

taxation

■ The aim of Paper F6, *Taxation (UK)* is to ensure that candidates have an understanding of the tax system, and a knowledge of income tax, corporation tax, capital gains tax, value added tax (VAT), and National Insurance contributions. The syllabus provides a solid basis for those who wish to progress to Paper F6, *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 marks, with one question worth 30 marks and the other worth 25 marks. Questions 3, 4 and 5 will be worth 20, 15 and 10 marks respectively.

Question 1

This question will focus on income tax. Unlike the syllabus for Paper 2.3, *Business Taxation*, the Paper F6 syllabus is not confined to business taxation. Although it covers the same areas as the Paper 2.3 syllabus, it also includes new topics such as property income for individuals. Investment income for individuals is also covered in more detail. Question 1 in the *Pilot Paper* is based on Question 2 from the Paper 2.3 December 2002 examination. It has been adapted for the Paper F6 syllabus by the inclusion of property income, investment income, and a Gift Aid donation.

With regard to income tax, the most important syllabus areas on which students can expect to be regularly examined are:

- 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 also include a small element of chargeable gains.

Question 2

This question will focus on corporation tax. The syllabus covers the same areas as the Paper 2.3 syllabus. In the *Pilot Paper*, Part (a) of Question 2 is a shortened version of Question 1 from the Paper 2.3 December 2005 examination. Groups and overseas aspects of corporation tax may be examined as part of Question 2, but will account for no more than one third of the marks available for that question.

With regard to corporation tax, the most important syllabus areas on which students can expect to be regularly examined are:

- profits chargeable to corporation tax (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 2 might include a small element of chargeable gains.

Value added tax

A minimum of 10 marks will always be allocated to VAT. These marks will normally be included in either Questions 1 or 2, although there might be a separate question on VAT. Normally, if the VAT element is included in Question 1 or 2, then that question will be the one worth 30 marks. This is the case in the *Pilot Paper*.

Although the VAT section of either Question 1 or 2 will normally use the same scenario as the main part of the question (for example, if the main part deals with a taxpayer commencing in business, then the VAT element might deal with registration procedures), it will not be necessary to use information from the main part of the question in order to answer the VAT part. This is demonstrated in the *Pilot Paper*, where Part (b) of Question 2 can be answered before Part (a).

Part (b) of Question 2 in the *Pilot Paper* is a shortened version of Question 3 from the Paper 2.3 June 2005 examination.

With regard to VAT, the most important syllabus areas on which students can expect to be regularly examined are:

- 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.

Question 3

This question will focus on chargeable gains in either a personal or a corporate context. Again, the syllabus is not confined simply to business aspects. It covers the same areas as the Paper 2.3 syllabus, but also includes new topics such as part disposals, principal private residence relief, chattels, and transfers between spouses. Question 3 in the *Pilot Paper* is based on the first part of Question 4 from the Paper 2.3 December 2003 examination. It has been adapted for the Paper F6 syllabus by the inclusion of various other disposals.

With regard to chargeable gains, the most important syllabus areas on which students can expect to be regularly examined are:

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- computation of capital 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 (in particular, the computation of taper relief)
 - exemptions and reliefs (in particular, rollover relief, and holdover relief).

Questions 4 and 5

Questions 4 and 5 will be on any area of the syllabus. In the *Pilot Paper*, Question 4 is on change of accounting date, and is the same as Question 7 from the Paper 2.3 December 2003 examination. Question 5 is on corporate loss relief, and is based on Question 7 from the Paper 2.3 December 2002 examination. This question shows how a topic of this nature will be dealt with in a compulsory question, as compared to when the question was optional. Question 7 from the June 2007 exam on the subject of pensions provides a further example of a topic that could be scaled down to be examined for 10 marks.

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* at the December 2007 sitting should read the Finance Act 2006 article – published in the January 2007 issue of *student accountant direct* and on the ACCA website (www.accaglobal.com) – as this article is highly relevant to Paper F6. ■

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