

Foundations in Taxation (Republic of Ireland) June & December 2016

This syllabus and study guide is designed to help with planning study and to provide detailed information on what could be assessed in any examination session.

THE STRUCTURE OF THE SYLLABUS AND STUDY GUIDE

Relational diagram of paper with other papers

This diagram shows direct and indirect links between this paper and other papers preceding or following it. Some papers are directly underpinned by other papers such as Advanced Performance Management by Performance Management. These links are shown as solid line arrows. Other papers only have indirect relationships with each other such as links existing between the accounting and auditing papers. The links between these are shown as dotted line arrows. This diagram indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.

Overall aim of the syllabus

This explains briefly the overall objective of the paper and indicates in the broadest sense the capabilities to be developed within the paper.

Main capabilities

This paper's aim is broken down into several main capabilities which divide the syllabus and study guide into discrete sections.

Relational diagram of the main capabilities

This diagram illustrates the flows and links between the main capabilities (sections) of the syllabus and should be used as an aid to planning teaching and learning in a structured way.

Syllabus rationale

This is a narrative explaining how the syllabus is structured and how the main capabilities are linked.

The rationale also explains in further detail what the examination intends to assess and why.

Detailed syllabus

This shows the breakdown of the main capabilities (sections) of the syllabus into subject areas. This is the blueprint for the detailed study guide.

Approach to examining the syllabus

This section briefly explains the structure of the examination and how it is assessed.

Study Guide

This is the main document that students and learning and content providers should use as the basis of their studies, instruction and materials respectively.

Examinations will be based on the detail of the study guide which comprehensively identifies what could be assessed in any examination session.

The study guide is a precise reflection and breakdown of the syllabus. It is divided into sections based on the main capabilities identified in the syllabus. These sections are divided into subject areas which relate to the sub-capabilities included in the detailed syllabus. Subject areas are broken down into sub-headings which describe the detailed outcomes that could be assessed in examinations.

These outcomes are described using verbs indicating what exams may require students to demonstrate, and the broad intellectual level at which these may need to be demonstrated (*see intellectual levels below).

LEVEL OF ASSESSMENTS – INTELLECTUAL DEMAND

The syllabus is designed to progressively broaden and deepen the knowledge, skills and professional values demonstrated by the student on their way through the qualification.

Throughout, the study guide assesses both knowledge and skills. Therefore, a clear distinction is drawn, within each subject area, between assessing knowledge and skills and in assessing

their application within an accounting or business context. The assessment of knowledge is denoted by a superscript^K and the assessment of skills is denoted by the superscript^S.

VALUE OF ASSESSMENTS – EDUCATION RECOGNITION

ACCA seeks to enhance the education recognition of its qualifications on both national and international education frameworks, and with educational authorities and partners globally. In doing so, ACCA aims to ensure that its qualifications are recognized and valued by governments, regulatory authorities and employers across all sectors. To this end, ACCA qualifications are currently recognized on the education frameworks in several countries. Please refer to www.accaglobal.com/en/discover/public-value/education-learning/recognition-acca.html for further information.

GUIDE TO EXAM STRUCTURE

The structure of examinations varies within and between modules and levels.

The FIA examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus.

All FIA examinations are assessed by two-hour paper based and computer based examinations.

The pass mark for all FIA examination papers is 50%.

GUIDE TO EXAMINATION ASSESSMENT

ACCA reserves the right to examine anything contained within the study guide at any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified.

For the tax papers, ACCA will publish *examinable documents*, or tax rates and allowances tables, once a year to indicate exactly what legislation could potentially be assessed within identified examination sessions. These should be read in conjunction with the information below.

For IRL tax papers, the June and December examinations will be based on legislation passed before the previous 30 September. I.e. June and

December 2016 papers will be based on legislation passed by 30 September 2015.

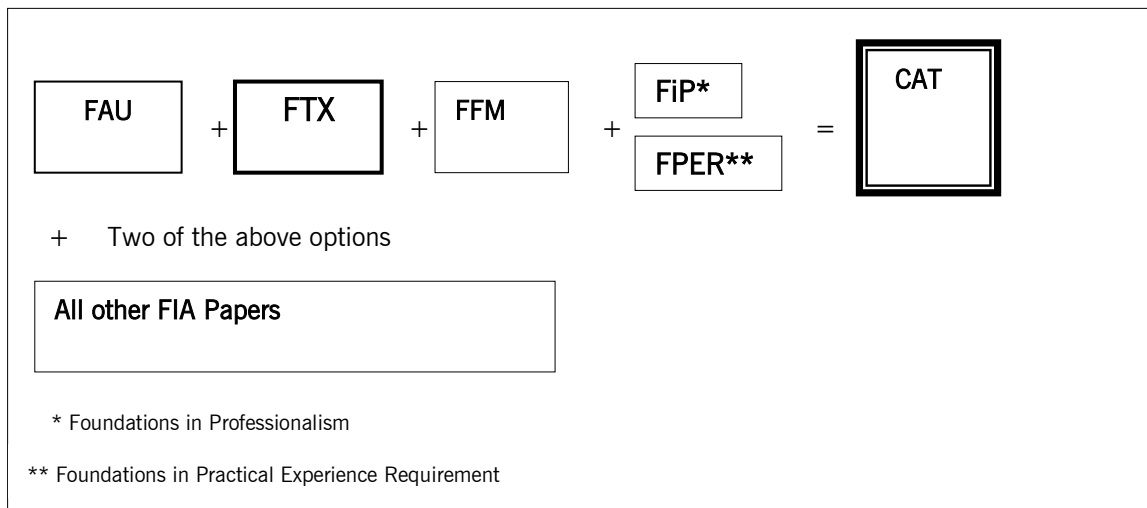
Tax rates and allowance tables will be provided at the front of the examination paper.

Calculations should be made to the nearest month and the nearest €.

Knowledge of section numbers will not be needed to understand questions in this paper, nor will students be expected to use them in their answers. If students wish to refer to section numbers in their answers, they may do so and will not be penalised if old, or even incorrect section numbers, are used.

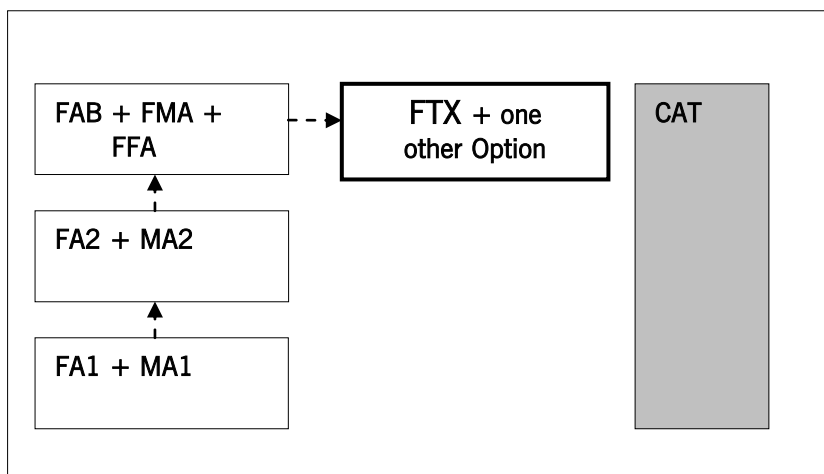
Qualification structure

The Certified Accounting Technician (CAT) Qualification consists of nine papers which include seven of the FIA examination papers, at all three levels, plus two examinations from three of the specialist options papers. The CAT qualification also requires the completion of the Foundations in Professionalism (FiP) module and 12 months relevant work experience, including the demonstration of 10 work based competence areas. Exemptions can be claimed from a maximum of the first four FIA papers for relevant work experience.



Syllabus structure

The CAT syllabus is designed at three discrete levels. To be awarded the CAT qualification, students must either pass or be exempted from all nine examinations including two specialist options papers. Exemptions based on relevant work experience can be claimed from up to the first four FIA papers.



Syllabus

AIM

To develop the ability to prepare computations of tax liability for both individuals and businesses resident in the Republic of Ireland for the purposes of income tax, corporation tax, capital gains tax and value added tax. In addition, to develop knowledge and understanding of the manner in which dealings must be conducted with the Revenue Authorities, including knowledge of the statutory timescales for the submission of claims and returns and the due dates for the payment of tax liabilities.

RATIONALE

The syllabus for the foundation in taxation paper introduces candidates to the subject of taxation and provides the core knowledge of the underlying principles and the major technical areas of taxation, as they affect the activities of individuals and businesses, at a level appropriate for someone working at technician level.

Candidates are introduced to the rationale behind – and the functions of – the tax system. The syllabus then considers the separate taxes that a technician accountant would need to have knowledge of, such as income tax from self-employment, employment and investments, the corporation tax liability of individual companies, the Pay Related Social Insurance (PRSI) and Universal Social Charge (USC) liabilities of both employed and self employed persons, the value added tax liability of businesses, and the chargeable gains arising on disposals of

investments by both individuals and companies. In addition an understanding of the administration aspects of these taxes should be gained, such as knowledge of the statutory timescales for the submission of claims and returns and the due dates for payment of tax liabilities.

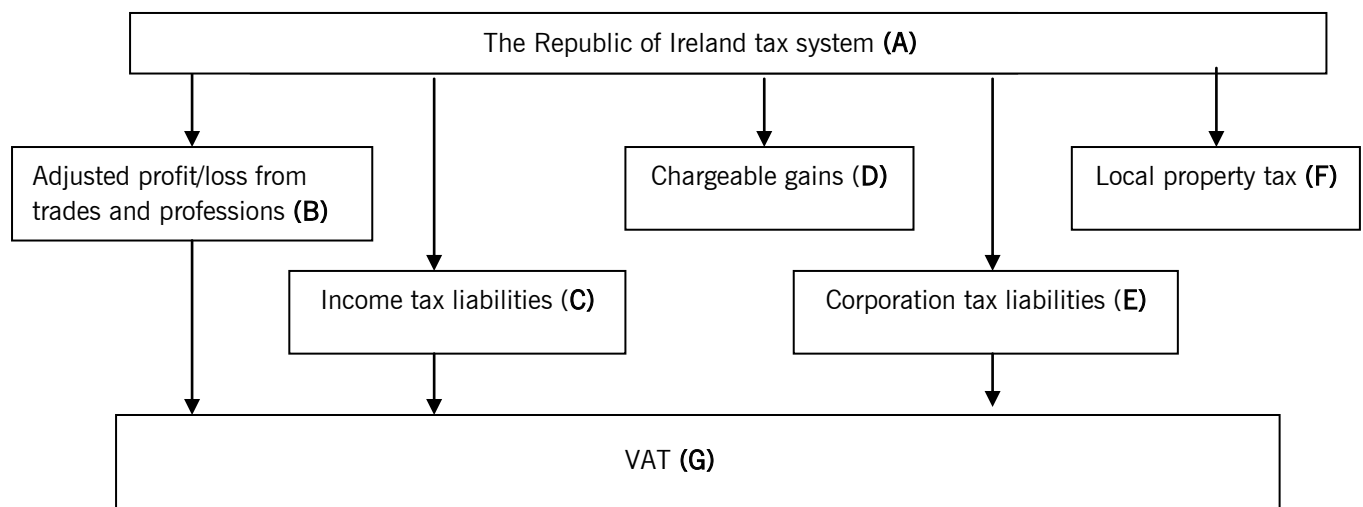
Having covered the core areas of the basic taxes, candidates should be able to compute tax liabilities, explain the basis of their calculations, complete the tax returns and identify the compliance issues for each major tax through a variety of business and personal scenarios and situations.

MAIN CAPABILITIES

On successful completion of this paper candidates should be able to:

- A** Explain the basic operation and scope of the Republic of Ireland tax system
- B** Prepare adjusted profit / loss computations for trades and professions
- C** Compute the income tax liability of individuals, and prepare the income tax return
- D** Explain and compute the chargeable gains and capital gains tax liability arising on individuals
- E** Compute the corporation tax liability of a company, including any chargeable gains, and prepare the corporation tax return
- F** Explain and compute the taxation of residential property
- G** Explain and compute the effects of value added tax on incorporated and unincorporated businesses and prepare returns

RELATIONAL DIAGRAM OF MAIN CAPABILITIES



DETAILED SYLLABUS

A. Introduction to the Republic of Ireland tax system

1. Principal sources of revenue law and practice
2. Different types of taxes

B. Self-employed adjusted profit / loss computations for trades and professions

1. Adjustment of trading profits / losses for tax purposes
2. Capital allowances
3. Basis of assessments
4. Partnerships
5. Relief for trading losses

C. Income tax liabilities

1. Introduction to personal taxation
2. Income from employment
3. Income from property, savings and investments
4. The comprehensive computation of taxable income and income tax liability
5. The use of pension contributions in deferring and minimising income tax liabilities
6. Pay Related Social Insurance (PRSI) and Universal Social Charge (USC) contributions
7. Income tax administration

D. Capital gains tax

1. The scope of the taxation of capital gains
2. The basic principles of computing gains and losses
3. Gains and losses on the disposal of shares and securities

4. Gains and losses on the disposal of movable and immovable property
5. The use of exemptions and reliefs in deferring and minimising tax liabilities arising on the disposal of capital assets

E. Corporation tax liabilities

1. The scope of corporation tax
2. Profits liable to corporation tax
3. The comprehensive computation of corporation tax liability
4. Relief for losses
5. Corporation tax administration

F. Local property tax (LPT)

1. The scope of the taxation of residential property
2. Determining who is liable to pay LPT
3. The computation of LPT payable

G. Value added tax (VAT)

1. The scope of value added tax (VAT)
2. The VAT registration requirements
3. The basic principles of VAT
4. VAT invoices and records
5. Administration of VAT
6. The effect of special schemes
7. Preparing and completing VAT returns and the calculation of VAT liabilities and refunds

APPROACH TO EXAMINING THE SYLLABUS

The syllabus is assessed by a two hour paper-based examination. Questions will assess all parts of the syllabus.

The examination will consist of two sections structured as follows:

	Marks
Section A – 10 compulsory multiple choice questions worth 1, 2 or 3 marks each	20
Section B – Nine compulsory questions	
Q1 +2 (15 marks each)	30
Q3 +4 (10 marks each)	20
Q5 to Q9 (6 marks each)	<u>30</u>
	100

One of the 15 mark questions will be on corporation tax and the other on income tax. The remaining questions will examine topics from any area of the syllabus.

Study Guide

A INTRODUCTION TO THE REPUBLIC OF IRELAND TAX SYSTEM

1. Principal sources of revenue law and practice

- a) Describe the overall structure of the Republic of Ireland tax system.^[K]
- b) Identify the main sources of Republic of Ireland tax legislation.^[K]
- c) Describe the organisation of the Revenue Authorities and its terms of reference including the appeals system.^[K]
- d) Describe the appeals process.^[K]
- e) Explain the schedular system of income tax and its background (how the legislation does not define income but defines taxable sources).^[K]

2. Different types of taxes

- a) Identify the different types of capital and revenue tax.^[K]
- b) Explain the difference between direct and indirect taxation.^[K]

Excluded topics

- *Anti-avoidance legislation.*

B SELF EMPLOYED - ADJUSTED PROFIT / LOSS COMPUTATIONS FOR TRADES AND PROFESSIONS

1. Adjustment of trading profits / losses for tax purposes

- a) Recognise the basis of assessment for self-employment income.^[K]
- b) Explain the principles of deductible and non-deductible expenditure.^[K]
- c) Prepare adjusted profit computations (including capital allowances).^[S]

- d) Illustrate the use of capital allowances on commencement, continuing and on cessation of a business.^[S]

Excluded topics

- *Badges of trade.*
- *Successions.*
- *Personal service companies.*

2. Capital allowances

- a) Explain the principles relating to capital allowances on plant & machinery
 - i) definition of plant
 - ii) cars
 - iii) private use assets
 - iv) hire purchase and leasing.^[K]
- b) Prepare capital allowance computations for plant & machinery, fixtures and fittings, and motor vehicles^[S]
- c) Explain the principles relating to capital allowances on industrial buildings
 - i) qualifying trades
 - ii) qualifying expenditure
 - iii) qualifying industrial use.^[K]
- d) Prepare capital allowance calculations for industrial buildings
 - i) new buildings
 - ii) second-hand buildings
 - iii) disposals.^[S]

Excluded topics

- *Capital allowances on agricultural buildings, hotels and intangible assets.*
- *In respect of industrial buildings allowances; the sale of industrial buildings followed by a period of non-industrial use.*
- *Non-industrial use and notional allowances on industrial buildings.*

3. Basis of assessments

- a) Explain the basis of assessment for a continuing sole traders business.^[K]

- b) Explain and demonstrate the calculations of the basis of assessment for commencement and cessation of business.^[K]

Excluded topics

- *Change of accounting date.*

4. Partnerships

- a) Explain how the schedule D case I and II rules are adapted for partnerships, including basis of assessment and for commencement, continuing and cessation of a business.^[K]
- b) Explain and show the effect of capital allowances on partnerships.^[K]
- c) Demonstrate the effect of changes in partnerships
- change in profit sharing ratios
 - new partners
 - departing partners.^[S]
- d) Illustrate the loss relief claims available to individual partners.^[S]

Excluded topics

- *Notional profits / losses for partnerships.*
- *Limited liability partnerships.*

5. Relief for trading losses

- a) Explain the loss reliefs available to self employed.^[K]
- b) Demonstrate the best use of a loss relief claim
- save the highest amount of tax
 - timing
 - protection of personal allowances.^[S]

Excluded topics

- *Terminal loss relief for individuals.*

C INCOME TAX LIABILITIES

1. Introduction to personal taxation

- a) Identify the fiscal year.^[K]

- b) Outline the scope of income tax: chargeable persons, chargeable income.^[K]

- c) Identify sources of taxation information for individuals.^[K]

- d) Distinguish between income and capital profits/losses.^[S]

- e) Outline the key elements of a personal income tax computation.

- earned income
- dividend income
- interest income
- property income
- other income
- statutory total income.
- taxable income
- tax credits
- calculation of Income Tax, PRSI and USC.^[S]

2. Income from employment

- a) Explain the difference between employment and self-employment.^[K]

- b) Identify assessable income
- salaries
 - commissions
 - bonuses
 - benefits in kind.^[K]

- c) Define and illustrate the basis of assessment for:
- directors
 - others.^[K]

- d) Identify the principal categories of deductions and illustrate their scope (no detail on pension contributions at this point).^[K]

- e) Identify the information required on a P11D.^[K]

- f) Identify assessable benefits in kind and calculate their value.^[S]

- g) Identify the treatment of expense allowances.^[K]

- h) Compute aggregate Schedule E income
- all income
 - benefits in kind

iii) expenses.^[S]

- i) Identify source documents required to complete tax returns
 - i) interest statements
 - ii) receipts for expenses
 - iii) Form P11D
 - iv) Form P60
 - v) Form P45.^[K]

Excluded topics

- *Detailed operation of the PAYE system.*
- *Share incentive schemes.*
- *Termination payments.*

3. Income from property, savings and investments

- a) Identify income assessable under Schedule D Case V.^[K]
- b) Outline the deductions allowable
 - i) rental expenses including interest payable
 - ii) capital allowances
 - iii) repairs and renewals
 - iv) restriction for private use.^[K]
- c) Rent a room relief.^[K]
- d) Use of losses.^[K]
- e) Identify income assessable under Schedule D cases III and IV and explain the basis of assessment.^[K]
- f) Identify investments taxed at source.^[K]
- g) Identify tax free investments.^[K]
- h) Identify the source documents used to complete the tax return.^[K]

4. The comprehensive computation of taxable income and income tax liability

- a) Explain the entitlement to and the amount of the personal tax credits and tax bands.^[K]
- b) Identify and explain the deductible reliefs and allowances
 - i) interest payments

- ii) donations to approved bodies (including charities)
- iii) pension scheme contributions including PRSAs
- iv) medical expenses
- v) permanent health insurance
- vi) rent relief.^[K]

- c) Prepare income tax computations under single, joint and separate assessment rules.
 - i) standard layout
 - ii) statutory total income (STI)
 - iii) tax liability and tax payable.^[S]

Excluded topics

- *Foreign income other than UK investment income.*
- *Double tax relief.*

5. The use of pension contributions in deferring and minimising income tax liabilities

- a) Identify the schemes available to employees, employers and the self-employed
 - i) occupational pension schemes
 - ii) private pension plans including PRSA's.^[K]
- b) Define net relevant earnings.^[K]
- c) Explain the maximum contributions allowed for tax relief
 - i) occupational schemes
 - ii) personal pension plans.^[K]
- d) Show how the relief is given.^[S]
- e) Show the tax effects of employer contributions
 - i) on the employer
 - ii) on the employee.^[S]

6. Pay Related Social Insurance (PRSI) and Universal Social Charge (USC)

- a) Compute PRSI and USC for the self-employed and contrast with employees.^[S]
- b) Compute PRSI and USC on investment income.^[S]

c) Compute Class A1 PRSI and USC for employees.^[S]

d) Compute the contributions payable on unearned income of a modified PRSI rate contributor and employed contributors who do not have Case I/II income. (Class K).^[S]

e) Compute Class A1 PRSI for employers.^[S]

7. Income tax administration

a) Self assessment forms (Form 11)

i) requirement.^[K]

ii) completion dates.^[K]

iii) entering data on the form.^[S]

b) Pay As You Earn (PAYE) forms and deadlines for submission

i) P11D

iv) P60

v) P35

vi) P45.^[K]

c) PAYE payment dates for employers.^[K]

d) Payment dates for income tax and the calculation of interest on late payment.^[S]

e) Filing dates for income tax returns and the calculation of surcharges for late filing.^[S]

Excluded topics

- *Enquiries and Revenue Audits.*
- *Dealing with Revenue authorities.*

D CAPITAL GAINS TAX

1. The scope of the taxation of capital gains

a) Define chargeable persons, chargeable disposals and chargeable assets

i) individuals

ii) exempt disposals

iii) exempt assets.^[K]

b) Outline the administrative framework for capital gains tax

i) individuals

ii) companies

ii) payment.^[K]

c) Outline the basic calculation including the deduction of expenses of purchase and sale and indexation.^[K]

d) Explain the entitlement to the annual exemption.^[K]

2. The basic principles of computing gains and losses.

a) Explain and demonstrate the circumstances when market value may be used for the transfer value

i) bargains not at arms length

ii) gifts.^[S]

b) Calculate gains/losses arising on the disposals of assets

i) including enhancement expenditure.

ii) purchases pre and post April 1974.^[S]

c) Explain the use of capital losses for individuals

i) current year

ii) brought forward.^[K]

d) Compute the amount of allowable expenditure for a part disposal.^[S]

Excluded topics

- *Negligible value claims.*

3. Gains and losses on the disposal of shares and securities

a) Outline the FIFO rules for shares.^[K]

b) Compute gains and losses on disposals by individuals.^[S]

c) Illustrate the impact of bonus and rights issues on shareholdings.^[S]

d) Sale of rights.^[S]

e) Identify exempt disposals.^[K]

4. Gains and losses on the disposal of movable and immovable property

- a) Define chattels
 - i) non-wasting
 - ii) wasting.^[K]
 - b) Explain and demonstrate the calculation of gains on chattel disposals
 - i) exemptions
 - ii) marginal relief
 - iii) deemed proceeds for losses
 - iv) awareness of the interaction with capital allowances.^[S]
 - c) Calculate gains and losses on part disposals.^[S]
 - d) Calculate gains and losses on immovable property.^[S]
- 5. The use of exemptions and reliefs in deferring and minimising tax liabilities arising on the disposal of capital assets**
- a) Principal private residence (PPR) relief
 - i) outline the rules governing PPR.^[K]
 - ii) explain and calculate the exemption.^[S]
 - iii) explain and calculate the relief for absences.^[S]

Excluded topics

- *Compensation receipts and insurance proceeds*
- *Leases.*
- *Incorporation relief.*
- *Retirement relief.*
- *Development Land.*
- *Anti-avoidance legislation.*

E CORPORATION TAX LIABILITIES

1. The scope of corporation tax

- a) Identify the scope of corporation tax
 - i) chargeable entities
 - ii) chargeable income.^[K]
- b) Identify chargeable accounting periods, including periods longer and shorter than 12 months.^[K]

- c) Identify the basis of assessment for all sources of income.^[K]
 - i) Schedule D Cases I and II
 - ii) Schedule D Case III
 - iii) Schedule D Case IV
 - iv) Schedule D Case V
 - v) capital gains.^[K]

Excluded topics

- *Close companies.*
- *Groups and consortia.*
- *Foreign income and double tax relief.*
- *Investment companies and companies in receivership/liquidation.*
- *Relief for intangible assets.*
- *Anti-avoidance legislation.*

2. Profits liable to corporation tax

- a) Recognise the expenditure that is allowable in calculating the tax-adjusted trading profit.^[K]
- b) Compute capital allowances.^[S]
- c) Compute profits liable to corporation tax.^[S]

3. The comprehensive computation of corporation tax liability

- a) Identify the financial year(s) relevant to a chargeable accounting period.^[K]
- b) Calculate the corporation tax payable for periods longer and shorter than 12 months.^[S]
- c) Identify the rates of corporation tax to be applied.^[K]
- d) Calculate the corporation tax liability arising on income and gains.^[S]
- e) Calculate and offset any income tax on payments and receipts.^[S]

4. Relief for losses

- a) Explain the loss reliefs available for both trade and non trade losses.^[K]
- b) Illustrate the use of the loss reliefs in a basic calculation
 - trade losses
 - (i) current period
 - (ii) carry back
 - (iii) carry forward.^[S]
- c) Compute corporation tax repayable following a loss relief claim.^[S]

Excluded topics

- *Terminal loss relief for companies.*
- *Charges.*

5. Corporation tax administration

- a) Outline the corporation tax self- assessment rules
 - i) return filing date
 - ii) calculate payments of tax
 - iii) surcharges and interest.

Excluded topics

- *Enquiries and Revenue Audits.*
- *Dealing with Revenue authorities.*

F LOCAL PROPERTY TAX

1. The scope of local property tax (LPT)

- a) Describe the scope of LPT.^[K]

2. Determining who is liable to pay LPT

- a) Identify who is the liable person .^[K]
- b) Identify property ownership dates that are applicable.^[K]
- c) Explain when properties may be exempt from LPT.^[K]

3. The computation of LPT payable

- a) Explain how property is valued.^[K]

- b) Calculate the amount of LPT payable.^[S]

Excluded topics

- *Alternative payment options*

G VALUE ADDED TAX

1. The scope of value added tax (VAT)

- a) Explain the scope of VAT.^[K]

2. The VAT registration requirements

- a) Illustrate the need for registration
 - i) compulsory
 - ii) voluntary
 - iii) exemption
 - iv) deregistration.^[K]
- b) Explain the advantages of voluntary VAT registration.^[K]
- c) Explain the circumstances in which a person may request exemption from registration.^[K]
- d) Explain how and when a person can deregister for VAT.^[K]

Excluded topics

- *Group registration.*
- *Partial exemption.*

3. The basic principles of VAT

- a) Explain and contrast the types of supply
 - i) standard
 - ii) zero rated
 - iii) exempt.^[K]
- b) Explain the treatment of imports and exports.^[K]

4. VAT invoices and records

- a) Explain the detail required on VAT invoices.^[K]

5. Administration of VAT

- a) Detail the basic VAT administration requirements
 - i) records.^[K]

6. The effect of special schemes

- a) Describe the following schemes
 - i) annual accounting scheme
 - ii) cash accounting scheme.^[K]

Excluded topics

- *Flat rate scheme for farmers*
- *The second-hand goods scheme.*
- *The capital goods scheme.*
- *The special schemes for retailers.*

7. Preparing and completing VAT returns

- a) Computing VAT liabilities
 - i) input tax
 - ii) output tax
 - iii) bad debts
 - iv) discounts
 - v) irrecoverable VAT.^[S]
- b) Accounting for VAT
 - i) return periods
 - ii) time of supply
 - iii) tax payment dates
 - iii) VAT return ^[K]

Excluded topics

- *Serious misdeclaration penalty.*
- *Default interest.*

READING LIST

This section only contains examiner suggested reading which is in addition to the study texts and/or revision materials and/or other reading listed within the learning content provider directory.

Additional examiner suggested reading:

The following manual from the Irish Tax Institute Tax Technician programme is relevant to paper FTX IRL:

Irish Taxation – Law and Practice

SUMMARY OF CHANGES TO FTX (IRL)

ACCA periodically reviews its qualification syllabuses so that they fully meet the needs of stakeholders such as employers, students, regulatory and advisory bodies and learning providers.

Table 1 – Additions to FTX (IRL)

Section and subject area	Syllabus content
C 6 - Pay Related Social Insurance (PRSI) and Universal Social Charge (USC)	New part (d) on the computation of Class K social insurance contributions on unearned income added.