



INTRODUCTION TO TAXATION

SYLLABUS FOR 2009 EXAMINATIONS

Aims

To develop the ability to prepare basic computations of UK tax liabilities for resident individuals and businesses in respect of:

- Income tax (IT);
- National Insurance Contributions (NICs);
- Corporation tax (CT);
- Capital Gains Tax (CGT); and
- Value Added Tax (VAT);

taking into account statutory time limits for claims, returns and payment dates.

Development of an understanding of the working and structure of HM Revenue and Customs (HMRC); the tax appeals' processes and procedure; and appropriate ways of dealing with HMRC and other relevant statutory authorities.

Objectives

Upon completion of the course, students should be able to:

- prepare a computation of tax-adjusted profit/loss for trades and professions;
- calculate an individual's taxable employment income;
- prepare computations of NIC liabilities;
- prepare computations of property and investment income;
- prepare computations of the chargeable gains arising on disposals by both individuals and companies;
- prepare personal income tax and CGT computations;
- prepare corporation tax computations;
- complete basic value added tax calculations;
- identify the due dates for submission of returns, claims and the payment of tax liabilities; and
- deal with the HM Revenue & Customs and with clients in an appropriate manner.

SYLLABUS CONTENT

Tax adjustment of profit/loss for trades and professions

1. Adjustment of trading profits / losses for tax purposes
2. Preparation of a capital allowances computation:
 - a. definition of plant
 - b. allowances on plant and machinery
 - c. private use assets
 - d. short life assets
 - e. hire purchase and leasing
 - f. industrial buildings
3. Assessments:
 - a. basis of assessment
 - b. sole traders and partnerships
4. Relief for losses for a continuing business

National insurance contributions:

1. National Insurance Contributions for the self-employed
2. National Insurance Contributions for employees and employers

Employment income

1. Computing taxable earnings from employment
 - a. basis of assessment
 - b. worker's status (employed or self-employed)
2. Allowable deductions
3. Benefits
4. Contributions to pension schemes
5. Charitable giving through the payroll

Property and investment income

1. Profits / losses from property income
 - a. computation of property income profits / losses
 - b. furnished holiday lettings
 - c. rent a room scheme
 - d. relief for property income losses
2. Other investments
 - a. bank, building society and other interest
 - b. dividends
 - c. tax favored investments

Personal income tax computations

1. Computing taxable income
 - a. the aggregation of income
 - b. charges on income
 - c. personal allowances
2. Computing income tax payable
 - a. allocation of tax rates / bands to savings income, non-savings income and dividend income
 - b. relief for:
 - i. charitable donations
 - ii. pension contributions

Chargeable gain computations (individuals and companies)

1. Chargeable persons, disposals and assets
2. Computing gains and losses:
 - a. the basic computation
 - b. valuing assets
 - c. indexation allowance
 - d. part disposals
 - e. taper relief for individuals
3. Share and securities:
 - a. matching rules for individuals
 - b. matching rules for companies
 - c. FA 1985 pool
 - d. bonus and rights issues
 - e. gilts and qualifying corporate bonds
4. Other areas of capital gains tax (including reliefs)
 - a. gift relief
 - b. rollover relief
 - c. principal private residence relief
 - d. chattels
 - e. relief for losses
 - f. compensation and insurance proceeds
5. Computing capital gains tax payable for individuals

Administration of income tax and capital gains tax

1. Self-assessment system
2. Payment of income tax (including payments on account) and capital gains tax
3. Enquiries

4. Dealing with HMRC and client confidentiality

Corporation tax computations

1. Company profits chargeable to corporation tax
2. Accounting periods
3. Computing corporation tax
4. Relief for losses (trade and non-trade)

Administration of corporation tax

1. Corporation tax self-assessment
2. The payment of corporation tax (including quarterly payments on account)
3. Dealing with HMRC and client confidentiality

Value added tax (VAT)

1. Scope of VAT
2. Basic principles of VAT
 - a. types of supply
 - b. computing VAT due
 - c. accounting for VAT
 - d. the time of supply
3. VAT invoices and records
4. Registration
5. Administration of VAT

EXCLUDED TOPICS

The following topics are excluded from the syllabus:

Tax adjustment of profit/loss for trades and professions:

- a. badges of trade
- b. successions
- c. change of accounting date
- d. long life assets
- e. capital allowances on agricultural buildings, hotels and intangible assets
- f. in respect of industrial buildings allowances: enterprise zones, initial allowances and
- g. the sale of industrial buildings following a period of non-industrial use
- h. notional profits / losses for partnerships
- i. personal service companies
- j. the rules for losses in the opening years of a trade (s. 381 ICTA 1988)
- k. the rules for losses in the closing years of a trade (terminal losses under s. 388 ICTA 1988)
- l. the rules for the use of trade losses against capital gains (s. 72 FA 1991).

Income from employment:

- a. detailed operation of the PAYE system
- b. share incentive schemes
- c. termination payments.

National insurance contributions:

- a. for Class 4: the offset of trading losses against non-trading income
- b. contracted out contributions.

Property and investment income:

- a. the enterprise investment scheme and venture capital trusts
- b. trust income.

Income tax computations:

- a. foreign income and double tax relief.

Chargeable gains:

- a. reinvestment relief
- b. assets held at 31 March 1982
- c. negligible value claims
- d. substantial shareholdings
- e. wasting assets (other than chattels) and leases

- f. connected persons and transfers between spouses
- g. incorporation relief
- h. damaged assets.

Corporation tax:

- a. close companies
- b. non-trading deficits on loan relationships
- c. relief for intangible assets
- d. the corporate venturing scheme
- e. groups and consortia
- f. foreign income and double tax relief
- g. investment companies and companies in receivership / liquidation
- h. completion of forms CT61.

Value added tax:

- a. group registration
- b. secondhand goods scheme
- c. partial exemption
- d. special schemes for retailers
- e. the capital goods scheme
- f. serious mis-declaration penalty
- g. default interest.

THE EXAMINATION PAPER

The 2009 syllabus is based on the Finance Act 2008.

A three hour written examination. It will be mainly computational and will comprise:

1. One question divided into a number of short sub-questions, dealing with all areas of the syllabus.
2. Four other questions dealing with IT, NIC, CT, CGT and VAT. These questions will be mainly computational, although some answers may require a very brief discussion of a specified point.

All questions are compulsory (i.e. five questions must be attempted). The total marks for the paper will be 100, divided approximately evenly between the 5 questions.

Students will be provided with tables including the current rates of tax, allowances etc on which the exam is based.