

# Taxation (UK) (F6)

## June 2008

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

### THE STRUCTURE OF THE SYLLABUS AND STUDY GUIDE

#### Relational diagram of paper 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 such as Advanced Performance Management by Performance Management. These links are shown as solid line arrows. Other papers only have indirect relationships with each other such as links existing between the accounting and auditing papers. The links between these are shown as dotted line arrows. This diagram 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 the 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, tuition providers and publishers should use as the basis of their studies, instruction and materials. 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).

#### Reading lists

ACCA has two official publishers: BPP Learning Media and Kaplan Publishing. Both these publishers base their study texts on the detailed contents of the study guides as published by ACCA. ACCA takes no editorial responsibility for the detailed content of these study texts although ACCA examiners will annually review their content for general appropriateness and relevance in supporting effective study towards ACCA examinations. In addition ACCA examiners will recommend other text books where appropriate, which students may read in order to widen their reading beyond the approved study texts. Relevant articles will also be published in *student accountant*.

## INTELLECTUAL LEVELS

The syllabus is designed to progressively broaden and deepen the knowledge, skills and professional values demonstrated by the student on their way through the qualification.

The specific capabilities within the detailed syllabuses and study guides are assessed at one of three intellectual or cognitive levels:

Level 1: Knowledge and comprehension

Level 2: Application and analysis

Level 3: Synthesis and evaluation

Very broadly, these intellectual levels relate to the three cognitive levels at which the Knowledge module, the Skills module and the Professional level are assessed.

Each subject area in the detailed study guide included in this document is given a 1, 2, or 3 superscript, denoting intellectual level, marked at the end of each relevant line. This gives an indication of the intellectual depth at which an area could be assessed within the examination. However, while level 1 broadly equates with the Knowledge module, level 2 equates to the Skills module and level 3 to the Professional level, some lower level skills can continue to be assessed as the student progresses through each module and level. This reflects that at each stage of study there will be a requirement to broaden, as well as deepen capabilities. It is also possible that occasionally some higher level capabilities may be assessed at lower levels.

## LEARNING HOURS

The ACCA qualification does not prescribe or recommend any particular number of learning hours for examinations because study and learning patterns and styles vary greatly between people and organisations. This also recognises the wide diversity of personal, professional and educational circumstances in which ACCA students find themselves.

Each syllabus contains between 23 and 35 main subject area headings depending on the nature of the subject and how these areas have been broken down.

## GUIDE TO EXAM STRUCTURE

The structure of examinations varies within and between modules and levels.

The Fundamentals level examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus.

The Knowledge module is assessed by equivalent two-hour paper based and computer based examinations.

The Skills module examinations are all paper based three-hour papers. The structure of papers varies from ten questions in the *Corporate and Business Law* (F4) paper to four 25 mark questions in *Performance Management* (F5) and *Financial Management* (F9). Individual questions within all Skills module papers will attract between 10 and 30 marks.

The Professional level papers are all three-hour paper based examinations, all containing two sections. Section A is compulsory, but there will be some choice offered in Section B.

For all three hour examination papers, ACCA has introduced 15 minutes reading and planning time.

This additional time is allowed at the beginning of each three-hour examination to allow candidates to read the questions and to begin planning their answers before they start writing in their answer books. This time should be used to ensure that all the information and exam requirements are properly read and understood.

During reading and planning time candidates may only annotate their question paper. They may not write anything in their answer booklets until told to do so by the invigilator.

The Essentials module papers all have a Section A containing a major case study question with all requirements totalling 50 marks relating to this case. Section B gives students a choice of two from three 25 mark questions.

Section A of each of the Options papers contains 50-70 compulsory marks from two questions, each attracting between 25 and 40 marks. Section B will offer a choice of two from three questions totalling 30-50 marks, with each question attracting between 15 and 25 marks.

The pass mark for all ACCA Qualification examination papers is 50%.

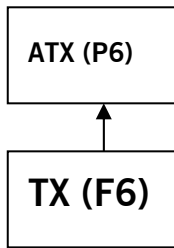
## **GUIDE TO EXAMINATION ASSESSMENT**

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 financial accounting, audit and assurance, law and tax papers, ACCA will publish *examinable documents* every six months to indicate exactly what regulations and legislation could potentially be assessed at the following examination session. Knowledge of new examinable regulations will not be assessed until at least six calendar months after the last day of the month in which documents are issued or legislation is passed. The relevant cut-off date for the June examinations is 30 November of the previous year, and for the December examinations, it is 31 May of the same year.

The study guide offers more detailed guidance on the depth and level at which the examinable documents will be examined. The study guide should therefore be read in conjunction with the examinable documents list.

# Syllabus



## AIM

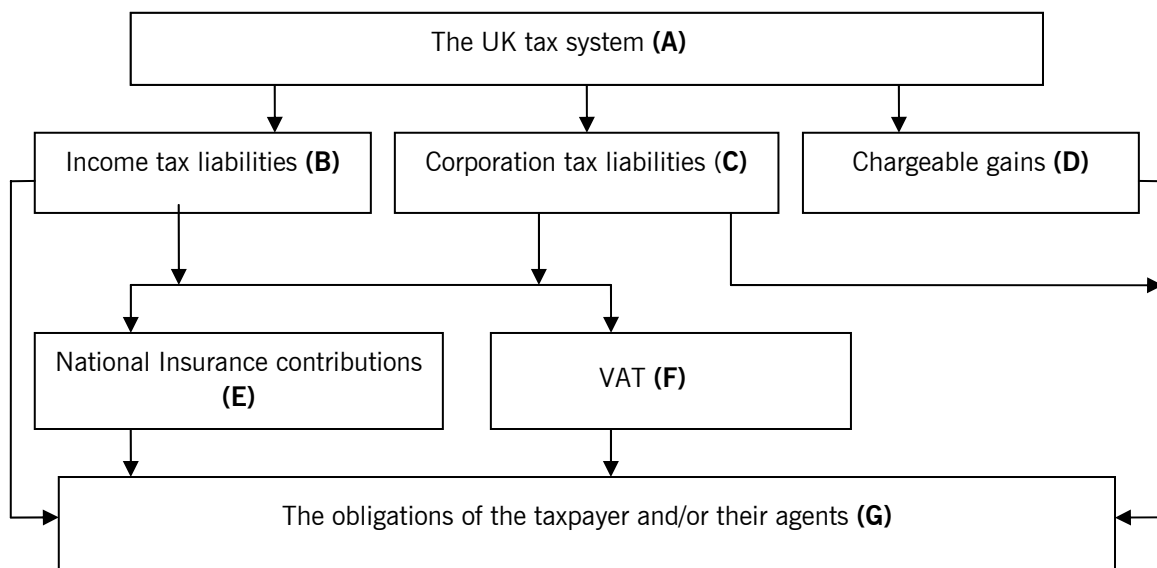
To develop knowledge and skills relating to the tax system as applicable to individuals, single companies, and groups of companies.

## MAIN CAPABILITIES

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

- A** Explain the operation and scope of the tax system
- B** Explain and compute the income tax liabilities of individuals
- C** Explain and compute the corporation tax liabilities of individual companies and groups of companies
- D** Explain and compute the chargeable gains arising on companies and individuals
- E** Explain and compute the effect of national insurance contributions on employees, employers and the self employed
- F** Explain and compute the effects of value added tax on incorporated and unincorporated businesses
- G** Identify and explain the obligations of tax payers and/or their agents and the implications of non-compliance

## RELATIONAL DIAGRAM OF MAIN CAPABILITIES



## **RATIONALE**

The syllabus for Paper F6, *Taxation*, introduces candidates to the subject of taxation and provides the core knowledge of the underlying principles and major technical areas of taxation as they affect the activities of individuals and businesses.

Candidates are introduced to the rationale behind – and the functions of – the tax system. The syllabus then considers the separate taxes that an accountant would need to have a detailed knowledge of, such as income tax from self-employment, employment and investments, the corporation tax liability of individual companies and groups of 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.

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

## **DETAILED SYLLABUS**

### **A. The UK tax system**

1. The overall function and purpose of taxation in a modern economy
2. Different types of taxes
3. Principal sources of revenue law and practice
4. Tax avoidance and tax evasion

### **B. Income tax liabilities**

1. The scope of income tax
2. Income from employment
3. Income from self-employment
4. Property and investment income

5. The comprehensive computation of taxable income and income tax liability
6. The use of exemptions and reliefs in deferring and minimising income tax liabilities

### **C. Corporation tax liabilities**

1. The scope of corporation tax
2. Profits chargeable to corporation tax
3. The comprehensive computation of corporation tax liability
4. The effect of a group corporate structure for corporation tax purposes
5. The use of exemptions and reliefs in deferring and minimising corporation tax liabilities

### **D. Chargeable gains**

1. The scope of the taxation of capital gains
2. The basic principles of computing gains and losses.
3. Gains and losses on the disposal of movable and immovable property
4. Gains and losses on the disposal of shares and securities
5. The computation of capital gains tax payable by individuals
6. The use of exemptions and reliefs in deferring and minimising tax liabilities arising on the disposal of capital assets

### **E. National insurance contributions**

1. The scope of national insurance
2. Class 1 and Class 1A contributions for employed persons
3. Class 2 and Class 4 contributions for self-employed persons

## **F. Value added tax**

1. The scope of value added tax (VAT)
2. The VAT registration requirements
3. The computation of VAT liabilities
4. The effect of special schemes

## **G. The obligations of taxpayers and/or their agents**

1. The systems for self-assessment and the making of returns
2. The time limits for the submission of information, claims and payment of tax, including payments on account
3. The procedures relating to enquiries, appeals and disputes
4. Penalties for non-compliance

## **APPROACH TO EXAMINING THE SYLLABUS**

The syllabus is assessed by a three-hour paper-based examination.

### **Assessment: Taxation (UK)**

The paper will be predominantly computational and will have five questions, all of which will be compulsory.

- Question one will focus on income tax and question two will focus on corporation tax. The two questions will be for a total of 55 marks, with one of the questions being for 30 marks and the other being for 25 marks.
- Question three will focus on chargeable gains (either personal or corporate) and will be for 20 marks.
- Questions four and five will be on any area of the syllabus and will respectively be for 15 marks and 10 marks.

There will always be at a minimum of 10 marks on value added tax. These marks will normally be included within question one or question two, although there might be a separate question on value added tax.

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

Groups and overseas aspects of corporation tax will only be examined in question two, and will account for no more than one third of the marks available for that question.

Questions one or two might include a small element of chargeable gains.

Any of the five questions might include the consideration of issues relating to the minimisation or deferral of tax liabilities.

# Study Guide

## A THE UK TAX SYSTEM

### 1. The overall function and purpose of taxation in a modern economy

- a) Describe the purpose (economic, social etc) of taxation in a modern economy.<sup>[2]</sup>

### 2. Different types of taxes

- a) Identify the different types of capital and revenue tax.<sup>[1]</sup>
- b) Explain the difference between direct and indirect taxation.<sup>[2]</sup>

### 3. Principal sources of revenue law and practice

- a) Describe the overall structure of the UK tax system.<sup>[1]</sup>
- b) State the different sources of revenue law.<sup>[1]</sup>
- c) Appreciate the interaction of the UK tax system with that of other tax jurisdictions.<sup>[2]</sup>

### 4. Tax avoidance and tax evasion

- a) Explain the difference between tax avoidance and tax evasion.<sup>[1]</sup>
- b) Explain the need for an ethical and professional approach.<sup>[2]</sup>

#### Excluded topics

- *Anti-avoidance legislation.*

## B INCOME TAX LIABILITIES

### 1. The scope of income tax

- a) Explain how the residence of an individual is determined.<sup>[1]</sup>

#### Excluded topics

- *The treatment of a person who comes to the UK to work or a person who leaves the UK to take up employment overseas.*

- *Foreign income, non-residents and double taxation relief.*

- *Income from trusts and settlements.*

### 2. Income from employment

- a) Recognise the factors that determine whether an engagement is treated as employment or self-employment.<sup>[2]</sup>
- b) Recognise the basis of assessment for employment income.<sup>[2]</sup>
- c) Compute the income assessable.<sup>[2]</sup>
- d) Recognise the allowable deductions, including travelling expenses.<sup>[2]</sup>
- e) Discuss the use of the statutory approved mileage allowances.<sup>[2]</sup>
- f) Explain the PAYE system.<sup>[1]</sup>
- g) Identify P11D employees.<sup>[1]</sup>
- h) Compute the amount of benefits assessable.<sup>[2]</sup>
- i) Explain the purpose of a dispensation from HM Revenue & Customs.<sup>[2]</sup>
- k) Explain how charitable giving can be made through a payroll deduction scheme.<sup>[1]</sup>

#### Excluded topics

- *The calculation of a car benefit where emission figures are not available.*
- *Share and share option incentive schemes for employees.*
- *Payments on the termination of employment, and other lump sums received by employees.*

### 3. Income from self-employment

- a) Recognise the basis of assessment for self-employment income.<sup>[2]</sup>
- b) Describe and apply the badges of trade.<sup>[2]</sup>

- c) Recognise the expenditure that is allowable in calculating the tax-adjusted trading profit.<sup>[2]</sup>
- d) Recognise the relief that can be obtained for pre-trading expenditure.<sup>[2]</sup>
- e) Compute the assessable profits on commencement and on cessation.<sup>[2]</sup>
- f) Change of accounting date
- i) Recognise the factors that will influence the choice of accounting date.<sup>[2]</sup>
  - ii) State the conditions that must be met for a change of accounting date to be valid.<sup>[1]</sup>
  - iii) Compute the assessable profits on a change of accounting date.<sup>[2]</sup>
- g) Capital allowances
- i) Define plant and machinery for capital allowances purposes.<sup>[1]</sup>
  - ii) Compute writing down allowances and first year allowances.<sup>[2]</sup>
  - iii) Compute capital allowances for motor cars.<sup>[2]</sup>
  - iv) Compute balancing allowances and balancing charges.<sup>[2]</sup>
  - v) Recognise the treatment of short life assets.<sup>[2]</sup>
  - vi) Explain the treatment of long life assets.<sup>[2]</sup>
  - vii) Define an industrial building for industrial buildings allowance purposes.<sup>[1]</sup>
  - viii) Compute industrial buildings allowance for new and second-hand buildings.<sup>[2]</sup>
- h) Relief for trading losses
- i) Understand how trading losses can be carried forward.<sup>[2]</sup>
  - ii) Explain how trading losses can be carried forward following the incorporation of a business.<sup>[2]</sup>
  - iii) Understand how trading losses can be claimed against total income and chargeable gains.<sup>[2]</sup>
  - iv) Explain and compute the relief for trading losses in the early years of a trade.<sup>[1]</sup>
  - v) Explain and compute terminal loss relief.<sup>[1]</sup>
- i) Partnerships and limited liability partnerships
- i) Explain how a partnership is assessed to tax.<sup>[2]</sup>
  - ii) Compute the assessable profits for each partner following a change in the profit sharing ratio.<sup>[2]</sup>
  - iii) Compute the assessable profits for each partner following a change in the membership of the partnership.<sup>[2]</sup>
  - iv) Describe the alternative loss relief claims that are available to partners.<sup>[1]</sup>
  - v) Explain the loss relief restriction that applies to the partners of a limited liability partnership.<sup>[1]</sup>

#### Excluded topics

- *The 100% first-year allowance for expenditure on renovating business premises in disadvantaged areas.*
- *The 100% first-year allowance for flats above shops.*
- *The 100% first-year allowance for water technologies.*
- *Capital allowances for agricultural buildings, patents, scientific research and know how.*
- *Enterprise zones.*
- *Balancing adjustments on the disposal of an industrial building.*
- *The calculation of industrial buildings allowance for the purchaser of a secondhand industrial building prior to 21 March 2007 or where there has been a period of non-industrial use.*
- *Investment income of a partnership.*
- *The allocation of notional profits and losses for a partnership.*
- *Farmers averaging of profits.*
- *The averaging of profits for authors and creative artists.*
- *Loss relief for shares in unquoted trading companies.*

#### 4. Property and investment income

- a) Compute property business profits.<sup>[2]</sup>



- b) Explain the treatment of furnished holiday lettings.<sup>[1]</sup>
- c) Describe rent-a-room relief.<sup>[1]</sup>
- d) Compute the amount assessable when a premium is received for the grant of a short lease.<sup>[2]</sup>
- e) Understand how relief for a property business loss is given.<sup>[2]</sup>
- f) Compute the tax payable on savings income.<sup>[2]</sup>
- g) Compute the tax payable on dividend income.<sup>[2]</sup>
- h) Explain the treatment of individual savings accounts (ISAs) and other tax exempt investments.<sup>[1]</sup>

#### Excluded topics

- *The deduction for expenditure by landlords on energy-saving items.*

### 5 The comprehensive computation of taxable income and income tax liability

- a) Prepare a basic income tax computation involving different types of income.<sup>[2]</sup>
- b) Calculate the amount of personal allowance available to people aged 65 and above.<sup>[2]</sup>
- c) Compute the amount of income tax payable.<sup>[2]</sup>
- d) Explain the treatment of interest paid for a qualifying purpose.<sup>[2]</sup>
- e) Explain the treatment of gift aid donations.<sup>[1]</sup>
- f) Explain the treatment of property owned jointly by a married couple, or by a couple in a civil partnership.<sup>[1]</sup>

#### Excluded topics

- *The blind person's allowance and the married couple's allowance.*
- *Tax credits.*
- *Maintenance payments.*

- *The income of minor children.*

### 6. The use of exemptions and reliefs in deferring and minimising income tax liabilities

- a) Explain and compute the relief given for contributions to personal pension schemes, using the rules applicable from 6 April 2006.<sup>[2]</sup>
- b) Describe the relief given for contributions to occupational pension schemes, using the rules applicable from 6 April 2006.<sup>[1]</sup>
- c) Explain how a married couple or couple in a civil partnership can minimise their tax liabilities.<sup>[2]</sup>

#### Excluded topics

- *The conditions that must be met in order for a pension scheme to obtain approval from HM Revenue & Customs.*
- *The enterprise investment scheme.*
- *Venture capital trusts.*

## C CORPORATION TAX LIABILITIES

### 1. The scope of corporation tax

- a) Define the terms 'period of account', 'accounting period', and 'financial year'.<sup>[1]</sup>
- b) Recognise when an accounting period starts and when an accounting period finishes.<sup>[1]</sup>
- c) Explain how the residence of a company is determined.<sup>[2]</sup>

#### Excluded topics

- *Investment companies.*
- *Close companies.*
- *Companies in receivership or liquidation.*
- *Reorganisations.*
- *The purchase by a company of its own shares.*

- *Personal service companies.*

## 2. Profits chargeable to corporation tax

- Recognise the expenditure that is allowable in calculating the tax-adjusted trading profit.<sup>[2]</sup>
- Explain how relief can be obtained for pre-trading expenditure.<sup>[1]</sup>
- Compute capital allowances (as for income tax).<sup>[2]</sup>
- Compute property business profits.<sup>[2]</sup>
- Explain the treatment of interest paid and received under the loan relationship rules.<sup>[1]</sup>
- Explain the treatment of gift aid donations.<sup>[2]</sup>
- Understand how trading losses can be carried forward.<sup>[2]</sup>
- Understand how trading losses can be claimed against income of the current or previous accounting periods.<sup>[2]</sup>
- Recognise the factors that will influence the choice of loss relief claim.<sup>[2]</sup>
- Explain how relief for a property business loss is given.<sup>[1]</sup>
- Compute profits chargeable to corporation tax.<sup>[2]</sup>

### Excluded topics

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

## 3. The comprehensive computation of corporation tax liability

- Compute the corporation tax liability and apply marginal relief.<sup>[2]</sup>
- Explain the implications of receiving franked investment income.<sup>[2]</sup>

- Explain how exemptions and reliefs can defer or minimise corporation tax liabilities.<sup>[2]</sup>

### Excluded topics

- *The corporate venturing scheme.*

## 4. The effect of a group corporate structure for corporation tax purposes

- Define an associated company and recognise the effect of being an associated company for corporation tax purposes.<sup>[2]</sup>
- Define a 75% group, and recognise the reliefs that are available to members of such a group.<sup>[2]</sup>
- Define a 75% capital gains group, and recognise the reliefs that are available to members of such a group.<sup>[2]</sup>
- Compare the UK tax treatment of an overseas branch to an overseas subsidiary.<sup>[2]</sup>
- Calculate double taxation relief for withholding tax and underlying tax.<sup>[2]</sup>
- Explain the basic principles of the transfer pricing rules.<sup>[2]</sup>

### Excluded topics

- *Relief for trading losses incurred by an overseas subsidiary.*
- *Consortia.*
- *Pre-entry gains and losses.*
- *The anti-avoidance provisions where arrangements exist for a company to leave a group.*
- *The tax charge that applies where a company leaves a group within six years of receiving an asset by way of a no gain/no loss transfer.*
- *Controlled foreign companies.*
- *Foreign companies trading in the UK.*

- *Expense relief in respect of overseas tax.*
- *The restriction of double taxation relief for underlying tax to the full rate of corporation tax.*
- *The carry back and carry forward of unrelieved foreign tax, or any aspect of the on-shore pooling rules.*
- *Transfer pricing transactions not involving an overseas company.*

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

The use of such exemptions and reliefs is implicit within all of the above sections 1 to 4 of part C of the syllabus, concerning corporation tax.

## D CHARGEABLE GAINS

### 1. The scope of the taxation of capital gains

- Describe the scope of capital gains tax.<sup>[2]</sup>
- Explain how the residence and ordinary residence of an individual is determined.<sup>[2]</sup>
- List those assets which are exempt.<sup>[1]</sup>

#### Excluded topics

- *Assets situated overseas and double taxation relief.*
- *Partnership capital gains.*

### 2. The basic principles of computing gains and losses.

- Compute capital gains for both individuals and companies.<sup>[2]</sup>
- Calculate the indexation allowance available to companies, and identify the indexation allowance available to individuals.<sup>[2]</sup>
- Explain the treatment of capital losses for both individuals and companies.<sup>[1]</sup>

- Explain the treatment of transfers between a husband and wife or between a couple in a civil partnership.<sup>[2]</sup>
- Compute the amount of allowable expenditure for a part disposal.<sup>[2]</sup>
- Explain the treatment where an asset is damaged, lost or destroyed, and the implications of receiving insurance proceeds and reinvesting such proceeds.<sup>[2]</sup>

#### Excluded topics

- *Calculation of indexation factors for individuals (where relevant a question will give either the indexation factor, the amount of indexation, or indexed cost).*
- *Assets held at 31 March 1982.*
- *Small part disposals of land.*
- *Losses in the year of death.*
- *Relief for losses incurred on loans made to traders.*
- *Negligible value claims.*

### 3. Gains and losses on the disposal of movable and immovable property

- Identify when chattels and wasting assets are exempt.<sup>[1]</sup>
- Compute the chargeable gain when a chattel is disposed of.<sup>[2]</sup>
- Calculate the chargeable gain when a wasting asset is disposed of.<sup>[2]</sup>
- Compute the exemption when a principal private residence is disposed of.<sup>[2]</sup>
- Calculate the chargeable gain when a principal private residence has been used for business purposes.<sup>[2]</sup>
- Identify the amount of letting relief available when a principal private residence has been let out.<sup>[2]</sup>

#### Excluded topics

- *The disposal of leases and the creation of sub-leases.*

#### 4. Gains and losses on the disposal of shares and securities

- a) Calculate the value of quoted shares where they are disposed of by way of a gift.<sup>[2]</sup>
- b) Explain and apply the identification rules as they apply to individuals and to companies, including the same day, nine day, and thirty day matching rules.<sup>[2]</sup>
- c) Explain the pooling provisions.<sup>[2]</sup>
- d) Explain the treatment of bonus issues, rights issues, takeovers and reorganisations.<sup>[2]</sup>
- e) Explain the exemption available for gilt-edged securities and qualifying corporate bonds.<sup>[1]</sup>

#### Excluded topics

- *A detailed question on the pooling provisions for shares.*
- *Calculation of the 1985 pool for individuals prior to 5 April 1998.*
- *The small part disposal rules applicable to rights issues.*
- *Substantial shareholdings.*
- *Gilt-edged securities and qualifying corporate bonds other than the fact that they are exempt.*

#### 5. The computation of capital gains tax payable by individuals

- a) Recognise a business asset for the purposes of taper relief.<sup>[2]</sup>
- b) Compute taper relief for business and non-business assets.<sup>[2]</sup>
- c) Compute the amount of capital gains tax payable.<sup>[2]</sup>

#### 6. The use of exemptions and reliefs in deferring and minimising tax liabilities arising on the disposal of capital assets

- a) Explain and apply rollover relief as it applies to individuals and companies.<sup>[2]</sup>
- b) Explain and apply holdover relief for the gift of business assets.<sup>[2]</sup>
- c) Explain and apply the incorporation relief that is available upon the transfer of a business to a company.<sup>[2]</sup>

#### Excluded topics

- *Reinvestment relief.*

#### E NATIONAL INSURANCE CONTRIBUTIONS

##### 1. The scope of national insurance

- a) Describe the scope of national insurance.<sup>[1]</sup>

##### 2. Class 1 and Class 1A contributions for employed persons

- a) Compute Class 1 NIC.<sup>[2]</sup>
- b) Compute Class 1A NIC.<sup>[2]</sup>

#### Excluded topics

- *The calculation of directors' national insurance on a month by month basis.*
- *Contracted out contributions.*

##### 3. Class 2 and Class 4 contributions for self-employed persons

- a) Compute Class 2 NIC.<sup>[2]</sup>
- b) Compute Class 4 NIC.<sup>[2]</sup>

#### Excluded topics

- *The offset of trading losses against non-trading income.*

## **F VALUE ADDED TAX**

### **1. The scope of value added tax (VAT)**

- a) Describe the scope of VAT.<sup>[2]</sup>
- b) List the principal zero-rated and exempt supplies.<sup>[1]</sup>

### **2. The VAT registration requirements**

- a) Recognise the circumstances in which a person must register for VAT.<sup>[2]</sup>
- b) Explain the advantages of voluntary VAT registration.<sup>[2]</sup>
- c) Explain the circumstances in which pre-registration input VAT can be recovered.<sup>[2]</sup>
- d) Explain how and when a person can deregister for VAT.<sup>[1]</sup>

#### **Excluded topics**

- *Group registration.*

### **3. The computation of VAT liabilities**

- a) Explain how VAT is accounted for and administered.<sup>[2]</sup>
- b) Recognise the tax point when goods or services are supplied.<sup>[2]</sup>
- c) List the information that must be given on a VAT invoice.<sup>[1]</sup>
- d) Explain and apply the principles regarding the valuation of supplies.<sup>[2]</sup>
- e) Recognise the circumstances in which input VAT is non-deductible.<sup>[2]</sup>
- f) Compute the relief that is available for impairment losses on trade debts.<sup>[2]</sup>
- g) Explain the circumstances in which the default surcharge, a serious misdeclaration penalty, and default interest will be applied.<sup>[1]</sup>

#### **Excluded topics**

- *Imports, exports and trading within the European Community*
- *Partial exemption*
- *In respect of property and land: leases, do-it-yourself builders, and a landlord's option to tax.*
- *Penalties apart from those listed in the study guide (repeated misdeclarations are excluded).*

### **4. The effect of special schemes**

- a) Describe the cash accounting scheme, and recognise when it will be advantageous to use the scheme.<sup>[2]</sup>
- b) Describe the annual accounting scheme, and recognise when it will be advantageous to use the scheme.<sup>[2]</sup>
- c) Describe the flat rate scheme, and recognise when it will be advantageous to use the scheme.<sup>[2]</sup>

#### **Excluded topics**

- *The second-hand goods scheme.*
- *The capital goods scheme.*
- *The special schemes for retailers.*

## **G THE OBLIGATIONS OF TAX PAYERS AND/OR THEIR AGENTS**

### **1. The systems for self-assessment and the making of returns**

- a) Explain and apply the features of the self-assessment system as it applies to individuals.<sup>[2]</sup>
- b) Explain and apply the features of the self-assessment system as it applies to companies.<sup>[2]</sup>

## 2. The time limits for the submission of information, claims and payment of tax, including payments on account

- a) Recognise the time limits that apply to the filing of returns and the making of claims.<sup>[2]</sup>
- b) Recognise the due dates for the payment of tax under the self-assessment system.<sup>[2]</sup>
- c) Compute payments on account and balancing payments/repayments for individuals.<sup>[2]</sup>
- d) Explain how large companies are required to account for corporation tax on a quarterly basis.<sup>[2]</sup>
- e) List the information and records that taxpayers need to retain for tax purposes.<sup>[1]</sup>

### Excluded topics

- *The payment of CGT by annual instalments.*

## 3. The procedures relating to enquiries, appeals and disputes

- a) Explain the circumstances in which HM Revenue & Customs can enquire into a self-assessment tax return.<sup>[2]</sup>
- b) Explain the procedures for dealing with appeals and disputes.<sup>[1]</sup>

## 4. Penalties for non-compliance

- a) Calculate interest on overdue tax.<sup>[2]</sup>
- b) State the penalties that can be charged.<sup>[2]</sup>

## READING LIST

ACCA's official publishers:

### BPP Learning Media

Contact number: +44(0)20 8740 2222

Website: [www.bpp.com](http://www.bpp.com)

### Kaplan Publishing

Contact number: +44(0)118 989 0629

Website: [www.kaplanpublishing.co.uk](http://www.kaplanpublishing.co.uk)

Additional reading:

A Horner and R Burrows, Tolley's Tax Guide, Tolley Publishing, ISBN 1860128319

A Melville, Taxation, Prentice Hall, ISBN 0 273 655522-1

Alternative reading:

ATC International

Contact: [ronnie.smith@atc-global.com](mailto:ronnie.smith@atc-global.com)

Website: [www.atc-global.com](http://www.atc-global.com)

International Financial Publishing Limited

Contact number: +44 (0)1344 751674

Website: [www.ifpbooks.com](http://www.ifpbooks.com)

## SUMMARY OF CHANGES TO PREVIOUS STUDY GUIDE

### December 2007

B.3 Additions and deletions to excluded topics

B.4 New Excluded Topic

C.4 d) New item added, others renumbered