £1,800 x 84% = taxable supplies £1,512, balance exempt £288.

Quarter 3: £1,650 x 91% = taxable supplies £1,502, balance exempt £148.

Quarter 4: £700 x 85% = taxable supplies £595, balance exempt £105.

At this point there is a great temptation to add right the way across to find the annual figures, but that would be incorrect.

For the annual calculation we use the **annual percentage** of 87% and apply that to the annual residual, £5,650; ie

Annual: £5,650 x 87% = taxable supplies £4,916, balance exempt £734.

On the annual calculation, again we do not add across. To get £32,166 as the total taxable for the year, add the £27,250 to the allocated residual for the year of £4,916. The £7,734 is the £7,000 for the year of direct exempt plus the residual allocation of £734.

The final line is the claim figure for the four quarters.

In quarter 1 the total exempt is £2,165. This is not de minimis since exceeds £1,875. Consequently the claim is only for the taxable amount, the £7,335.

In quarter 2 the £1,788 is de minimis. It is less than £1,875 and it is less than 50% of total input tax - in this case 50% of £10,800. Consequently the claim is for the total input tax, that is £10,800.

In quarter 3 the £1,848 is de minimis. It is less than £1,875 and it is less than 50% of the total input tax - in this particular quarter that is 50% of £10,350. Consequently the claim is the total input tax, i.e. £10,350.

In quarter 4 the exempt input tax of £1,905 is not de minimis. It is greater than £1,875. Therefore the claim for quarter 4 is the £7,345 total taxable input tax.

Finally, on the annual adjustment we consider whether the £7,734 is recoverable. The annual limit is £7,500. Therefore £7,734 is not de minimis, since it is greater than the annual amount.

Consequently the claim amount is only £32,166.

The total claimed in the year is simply the 4 quarters' amounts which total £35,830. These would have been claims made each quarter.
The annual claim is, however, restricted to £32,166. This means that too much VAT has been reclaimed during the year. An annual adjustment of £3,664 is required.

That will be **negative input tax** in the quarter to 31 July 2010. Effectively the trader owes another £3,664 to HMRC in the first quarter after the VAT year. That is the annual adjustment. This can be included on the return for period 04/10 but as it is an amount owed to HMRC we would probably prefer to delay payment until period 07/10. We can now choose whether to use 87% as our recovery rate for the returns in the year ahead.

Illustration 7 – annual test for simplified test 2

Trader's partial exemption year runs from 1 May 2010 to 30 April 2011. During the year it incurs total input tax of £30,000. £25,000 is on goods for resale that are directly attributable to taxable supplies:

Taxable supplies	=	£75,000
Exempt supplies	=	£60,000

Total input tax less input tax directly attributable to taxable supplies =
£30,000 - £25,000 = £5,000 < £7,500 (12 x £625)

Exempt supplies of £60,000 < 50% total supplies of £135,000.

Business is de minimis for year end and is entitled to recover input tax of £30,000.

Example 3

	Qtr to 31.8.10	*Qtr to 30.11.10*	*Qtr to 28.2.11*	*Qtr to 31.5.11*	*Year to 31.5.11*
Supplies:	£	£	£	£	£
Taxable	60,000	63,000	61,000	70,000	254,000
Exempt	9,000	7,000	14,000	10,000	40,000
Total	69,000	70,000	75,000	80,000	294,000
%					
Input tax:					
Direct Taxable	4,000	3,000	500	3,500	11,000
Direct Exempt	1,500	1,200	1,500	2,000	6,200
Residual	2,700	2,500	1,000	1,900	8,100
Taxable					
Exempt					
Total taxable					
Total exempt					
Claim					

Note: The taxable supplies are exclusive of VAT.

You are required to fill in the missing figures in the above example.

Can the business use test one or test two for its annual adjustment?

What difference would it make each quarter if the previous year's recovery rate of 86% had been used?

11.5 Special Methods

The standard method of apportionment applies by default. If a trader is partially exempt, they should apply the standard method, unless a special method is agreed with HMRC.

SI 1995/2518 Reg 102

A special method is usually opted for where it produces a fairer apportionment of the residual input VAT. It may be that the standard method of apportionment does not give a fair fraction, so therefore a special method is agreed.

A business may apply to HMRC to use a special method if it considers that the standard method does not provide a fair and reasonable result. HMRC require precise details of how the proposed method will work in practice and are prepared to discuss proposals before a formal application is submitted. HMRC will normally approve a special method provided it is fair and reasonable.

They will only approve a special method if the taxable person makes a declaration to the effect that, to the best of his knowledge and belief, the method fairly and reasonably represents the extent to which the goods or services are used or are to be used by it in making taxable supplies.

If HMRC consider the declaration is incorrect in that it is not fair and reasonable and that the person signing it ought reasonably to have known this when the declaration was made, they can serve a notice on the person requiring the VAT to be recalculated on the basis of use and any difference repaid.

Special methods can be based on a variety of criteria, such as;

a) **the number of transactions**, for example the number of taxable transactions in a quarter over total number of transactions in the quarter;
b) **floor area,** for example, the floor area used to make taxable supplies and the floor area used to make exempt supplies;
c) **staff numbers**, for example, the total staff employed on the taxable business compared to the staff numbers used in the exempt business.

In practice, special methods can be quite complicated; every business is different and they have their own idiosyncrasies.

A business using a special method approved by HMRC must continue to use it until HMRC approve the termination of its use.

Written approval from HMRC is required before starting to use a special scheme. Any specific conditions will be set out in the letter of approval.

If HMRC, or the business, believe that a special method no longer produces a fair and reasonable result, because of a change in business circumstances, they can introduce an over-ride with immediate effect to correct the unfair method and to ensure that VAT deducted reflects the principle of use.

Answer 1

	Total	*Taxable*	*Exempt*
	£	£	£
Inputs:			
Direct taxable	7,000	7,000	
Direct exempt	4,000		4,000
Residual	14,000	12,320	1,680
	25,000	19,320	5,680

Taxable supplies - exclude Capital Items i.e. equipment

£292,000 - £12,000 = £280,000

Fraction:

$$\frac{\text{Taxable supplies}}{\text{Total supplies}} \times 100 = ?$$

$$\frac{£280{,}000}{£280{,}000 + £40{,}000} \times 100 = 88\% \text{ (rounded up from 87.5)}$$

88% x 14,000 = £12,320

The direct taxable input tax, i.e. the input tax relating directly to the taxable sales were £7,000. £7,000 goes into the taxable column.

The direct exempt input tax was £4,000. £4,000 goes into the exempt column.

The residual is £14,000. This is the amount which must be apportioned between taxable and exempt supplies. This is done using the standard method. The starting point is taxable supplies, remembering to exclude capital items, which in this case would be the sale of the equipment. Thus £292,000 minus the capital equipment of £12,000 which gives £280,000.

The fraction is taxable supplies over total supplies times 100, which equals 88% (rounded up from 87.5%). This percentage is then applied to the residual input tax.

The residual input tax which relates to taxable sales thus amounts to £12,320. (i.e. 88% x £14,000) The balance of residual input tax is exempt, i.e. £1,680.

The total figures for the quarter are therefore £25,000 of total input tax, £19,320 of taxable input tax and £5,680 of exempt input tax. The trader will be able to claim £19,320 of input tax. The £5,680 is irrecoverable as it relates to exempt sales.

Answer 2

	Total	*Taxable*	*Exempt*
	£	£	£
Inputs:			
Direct taxable	9,000	9,000	
Direct exempt	1,000		1,000
Residual	4,000	3,440	560
	14,000	12,440	1,560

Taxable supplies exclude £5,000 capital items

£300,000 - £5,000 = £295,000

Fraction:

$$\frac{£295,000}{£295,000 + £50,000} \times 100 = 86\% \text{ (rounded up from 85.5)}$$

£4,000 x 86% = £3,440.

The input tax directly attributable is £9,000 to taxable and £1,000 to exempt supplies.

The residual of £4,000 needs to be apportioned. To apportion use taxable supplies, which exclude capital items, i.e. exclude the sale of equipment. The taxable supplies for the fraction are £(300,000 - 5,000) = £295,000.

The fraction is 86% (rounded up from 85.5%).

Applying the 86% to the £4,000 = £3,440 in relation to taxable supplies.

The balance of residual input tax of £560 relates to the exempt sales.

This gives totals of £14,000 for the total input tax in the quarter, £12,440 of input tax relating to taxable supplies, £1,560 of input tax relating to exempt supplies.

The question is whether the exempt input amount is de minimis?

It is less than £1,875 and it is also less than 50% of £14,000 the total input tax. Consequently in the quarter the trader can reclaim the whole of the input tax, the £14,000.

Note: The new tests would not be passed in this quarter.

Answer 3

	Qtr to 31.8.10	*Qtr to 30.11.10*	*Qtr to 28.2.11*	*Qtr to 31.5.11*	*Year to 31.5.11*
Supplies:	£	£	£	£	£
Taxable	60,000	63,000	61,000	70,000	254,000
Exempt	9,000	7,000	14,000	10,000	40,000
Total	69,000	70,000	75,000	80,000	294,000
%	87	90	82	88	87
Input tax:					
Direct Taxable	4,000	3,000	500	3,500	11,000
Direct Exempt	1,500	1,200	1,500	2,000	6,200
Residual	2,700	2,500	1,000	1,900	8,100
Taxable	2,349	2,250	820	1,672	7,047
Exempt	351	250	180	228	1,053
Total taxable	6,349	5,250	1,320	5,172	18,047
Total exempt	1,851	1,450	1,680	2,228	7,253
Claim	8,200	6,700	1,320	5,172	25,300

Claimed in year £21,392
Annual Adjustment £3,908 – Qtr to 31.8.11 (or 31.5.11 if preferred)

The correct percentages are 87%, 90%, 82%, 88%. The annual percentage is 87%.

In quarter 1, the taxable apportionment of residual is, £2,700 x 87% = £2,349.

The balance of residual of £351 is treated as the exempt proportion.

This gives total taxable for the quarter of £4,000 + £2,349 = £6,349.

The total exempt for the quarter is £1,500 + £351 + £1,851. When considering the claim for the quarter, consider whether the £1,851 is de minimis. In this case it is de minimis as it is less than £1,875. The total claim for quarter 1 is £8,200.

Similar calculations are performed for quarters 2, 3 and 4.

The claim in quarter 2 is the whole input tax for the quarter. The £1,450 of inputs relating to the exempt supplies is de minimis, therefore full reclaim.

In quarter 3 there is £1,680 of input tax relating to exempt supplies. This passes the first de minimis test as it is less than £1,875. However, it is not less than 50% of total input tax (ie, 50% x £3,000). Consequently it is not de minimis. The reclaim is restricted to the input tax relating to taxable supplies in that quarter, that is £1,320.

In quarter 4 the input tax relating to exempt supplies of £2,228 is not de minimis as it exceeds £1,875.

Finally, the annual figures:

Annual apportionment is residual input tax £8,100 x 87% = £7,047.

Next consider the total figures for the year. £11,000 + apportioned residual £7,047 = £18,047.

This same principle applies for the total exempt: £6,200 + £1,053 = £7,253.

Consider whether the £7,253 is de minimis. It is less than £7,500, (£625 x 12) and it is less than 50% of total input tax. Consequently the claim for the year should be £25,300.

The business actually claimed in the year £21,392. This leaves an annual adjustment of £3,908 of **additional input tax to reclaim** on the quarter to 31 August 2011. That is the first quarter after the VAT year-end.

If previous year's rate of 86% is used, the claim would be as follows:

Residual	2,700	2,500	1,000	1,900
Taxable	2,322	2,150	860	1,634
Exempt	378	350	140	266
Total taxable	6,322	5,150	1,360	5,134
Total exempt	1,878	1,550	1,640	2,266
Claim	6,322	6,700	1,360	5,134

The business would have claimed £19,516 in the year using the previous year's recovery rate therefore it would have been better off using the actual figures for each quarter.

The new tests one and two are not suitable for this business as it does not meet the criteria.