

Foundations in Taxation (UK)

June & December 2014

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

THE STRUCTURE OF THE SYLLABUS AND STUDY GUIDE

Relational diagram 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. These links are shown as solid line arrows. The links between papers where there is only an indirect link and no required underpinning are shown as dotted line arrows. The relational diagram therefore 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 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).

Learning Materials

ACCA's Approved Learning Partner – content (ALP-c) is the programme through which ACCA approves learning materials from high quality content providers designed to support study towards ACCA's qualifications.

The Directory also lists materials by Subscribers,

these materials have not been quality assured by ACCA but may be helpful if used in conjunction with approved learning materials. You will also find details of Examiner suggested Additional Reading which may be a useful supplement to approved learning materials.

ACCA's Content Provider Directory can be found here –
http://www.accaglobal.com/learningproviders/alpc/content_provider_directory/search/.

Relevant articles will also be published in Student Accountant.

LEVEL OF ASSESSMENTS – INTELLECTUAL DEMAND

ACCA qualifications are designed to progressively broaden and deepen the knowledge and skills demonstrated by the student at a range of levels on their way through each qualification.

Throughout, the study guides assess 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 **UK** tax papers, examinations falling within the financial year 1 April to 31 March will examine the Finance Act which was passed in the previous July. I.e. Exams falling in the period 1 April 2014 to 31 March 2015 will examine the Finance Act 2013.

For **SGP** tax papers, examinations falling within the year 1 April to 31 March will be based on legislation passed before the previous 30 September. I.e. examinations falling in the year 1 April 2014 to 31 March 2015 will be based on legislation passed by 30 September 2013.

For **MYS** tax papers, examinations falling within the year 1 October to 30 September will be based on legislation passed before the previous 31 March. I.e. examinations falling in the year 1 October 2014 to 30 September 2015 will be based on legislation passed before the previous 31 March 2014.

For **CYP** tax papers, June and December examinations will be based on regulation or legislation published in the Official Gazette of the Republic of Cyprus ("the Gazette") on or before 30 September. I.e. June and December 2014 papers will be based on regulation or legislation published in the Official Gazette of the Republic of Cyprus ("the Gazette") on or before 30 September 2013.

For **CZE** tax papers, December and June examinations will be based on legislation passed before the previous 31 May. I.e. December 2014 and June 15 papers will be based on legislation in force at 31 May 2014.

For **VNM** tax papers, June and December examinations will be based on legislation passed before the previous 31 December. I.e. June and December 2014 papers will be based on legislation passed by 31 December 2013.

Tax papers for the following variants:

BWA, CHN, HUN, HKG, IRL, LSO, MWI, MLA, POL, PKN, ROM, RUS, ZAF, ZWE.

The June and December examinations will be based on legislation passed before the previous 30 September. I.e. June and December 2014 papers will be based on legislation passed by 30 September 2013.

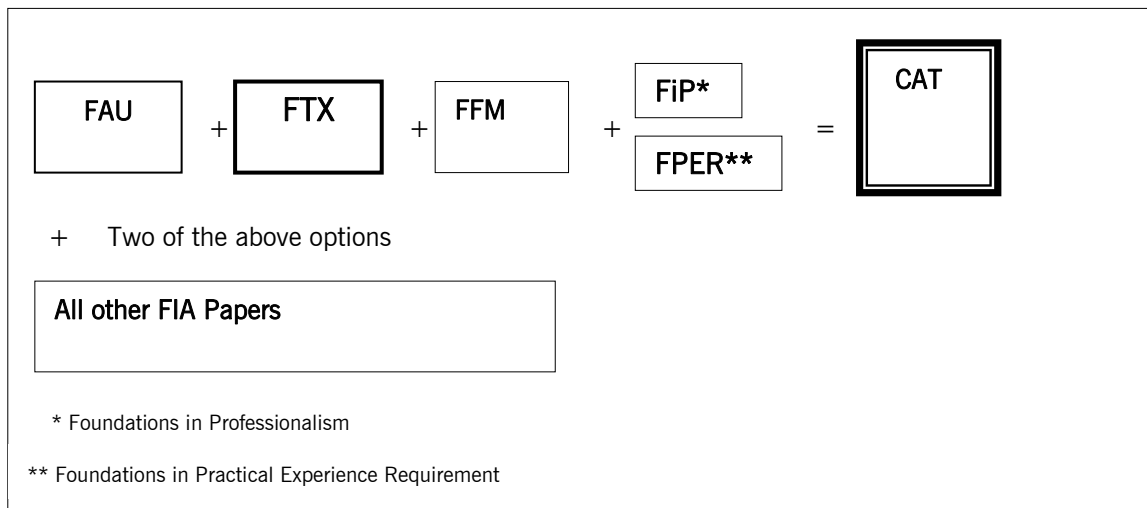
Tax rates and allowance tables will be provided at the front of the examination paper.

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.

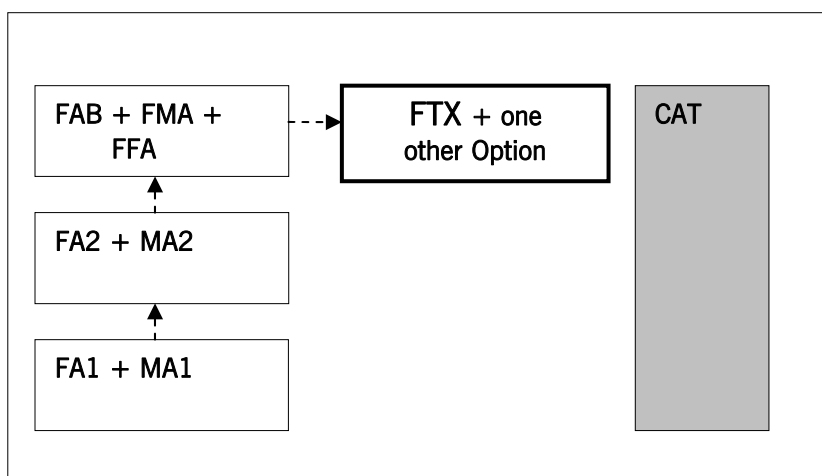
Qualification structure

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 UK 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 HM Revenue and Customs, 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 national insurance

contribution 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.

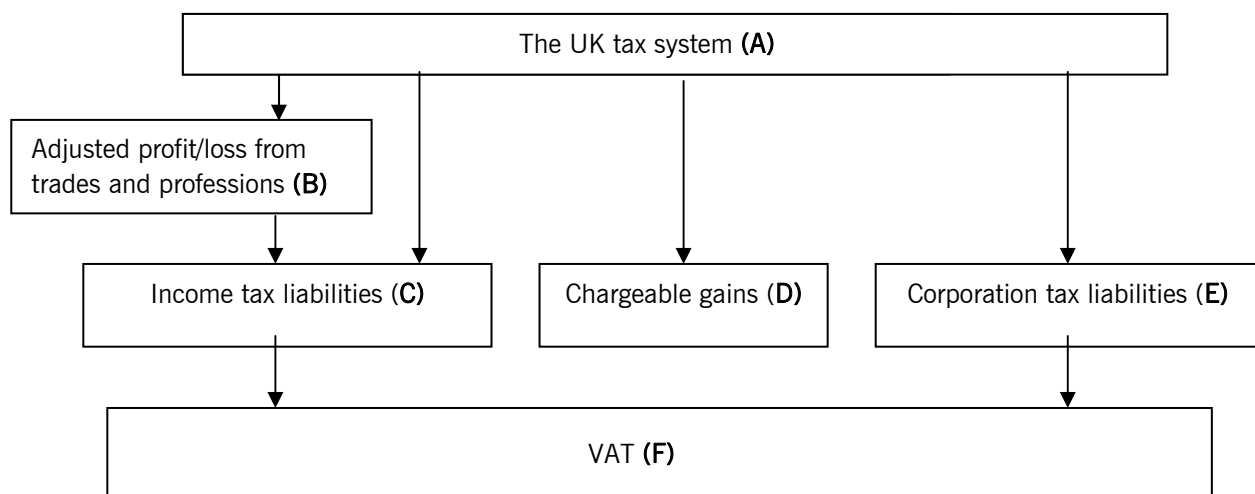
Having covered the core areas of the basic taxes, candidates should be able to compute tax liabilities, explain the basis of their calculations, complete the tax returns and identify the compliance issues for each major tax through a variety of business and personal scenarios and situations.

MAIN CAPABILITIES

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

- A** Explain the basic operation and scope of the UK 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 effects of value added tax on incorporated and unincorporated businesses and prepare returns

RELATIONAL DIAGRAM OF MAIN CAPABILITIES



DETAILED SYLLABUS

A. Introduction to the UK tax system

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

B. 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. Relief for trading losses
5. Partnerships
6. National insurance contributions for self-employed
7. Prepare relevant pages of a tax return

C. Income tax liabilities

1. Introduction to personal taxation
2. Income from employment and Class 1 National Insurance Contributions
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. Income tax administration

D. Capital gains tax

1. The scope of the taxation of capital gains for individuals
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 computation of capital gains tax payable by individuals and the completion of the self assessment tax return

6. 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. Taxable total profits
3. The comprehensive computation of corporation tax liability
4. Chargeable gains for companies
5. Relief for losses
6. The use of exemptions and reliefs in deferring and minimising corporation tax liabilities
7. Complete the corporation tax return
8. Corporation tax administration

F. 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
8. Communicate VAT information

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

Question 1 will focus on income tax and question 2 will focus on corporation tax. The remaining questions will examine topics from any area of the syllabus.

Study Guide

A INTRODUCTION TO THE UK TAX SYSTEM

1. Principal sources of revenue law and practice

- a) Describe the overall structure of the UK tax system.^[K]
- b) Identify the main sources of UK tax legislation.^[K]
- c) Identify the key reference sources for UK tax legislation.^[K]
- d) Describe the organisation HM Revenue & Customs (HMRC) and its terms of reference including the appeals system.^[K]
- e) Describe the appeals process for income tax First and Upper Tier Tribunals.^[K]
- f) Explain the 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 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) Recognise the relief that can be obtained for pre-trading expenditure.^[K]

- d) Prepare adjusted profit computations.^[S]
- e) Illustrate the use of capital allowances on commencement and cessation of business.^[S]

Excluded topics

- *Badges of trade.*
- *Successions.*
- *Change of accounting date.*
- *Personal service companies.*
- *Farmers averaging of profit.*
- *The averaging of profits for authors and creative artist.*
- *Remoteness and duality tests for profit deduction.*
- *Post cessation receipts and expenses.*
- *Cash basis for small businesses*

2. Capital allowances

- a) Explain the principles relating to capital allowances on plant and machinery
 - i) definition of plant
 - ii) cars
 - iii) private use assets
 - iv) short life assets
 - v) hire purchase and leasing
 - vi) special rate pool.^[K]
- b) Prepare capital allowance computations for plant and machinery
 - i) writing down allowances
 - ii) annual investment allowance
 - iii) restrictions.^[S]

Excluded topics

- *Long life assets.*
- *FYA for energy saving equipment and low emission cars.*

- *Capital allowances for motor cars already owned at 6 April 2009 (1 April 2009 for companies).*
- *The 100% allowance for expenditure on renovating business premises in disadvantaged areas, flats above shops and water technologies.*
- *Apportionment in order to determine the amount of annual investment allowance where periods span 1 January 2013.*

3. Basis of assessments

- Explain the basis of assessment for a continuing sole trader's business.^[K]
- Explain and demonstrate the calculations of the basis of assessment for commencement and cessation of business.^[K]
- Calculate overlap relief, explain and demonstrate how it can be used on cessation.^[S]

4. Relief for trading losses

- Explain the alternative loss reliefs available to a sole trader
 - s.64 current and prior years
 - s.83 carry forward.^[K]
- Demonstrate the best use of a loss relief claim
 - save the highest amount of tax
 - timing
 - protection of personal allowances.^[S]

Excluded topics

- *The special rules for losses in the opening years of a trade (s72 ITA 2007).*
- *The special rules for losses in the closing years of a trade (terminal losses under s89 ITA 2007).*
- *The special rules for the use of trade losses against capital gains (s261B TCGA 1992).*
- *Loss relief for shares in unquoted trading companies.*

- *For Class 4 NIC: the offset of trading losses against non-trading income*

5. Partnerships

- Explain how the trading profit rules are adapted for partnerships.^[K]
- Explain and show the effect of capital allowances on partnerships.^[K]
- Demonstrate the effect of changes in partnerships
 - change in profit sharing ratios
 - new partners
 - departing partners.^[S]
- Illustrate the loss relief claims available to individual partners.^[S]

Excluded topics

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

6. National insurance contributions for self-employed

- Calculate national insurance contributions (NIC) for self-employed and contrast with employees
 - class 2
 - class 4.^[S]

Excluded topics

- *Carry forward of trade losses which have been used against other income.*

7. Prepare relevant pages of a tax return

- Complete the self-employed or partnership supplementary pages of the tax return for individuals, and submit them within the statutory time limits.^[S]

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
 - i) earned income
 - ii) non-savings income
 - iii) savings income
 - iv) dividend income
 - v) net income
 - vi) taxable income.^[K]

Excluded topics

- *Child benefit income tax charge*
- *Residence status*

2. Income from employment and Class 1 National Insurance Contributions

- a) Identify assessable income
 - i) salaries
 - ii) commissions
 - iii) bonuses
 - iv) benefits.^[K]
- b) Define and illustrate the basis of assessment for:
 - i) directors
 - ii) others.^[K]
- c) Identify the principal categories of deductions and illustrate their scope (no detail on pension contributions at this point)
 - i) payroll giving
 - ii) subscriptions
 - iii) travelling expenses
 - iv) expenses incurred wholly, exclusively and necessarily in the performance of duties.^[K]

- d) Define and distinguish between excluded and non excluded employees.^[K]
- e) Identify the information required on a P11D and a P9D.^[K]
- f) Identify and calculate benefits:
 - i) assessable on all employees
 - ii) assessable on excluded employees
 - iii) assessable on non-excluded employees.^[S]
- g) Compute aggregate income
 - i) all income
 - ii) benefits
 - iii) expenses.^[S]
- h) Identify source documents required to complete tax returns
 - i) interest statements
 - ii) receipts for expenses
 - iii) Forms P11D or P9D
 - iv) Form P60.^[K]
- i) Compute basic Class 1 National Insurance Contributions
 - i) employees
 - ii) employers (including class 1A)
 - iii) weekly/monthly computations.^[S]

Excluded topics

- *The difference between employment and self-employment*
- *The exemption for zero emission company motor cars.*
- *Detailed operation of the PAYE system (including calculations of code numbers).*
- *PAYE settlement agreements.*
- *Dispensation agreements.*
- *Share incentive schemes.*
- *Termination payments.*
- *The calculation of directors' national insurance on a month by month basis.*
- *Contracted out National Insurance Contributions.*

- *Classes 1(b) and 3 National Insurance Contributions.*

3. Income from property, savings and investments

- Identify property income assessable
 - furnished and unfurnished property
 - premiums from short leases.^[K]
- Outline the deductions allowable
 - revenue expenses
 - capital allowances
 - wear and tear allowance
 - repairs and renewals
 - restriction for private use.^[K]
- Describe rent a room relief.^[K]
- Explain the treatment of furnished holiday lettings.^[K]
- Understand how relief for a property business loss is given.^[K]
- Identify investments taxed at source.^[K]
- Identify tax-free investments.^[K]
- Identify the source documents used to complete the tax return.^[K]
- Prepare schedules of savings income to accompany the tax return.^[S]

Excluded topics

- *The enterprise investment scheme, the seed enterprise investment scheme and venture capital trusts.*
- *Trust income.*
- *Junior ISAs*
- *Premiums for granting subleases*
- *The tax reduction scheme for gifts of pre-eminent objects*

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

- Explain the entitlement to and the amount of the personal allowance.^[K]
- Identify and explain the use of eligible interest.^[K]
- Illustrate the allocation of tax bands and tax rates against taxable income
 - non-savings
 - savings
 - dividends.^[S]
- Explain and illustrate the difference between tax liability and tax payable for:
 - deduction of tax credits from savings and dividend income
 - deduction of PAYE.^[K]
- Explain and illustrate charitable payments
 - payroll giving
 - gift aid and the extension of basic rate and higher rate bands.^[K]
- Prepare examples of income tax computations
 - standard layout
 - net income
 - use of rates and bands
 - basic rate and higher rate band extension
 - tax liability and tax payable.^[S]

Excluded topics

- *Personal allowances other than the personal allowance for people born after 5 April 1948.*
- *Tax reducers.*
- *Foreign income and double tax relief.*
- *The calculation of under/overpaid or late paid tax.*
- *Maintenance payments.*
- *The income of minor children.*
- *Cap on income tax reliefs*
- *Child benefit income tax charge*

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

- a) Identify the schemes available
 - i) occupational pension schemes
 - ii) private pension plans.^[K]
- b) Define net relevant earnings.^[K]
- c) Explain the maximum contributions allowed for tax relief
 - i) occupational schemes
 - ii) personal pension plans
 - iii) stakeholder plans
 - iv) employee, employer and self employed.^[K]
- d) Show how the relief is given
 - i) deductions from salary
 - ii) basic rate tax withheld at source
 - iii) higher rate tax relief given via basic rate band extension.
 - iv) additional rate tax relief given via higher rate band extension.^[S]
- e) Show the tax effects of employer contributions
 - i) on the employer
 - ii) on the employee.^[S]

Excluded topics

- *Excess charges for exceeding annual and lifetime allowances.*
- *The carry forward of unused annual allowance.*
- *Receiving income from pension arrangements.*

6. Income tax administration

- a) Explain and apply the features of the self-assessment system as it applies to individuals.^[K]
- b) Detail the responsibilities that individuals have for disclosure of income and payment of tax to the relevant authorities.^[K]
- c) Describe the duties and responsibilities of a tax practitioner.^[K]
- d) Compute payments on account and balancing payments/repayments.^[S]
- e) List the information and records that taxpayers need to retain for tax purposes.^[S]

- f) Pay As You Earn (PAYE) forms and deadlines for submission
 - i) P11D
 - ii) P9D
 - iii) P60
 - iv) P45.^[K]
- g) Explain the tax authority's filing and payment process in relation to all personal income.^[K]
- h) Explain the system of penalties and interest as it applies to income tax and capital gains.^[K]

Excluded topics

- *HM Revenue & Customs compliance checks, determinations and discovery assessments.*
- *Reducing payments on account.*
- *General Anti- Abuse Rule*

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) payment.^[K]
- c) Outline the basic calculation including the deduction of expenses of purchase and sale.^[K]
- d) Explain the entitlement to the annual exemption.^[K]

2. The basic principles of computing gains and losses.

- a) Compute capital gains for individuals.^[S]
- b) Explain the circumstances when market value may be used for the transfer value
 - i) bargains not at arms length
 - ii) gifts.^[K]

- c) Demonstrate the calculation of market value for quoted shares and securities.^[S]
- d) Calculate disposals of post 31 March 1982 assets including enhancement expenditure.^[S]
- e) Explain the use of capital losses for individuals
 - i) current year
 - ii) brought forward.^[K]
- f) Compute the amount of allowable expenditure for a part disposal.^[S]

Excluded topics

- *Assets held at 31 March 1982.*
- *Losses in the year of death.*
- *Connected persons and transfers between spouses.*
- *Partnership capital gains.*
- *Negligible value claims.*
- *Relief for losses incurred on loans made to traders.*
- *Assets transferred to and from trading stock.*
- *CGT questions involving the effects of pension contributions and gift aid payments on income tax reliefs.*

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

- a) Outline the matching rules for individuals
 - i) same day
 - ii) next 30 days
 - iii) share pool.^[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 – awareness of basic treatment (partial vs. small disposal) only.^[K]

- e) Identify exempt disposals
 - i) gilts
 - ii) qualifying corporate bonds (individuals only).^[K]

Excluded topics

- *Disposals of rights issues.*
- *Employee shareholders.*

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 on part disposals.^[S]
- d) Compensation and insurance proceeds.^[S]

Excluded topics

- *Small part disposals of land.*
- *Wasting assets (other than chattels) and leases.*
- *Damaged assets.*

5. The computation of capital gains tax payable by individuals and the completion of the self assessment tax return

- a) Compute the amount of capital gains tax payable.^[S]
- b) Record relevant details of gains and the capital gains tax payable legibly and accurately in the tax return.^[S]

6. 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
 - ii) explain and calculate the exemption
 - iii) explain and calculate the relief for absences
 - iv) explain and calculate the letting relief.^[S]
- b) Gift relief
 - i) outline availability
 - ii) explain and calculate the relief
 - iii) calculate the restriction as a result of a sale at undervalue.^[S]
- c) Roll-over relief
 - i) outline availability
 - ii) explain and calculate the relief
 - iii) calculate the relief available on the partial reinvestment of sale proceeds
 - iv) depreciating assets.^[S]
- d) Explain and apply entrepreneurs' relief as it applies to individuals.^[K]

Excluded topics

- *Reinvestment relief.*
- *Entrepreneurs' relief for associated disposals.*
- *Incorporation relief.*

E CORPORATION TAX LIABILITIES

1. The scope of corporation tax

- a) Identify the scope of corporation tax
 - i) chargeable entities
 - ii) chargeable income
 - iii) chargeable gains.^[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
 - i) trading income
 - ii) profits from loan relationships and interest
 - iii) property business income
 - iv) chargeable gains.^[K]

Excluded topics

- *Close companies.*

- *Groups and consortia.*
- *Foreign income and double tax relief.*
- *Investment companies and companies in receivership or liquidation.*
- *The purchase by a company of its own shares.*
- *Personal service companies.*
- *Completion of forms CT61.*
- *Non-corporate dividends.*

2. Taxable total profits

- a) Recognise the expenditure that is allowable in calculating the tax-adjusted trading profit.^[K]
- b) Explain how relief can be obtained for pre-trading expenditure.^[K]
- c) Compute capital allowances (as for income tax).^[S]
- d) Compute property business profits.^[S]
- e) Explain the treatment of interest paid and received under the loan relationship rules.^[K]
- f) Explain the treatment of qualifying charitable donations.^[K]
- g) Compute taxable total profits.^[S]

Excluded topics

- *Research and development expenditure.*
- *Non-trading deficits on loan relationships.*
- *Relief for intangible assets.*
- *Patent box.*

3. The comprehensive computation of corporation tax liability

- a) Identify the financial year(s) relevant to a chargeable accounting period.^[K]

- b) Identify the rates of corporation tax to be applied
 - i) small profits rate
 - ii) marginal rate
 - iii) main rate.^[K]
- c) Calculate the corporation tax liability.^[S]
- d) Calculate and offset any income tax on payments and receipts.^[S]
- e) Identify associate companies and show their effect on tax calculations.^[S]

Excluded topics

- *Accounting periods that span two financial years if there is a change in the rate of tax.*
- *The corporate venturing scheme*

4. Chargeable gains for companies

- a) Compute chargeable gains for companies.^[S]
- b) Calculate indexation allowance up to the date of sale.^[S]
- c) Explain the use of capital losses for companies
 - i) current year
 - ii) brought forward.^[K]
- d) Outline the matching rules for companies
 - i) same day
 - ii) last 9 days
 - iii) share pool (construction of a basic pool, including the calculation of indexation allowance up to the date of sale will be required).^[K]
- e) Compute gains and losses on disposals.^[S]
- f) Roll-over relief
 - i) outline availability
 - ii) explain and calculate the relief
 - iii) calculate the relief available on the partial reinvestment of sale proceeds
 - iv) depreciating assets.^[S]

Excluded topics

- *Substantial shareholdings.*

- *Assets held at 31 March 1982.*

5. 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
 - i) trade losses
 - CTA 2010 s37 current period
 - CTA 2010 s37 carry back (including cessation)
 - CTA 2010 s45 carry forward
 - ii) non trade losses
 - property business loss relief
 - capital losses
 - explain the impact of cessation of trade on trade and non trade losses.^[S]
- c) Compute corporation tax repayable following a loss relief claim.^[S]

Excluded topics

- *The carry back of a loss involving periods of less than 12 months.*

6. The use of exemptions and reliefs in deferring and minimising corporation tax liabilities:

- a) The use of such exemptions and reliefs is implicit within all of the above sections 1 to 5 of part E of the syllabus, concerning corporation tax.^[K]

7. Complete the corporation tax return

- a) Complete corporation tax returns correctly and submit them within statutory time limits.^[S]

8. Corporation tax administration

- a) Explain and apply the features of the self-assessment system as it applies to companies, including the use of iXBRL.^[K]
- b) Explain the system of penalties and interest as it applies to corporation tax.^[K]
- c) Recognise the time limits that apply to the filing of returns and the making of claims.^[K]

- d) Recognise the due dates for the payment of corporation tax under the self-assessment system.^[K]
- e) Explain how large companies are required to account for corporation tax on a quarterly basis.^[K]
- f) List the information and records that taxpayers need to retain for tax purposes.^[S]

Excluded topics

- *HM Revenue & Customs compliance checks, determinations and discovery assessments.*
- *Calculations of corporation tax instalments for short periods.*

F VALUE ADDED TAX

1. The scope of value added tax (VAT)

- a) Describe the scope of VAT and identify sources of information on VAT.^[K]
- b) Explain the relationship between the organisation and the relevant government agency.^[K]

2. The VAT registration requirements

- a) Recognise the circumstances in which a person must register for VAT.^[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.*
- *Intending trader registration.*
- *The consequences of deregistration.*
- *Disaggregation.*

3. The basic principles of VAT

- a) Explain and contrast the types of supply
 - i) standard
 - ii) zero rated
 - iii) exempt.^[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
 - ii) late registration penalties.^[K]

Excluded topics

- *Substantial traders.*

6. The effect of special schemes

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

Excluded topics

- *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) impaired debts
 - iv) discounts
 - v) irrecoverable VAT.^[S]
- b) Make adjustments and declarations for any errors or omissions identified in previous VAT returns.^[S]
- c) Accounting for VAT
 - i) return periods

- ii) tax point
- iii) VAT return.^[S]

Excluded topics

- *VAT periods where there is a change in VAT rate.*
- *Partial exemption.*
- *Penalty for an incorrect VAT return.*
- *Default interest.*
- *Explain the treatment of overseas transactions (EU and non EU)*

8. Communicate VAT information

- a) Inform managers of the impact that the VAT payment may have on the company cash flow and financial forecasts.^[S]
- b) Advise relevant people of the impact that any changes in VAT legislation, including the VAT rate, would have on the organisations recording systems.^[S]
- c) Communicate effectively with the relevant tax authority when seeking guidance.^[S]

SUMMARY OF CHANGES TO FTX (UK)

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.

The main areas that have been amended in the syllabus are shown in Table 1 below:

Table 1 – Amendments to FTX (UK)

Section and subject area	Syllabus content
B1 Adjustment of trading profits / losses for tax purposes – <i>Excluded topics</i>	<i>Cash basis for small businesses</i>
B2 Capital allowances – <i>Excluded topics</i>	<i>Apportionment in order to determine the amount of annual investment allowance where periods span 1 January 2013.</i>
C1 Introduction to personal taxation – <i>Excluded topics</i>	<i>Residence status</i>
C4 The comprehensive computation of taxable income and income tax liability – <i>Excluded topics</i>	<i>Personal allowances amended to clarify date of birth</i> <i>Cap on income tax reliefs</i> <i>Child benefit income tax charge</i>
C6f) Income tax administration	Forms P14 and P35 removed, as no longer relevant
C6 Income tax administration – <i>Excluded topics</i>	<i>General Anti- Abuse Rule</i>
D2 The basic principles of computing gains and losses – <i>Excluded topics</i>	<i>CGT questions involving the effects of pension contributions and gift aid payments on income tax reliefs</i>
D3 Gains and losses on the disposal of shares and securities – <i>Excluded topics</i>	<i>Employee shareholders</i>
E2 Taxable total profits– <i>Excluded topics</i>	<i>Patent box</i>