

PCEF guidance notes

# Area I – Taxation

# Area I – Taxation

## Unit PC21 – Tax computations and assessment

This unit is concerned with preparing computations of taxable amounts and tax liabilities on behalf of individual or corporate clients in accordance with current legal requirements.

Element reference	Demonstrated behaviour and examples
<b>Element TA1</b> <b>Compute the tax payable</b>	<ul style="list-style-type: none"><li>• Collect all relevant information and related supporting documents for the preparation of tax computations</li><li>• Calculation of tax payable for individuals, single companies, groups or other entities</li><li>• Explain the tax calculations and the resulting tax position to clients</li><li>• Prepare calculations and returns that comply with current legal requirements</li><li>• Retain working papers on file for the required statutory period</li></ul>

Click [here](#) to view examples

## Unit PC22 – Tax compliance and verification

This unit is about tax compliance for individuals and/or entities including submitting tax returns to the appropriate authorities in an appropriate and timely manner. It also involves providing advice to clients on tax liabilities and payments requiring you to negotiate with the tax authorities on behalf of your client.

Element reference	Demonstrated behaviour and examples
<b>Element TA2</b> <b>Provide advice on tax liabilities and payments and carry out compliance activities</b>	<ul style="list-style-type: none"><li>• Ensure timely submission of all relevant tax returns and information to the tax authorities within the required time limits</li><li>• Inform clients of their tax liabilities (corporation and personal) and explaining any issues arising</li><li>• Provide written and oral advice interpreting the effect of current legislation and case law</li><li>• Record details of advice given</li><li>• Ensure that clients fully understand the advice given</li><li>• Respond effectively to any queries resulting from the advice given, appeals/objections raised or negotiated matters</li></ul>
<b>Element TA3</b> <b>Negotiate with the tax authorities on behalf of clients</b>	<ul style="list-style-type: none"><li>• Liaise with the tax authorities on routine or specific tax matters/enquiries</li><li>• Correspond in writing or conduct face to face negotiations, with both clients and tax authorities</li><li>• Negotiate with the tax authorities on behalf of clients</li><li>• Keep clients informed of relevant tax matters and of negotiations with the tax authorities</li><li>• Agree final settlement of tax position, including payment schedule and interest payable</li><li>• Attend investigations</li></ul>

Click [here](#) to view examples

## Area I – Taxation

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### Unit PC23 – Tax planning and advice

This unit is concerned with advising clients on the mitigation and deferral of tax liabilities through the use of legitimate tax planning measures. It involves making provision for tax liabilities, assessing changes that tax laws may have on individuals and companies and providing long term tax planning services.

Element reference	Demonstrated behaviour and examples
<b>Element TA4</b> <b>Provide advice on current and future tax planning</b>	<ul style="list-style-type: none"><li>• Inform clients promptly of any relevant changes in tax laws or requirements</li><li>• Advise clients of all potentially relevant tax saving opportunities and strategies</li><li>• Advise clients on the tax implications of proposed transactions and business activities</li><li>• Advise clients on ways to optimise the timing of activities/transactions to achieve the best possible tax position</li><li>• Compare the effect of changes in tax rates on clients' tax liabilities and advising on any action required by clients to optimise their tax position</li><li>• Calculate the future tax payable (including any deferred tax provision) and advise clients of the cash flow effects</li></ul>
<b>Element TA5</b> <b>Provide advice about the tax implications of externally or internally initiated changes</b>	<ul style="list-style-type: none"><li>• Have a working knowledge of clients' businesses</li><li>• Ascertain clients' short-term and long-term aims and objectives</li><li>• Discuss any changes or developments with clients to identify any relevant tax implications</li><li>• Advise clients on the impact that potential changes will have on their tax position. Discuss with clients when to obtain a second opinion or specialist knowledge where the advice requires complex interpretation and judgement</li></ul>

Click [here](#) to view examples

## Area I – Taxation

## Unit PC21 – Tax computations and assessment

## ELEMENTS

TA1

Compute the tax payable

**EXAMPLE 1**

For my portfolio of clients I am required to either prepare or review the production of their corporation tax returns. In the last few months I have filed 11 corporation tax returns along with IXBRL tagged financial statements with HMRC. To complete these tasks I had to collect all relevant information for the preparation of the tax computation and ensure I made accurate calculations of taxes payable. I ensured that all allowable expenses were appropriately added back and capital allowances were correctly calculated. I am required to ensure that all calculations comply with current legal requirements. I then, either via letter or in meetings, set out the resulting tax position. For all computations prepared I retained the working papers on the clients tax file.

One of my clients in the fitness industry had made certain purchases during the period which they felt were tax deductible however following further correspondence with the client it became apparent that some of these expenditures were not wholly and exclusively intended for trade purposes and therefore I had to explain to them that they could not be deducted, which was a challenging conversation and I had to show them the appropriate legislation.

I gathered information from four of my large clients in manufacturing, construction, engineering and wholesale sectors to complete their P11D forms for the financial year. This involved liaising with the clients to obtain information about their employees' benefits such as medical insurance and other expenses that were reimbursed during the year relating to business expenses. This enabled me to compute the P11D amounts and inform the clients in advance of the amount that would need to be paid to HMRC and the deadlines for submission of the forms and the amount to HMRC. For all computations prepared I retained the working papers on the client's tax file.

**EXAMPLE 2**

I reviewed the audit procedures on the work done by the tax team for my portfolio of clients and followed up with the clients any issues. For one client in the retail industry I identified several issues around the calculations of VAT payments on the returns that may have been recorded incorrectly. I considered the impact on the audits and whether the errors needed to be recorded on the schedule of misstatements.

I also produced corporation tax computations for several of my clients. During this process it was important that I ensured that the correct capital allowances were brought forward and any additions and disposals were being treated correctly. For one client, I had to ensure that asset additions had been classified correctly as integral features so capital allowances were not being over claimed.

When completing corporation tax returns, it was important that I reviewed the accounts file prior to completion. I ensured that I reviewed the prior period tax computation to ensure the correct tax written down value had been brought forward. I also then reviewed the accounts file for any disallowable expenditure and recorded this correctly so as to ensure the correct total taxable profit was showing in the computation.

I was responsible for auditing the deferred tax assets and liabilities of one of my clients. Through this I was able to advise the client on when certain tax deferrals would turn around. I worked closely with our internal tax experts to identify possibilities to reduce or defer tax payments. This included advice for the client on selecting accounting treatments (where possible) in a way that income would only be realised over time. I was able to show the client that this way he could defer a significant tax payment.

Once the calculations were finalised, I completed the respective tax returns and sent them to the client including a letter stating what the outstanding liability was and the due date for payment to be made.

### EXAMPLE 3

At the company I work for we are partially VAT exempt. The only standard rated supply was from one of the divisions within the company. I have to ensure that all relevant information related to this particular division was collected to accurately calculate both the output VAT and input VAT that could be reclaimed to ensure the appropriate VAT payment was made and the VAT return was submitted on time. We also bought services from other businesses outside of the UK and had to ensure that we accounted for reverse charges correctly and supplied services to VAT registered businesses in other EU member states and so I had to complete the EC sales list form accurately and submit this form in a timely manner.

Whilst in my role as financial controller, I review the quarterly VAT returns to ensure that the appropriate VAT amount payable or due to us was correct. I was reviewing our process in regards to the way that we computed our VAT and it became apparent that we weren't recovering VAT on our overheads which we could have been doing based on our percentage of business use. I liaised with an external company who provided VAT advice on how we could change our processes and the guidance received enabled me to compute the VAT output/input correctly.

I also had to deal with a division of the company we were selling. I had to produce the final VAT return and de-register both this service and our PAYE service with HMRC. Along with doing this I had to research and liaise with our tax advisors on the tax implication of the sale. As this was a transfer of going concern, I was satisfied that the criteria was outside of the scope of VAT and that there was no capital gains to be paid.

## Area I – Taxation

## Unit PC22 – Tax compliance and verification

ELEMENTS	
TA2	Provide advice on tax liabilities and payments and carry out compliance activities
TA3	Negotiate with the tax authorities on behalf of clients

**EXAMPLE 1****TA2**

One of my clients in the retail sector fell into the VAT Payments on Account regime. I met with the client to explain the requirements and provide guidance on payment dates and I also ensured they understood the legislation.

I am also responsible for the preparation of around 40 personal tax returns which are all to be prepared before the tax deadline. In all cases I had to provide oral and written advice to clients about payments and liabilities and I had to ensure that all clients were fully up to date and understood the advice they were being given. We have a system in house that provides reminders of due dates for submission of tax returns/payments of tax liabilities. I have a handful of clients who only want me to deal with them in person, as they want me to fully explain every part of their tax returns. I therefore schedule these meetings in with ample time before the tax deadline dates.

**TA3**

I am required to negotiate with the tax authorities on behalf of all my clients. One example is where a client in the wholesale industry was required to have a VAT audit. It was identified that in some periods the VAT was not correctly calculated. I had to meet with the revenue audit team and negotiate with them on behalf of our client. It was identified that the mistake had been made by the previous bookkeeper the firm had employed. In the final meeting I agreed a final settlement on behalf of the client and agreed a payment schedule.

One of my clients in the construction sector wanted me to compute their yearly corporation tax return and also help them with a research and development claim they wanted to include as a result of research work that had been undertaken during the year in order to develop their business strategy and help keep them ahead of their competitors. I researched the requirements of HMRC on the analysis of costs that are incurred with regard to research and development and how to include that information in the corporation tax computations and the tax return. I completed the calculations and the tax return, helped with the submission of the information to HMRC and liaised with the tax inspector when some queries were raised about the information as a result of the claim being new and HMRC wanting more background on the company and the reasons for the claim. The claim was accepted by HMRC and the company was able to complete the claim for research and development costs that they had incurred.

**EXAMPLE 2****TA2**

I have reviewed several client's tax expenses, tax payments and liabilities in relation to the audit and queried any unusual items. For one client I noticed that some group companies had made losses and some had made profits so I informed the client of the availability of group loss relief which was available to offset against another company within the group's profit. I ensured that the client fully understood the advice given and the tax implications.

For one client I performed corporate and trade tax calculations and evaluated provisions made by the client. I further advised on the tax implications of a proposed accounting change for inventory which the client highly appreciated as he wasn't aware of these implications.

In relation to tax balances which were included within the financial statements I audited, myself and internal specialists had to ensure satisfactory audit evidence was available to support our conclusions on the risks identified. This was in relation to direct and indirect tax and the tax approach adopted by the client.

**TA3**

A major client was the subject of an HMRC investigation, where the accusation was that the company had incorrectly recorded internet sales overseas to avoid paying UK corporation tax. I liaised in detail with the tax specialist, the client and the tax authorities providing information as required. Eventually the client agreed that they may have underpaid corporation tax and offered HMRC a one-off payment in settlement of their corporation tax.

In respect of an on-going corporation tax compliance check for a client, I attended a meeting with an HMRC inspector. Following HMRC's initial checks, I discussed their finding and negotiated with the authorities on behalf of the client. In the close down meeting, I obtained various concessions from HMRC which resulted in less tax being owed than was originally sought. Therefore, this resulted in reduced penalties and interest charges.

### EXAMPLE 3

#### TA2

There was a restructure at the company where I worked and it was decided that three of the company sites would be closed down. I had to liaise with external tax advisors to understand the full impact on accounting for the changes in line with the most recent accounting standards, the required legal and consultation processes with the HR team and the tax implications on the payments to be made to staff who were to be made redundant (what was tax free and what was taxable).

I then had to feed the information back to my manager what the tax implications were around the basis of the payments to be made, what was redundancy and tax free, what was pay in lieu of notice and taxable and the other options for payments of other benefits, eg outstanding holidays, pensions etc. The tax advisor's guidance and advice was crucial as it allowed us to fully understand our obligations and to update the financial payback model based on cashflow.

#### TA3

During the restructuring process the company submitted a tax return that was not properly calculated. I contacted HMRC by email and subsequently by telephone to talk directly with the agent who was considering our case and to request that they disregard the return that we had submitted in error. I followed up by submitting a detailed disclosure outlining where the error had occurred and including the outcome of a full review undertaken by myself and our senior finance director. The result was positive and HRMC were able to remove the incorrect return and accept the amended version via email. I have now initiated a company-wide programme to have all returns subject to a three stage review prior to submission to minimise the possibility of any further incorrect returns being submitted in future.

## Area I – Taxation

## Unit PC23 – Tax planning and advice

ELEMENTS	
TA4	Provide advice on current and future tax planning
TA5	Provide advice about the tax implications of externally or internally initiated changes

**EXAMPLE 1****TA4**

One of my clients in the IT industry needed to make a number of employees redundant. I attended a meeting with all staff to answer any tax questions that there were, including tax on pension payments and savings the firm would make.

Another client in the retail industry had decided to sell off some of its property assets and I advised on certain tax implications of this. I discussed the proposed changes with the client and advised on the tax implications of selling the property and the resulting staff redundancies following these store closures.

I was involved in remuneration tax planning for many small clients and advised the payroll department of changes to directors' pay and prepared final dividend vouchers to clients who could take extra remuneration. I also attended some meetings with a partner to explain to clients the dividend changes coming into force and how there was an opportunity to escalate dividends where possible to reduce taxation liabilities.

**TA5**

After each annual budget I assist the firm in preparing a newsletter to send out to all clients to inform them of changes in relevant tax legislation and their implications. There were certain changes in corporation tax that would have an impact on some of our clients. I met with the affected clients and explained the proposed changes to them and explained what effect the changes could have on their corporation tax computations.

I advised a number of new clients on the benefits of corporation tax section 486C start-up tax relief for new companies. I provided guidance and briefings on the legislation and how the relief could be claimed. I completed three corporation tax computations and claimed the tax credit for these clients. This resulted in significant tax savings for each of the companies. I explained that the relief could be claimed for a full three years.

**EXAMPLE 2****TA4**

A client in the manufacturing sector was looking to purchase some new machines for its operations as it was looking to expand. They asked my advice on when they should look to purchase the machines in order to help them achieve the maximum amount of tax allowances available. A tax manager and I explained to the client the changes in the annual investment allowance for the upcoming financial year and helped to calculate how much they would be able to utilise before 1 April and after that. This would allow the company to plan when to buy the new machines and the assets needed to help the business to expand so that they could claim the maximum amount of annual investment allowance that would be available. Another client was looking to expand overseas. I provided them with advice regarding how their taxes would differ in different countries and the implications this would have.

Another client was loss making for the past three years. This resulted in significant tax loss carry-forwards. I helped to evaluate the level of tax losses carried forward as well as on how to use them in the future. This included advising the client on how to use the losses in the future. As a usage of the losses in the foreseeable future was not likely I advised the client against accounting for a deferred tax asset on the loss carry-forwards.

**TA5**

A large manufacturing client made some significant disposals in the year as they are relocating their head office and have purchased premises in a different country. Working with the firm's tax team, I was able to advise them on the reliefs available to minimise the tax implications of the disposal as well as how the tax regimes differ in the different countries.

One of my corporate audit clients went into liquidation. The company then had to be advised that they would need to deregister for VAT. I advised the client that a final VAT return would be required for submission to HMRC beginning on the day of liquidation and would be signed by the liquidator. I contacted the client to speed up the process in order to keep the legal deadline. The process was completed on a timely basis.

### EXAMPLE 3

#### TA4

Our company has external accountants who undertake our annual audits and external tax advisors who complete and submit tax returns on our behalf. I was asked to investigate the possibility of taking the procedures in house to ensure that we were in control of potential tax reliefs. I identified that the company was missing out on research and development tax relief and I researched the trials and developments for the previous two years and collated potential claims with all allowable costs considered. Our claims were successful and I have now asked staff members to report back on what other areas may qualify for similar tax relief so that the company may be in a position to maximise the relief available.

The external tax advisors calculating our VAT returns on an annual basis and they were leaving this until close to the VAT return deadline. This resulted in us having to collate all the required documents and complete a VAT return for the full year in a short period of time; this was also detrimental to cash flow as it meant if a VAT payment was required, we couldn't budget for it through the financial year. I advised the financial controller that it might be a better idea for us to start collating the information and computing the VAT returns on a monthly basis as this would give us a better insight into potential cash flow issues before the VAT return was due. This change was implemented and had the added benefit of ensuring that we were in a position to have our returns completed well in advance of the submission deadline.

#### TA5

My company was expanding the business and was to start selling goods out with the UK to other business within the EU. I researched the tax implications this would have for the business and advised our financial controller that as we were selling the goods within the EU, UK VAT would not be applicable where the customer has a valid local VAT reference number. If no local VAT reference number was held, we would be required to apply VAT at the UK rate. I modelled a summary of costs (production shipping, etc.) and added our margin to establish the sale price. I then added the required VAT to establish our final selling price. I shared the information with my manager and also advised of differing tax thresholds that we should be aware of should our expansion be successful.