

RELEVANT TO ACCA QUALIFICATION PAPER F6 (UK)

### **Studying Paper F6?**

Performance objectives 19 and 20 are relevant to this exam

### **Examiner's approach to Paper F6, Taxation (UK)**

The aim of the paper is to ensure that candidates have an understanding of the tax system, and a knowledge of income tax, corporation tax, capital gains tax, inheritance tax, value added tax and national insurance contributions. The syllabus covers virtually everything dealt with in the CAT Paper 9, *Preparing Taxation Computations* as well as some new topics introduced at the Paper F6 level. The paper provides a solid basis for those candidates who wish to progress to Paper P6, *Advanced Taxation*.

The paper will consist of five questions, all of which will be compulsory. The questions will be predominantly computational, although each question may contain written elements, and it is possible that an entirely written answer might be required. Questions 1 and 2 will account for 55 of the marks, with one of these questions being for 30 marks and the other being for 25 marks. Questions 3, 4 and 5 will each be for 15 marks.

#### **Question 1**

This question will focus on income tax. The most important syllabus areas that you can expect to see frequently examined as regards income tax are as follows:

- Income from employment (in particular, the income assessable, the allowable deductions and benefits).
- Income from self-employment (in particular, the basis of assessment, the expenditure that is allowable, assessable profits on commencement and cessation, capital allowances and relief for trading losses).
- Property and investment income (in particular, property business profits, savings income and dividend income).
- The computation of taxable income and the income tax liability.
- The self-assessment system.
- The time limits for the submission of information, claims and payment of tax.

Question 1 might include a small element of chargeable gains.

#### **Question 2**

This question will focus on corporation tax. Groups and overseas aspects of corporation tax may be examined as part of Question 2, and a small element of chargeable gains may also be included. The most important syllabus areas that you can expect to see frequently examined as regards corporation tax are as follows:

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- Taxable total profits (in particular, the expenditure that is allowable in calculating the tax-adjusted trading profit, capital allowances, property business profits and relief for trading losses).
- Computation of the corporation tax liability.

**Question 3**

This question will focus on chargeable gains in either a personal or a corporate context. The most important syllabus areas that you can expect to see frequently examined as regards chargeable gains are as follows:

- Computation of a person's chargeable gains.
- Computation of the amount of allowable expenditure for a part disposal.
- Computation of the chargeable gain when a chattel is disposed of.
- Computation of the exemption when a principal private residence is disposed of.
- The share identification rules as they apply to individuals and to companies.
- The computation of the capital gains tax payable by individuals.
- Exemptions and reliefs (in particular, entrepreneurs' relief, rollover relief and holdover relief).

**Questions 4 and 5**

Questions 4 and 5 will be on any area of the syllabus.

Groups and overseas aspects of corporation tax may be examined in Question 5.

Although the most syllabus areas have been shown, it is important for students to study the whole syllabus, as anything within the syllabus can be examined.

**Inheritance tax (IHT)**

Inheritance tax could be examined in either of Questions 4 or 5 for a maximum of 15 marks. The most important syllabus areas that you can expect to see frequently examined as regards IHT are as follows:

- The seven-year accumulation principle.
- The IHT liabilities arising on lifetime transfers.
- The IHT liability on a death estate.
- The annual exemption and the exemption for gifts between spouses.
- The payment of IHT.

**Value added tax (VAT)**

The paper will always contain a minimum of 10 marks on VAT. These marks will normally be included within either question one or question

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two, although there might be a separate question on VAT. Normally, if the VAT element is included in question one or two then that question will be the one for 30 marks. The most important syllabus areas that you can expect to see frequently examined as regards VAT are as follows:

- The circumstances in which a person must register for VAT
- The computation of VAT liabilities (in particular, the tax point, the valuation of supplies, non-deductible input VAT and relief for impairment losses on trade debts)
- The cash accounting, annual accounting and flat rate schemes

**National Insurance contributions**

National Insurance contributions will not be examined as a separate question, but may be examined in any question involving income tax or corporation tax.

**Finance Act article**

Candidates sitting Paper F6, *Taxation* (UK) should read the relevant Finance Act article which is published each year in *Student Accountant* magazine on the ACCA website ([www.accaglobal.com](http://www.accaglobal.com)) – as this article is highly relevant to Paper F6 (UK).

Other technical articles are also available on the ACCA website to assist students in preparing for exams.

**David Harrowven is examiner for Paper F6 (UK)**