



**Level 5 Diploma in Accounting & Finance (519)**  
**167 Credits**



<b>Subject Title:</b> Taxation	<b>Guided Learning Hours:</b> 280
<b>Exam Paper No.:</b> 5	<b>Duration:</b> 28
<b>Prerequisites:</b> Knowledge of accounting concepts covered in Level 4 Accounting Principles (Cert in BA) and Level 5 Accounting (Dip in BA).	<b>Corequisites:</b> A pass or higher in Diploma in BA & Computer Systems or equivalence.
<p><b>Aim:</b> The unit focuses on trends and developments of tax issues. It considers how the tax system has been amended to achieve public policy goals and examines how both the legislative and administrative processes shape the tax laws. An in-depth study of government income taxation, including the concepts of income, identification of the proper taxpayer, deductions, characterisation of income, and the timing, deferral and non-recognition of income, the rules and regulations involved in the UK taxation of UK persons and businesses earning income outside of the United Kingdom; including computation of taxable income and income taxes payable by corporations, returns and supporting schedules, calculating tax instalments payable, identifying filing deadlines and penalties, factors in planning owner/management remuneration, integration and identifying business decisions where implications will have a material effect. The concepts and principles governing the income taxation of corporations and their shareholders. The source and application of UK tax authority as it relates to the formation, operation and liquidation of a corporation. Emphasis will be on the rules governing penalty taxes, tax-free divisions and reorganisations, affiliated corporations, consolidated returns, and multinational considerations.</p>	
<b>Required Materials:</b> Recommended Learning Resources.	<b>Supplementary Materials:</b> Lecture notes and tutor extra reading recommendations.
<b>Special Requirements:</b> The unit requires a combination of lectures, demonstrations and discussions.	
<p><b>Intended Learning Outcomes:</b></p> <p>1 Basic income tax computation for corporated and unincorporated businesses; a tax on income reliefs and allowances that can reduce Income Tax bill.</p> <p>2 Self assessment system for corporated and unincorporated businesses; analysing the advantages and disadvantages of Self Assessment system.</p> <p>3 The tax charge classifications or sub-divisions of Schedule D; general income principles - Schedule D case I.</p>	<p><b>Assessment Criteria:</b></p> <p>1.1 Demonstrate preparing a basic Income Tax computation.</p> <p>1.2 Explain the treatment of savings income and dividends</p> <p>1.3 Describe tax reliefs and allowances</p> <p>1.4 Explain the treatment of trade charges on income</p> <p>1.5 Demonstrate calculating the income tax liability</p> <p>1.6 Explain what counts as taxable income</p> <p>2.1 Describe the features of self assessment</p> <p>2.2 Calculate payments on account and balancing payments/repayments</p> <p>2.3 Calculate interest on overdue tax and state the penalties that can be charged</p> <p>2.4 Explain how the HMRC can enquire into a Self Assessment Return.</p> <p>2.5 Describe the features of self- assessment.</p> <p>2.6 Explain how the HMRC can enquire into a self-assessment return.</p> <p>2.7 Calculate interest on overdue tax.</p> <p>2.8 Explain how large companies are required to account for corporation tax on a quarterly basis.</p> <p>3.1 Describe and apply the badges of trade.</p> <p>3.2 Analyse computation of assessable profits on commencement and cessation.</p>

<p>4 Capital allowances for unincorporated businesses and tax relief available on certain capital expenditures.</p>	<p>3.3 Explain the basis of assessment and compute the assessable profit on commencement and cessation.</p> <p>3.4 Describe the factors that will influence the choice of accounting date.</p> <p>3.5 Describe the conditions that must be met for a change of accounting date to be valid.</p> <p>3.6 Demonstrate how to compute the assessable profit on a change of accounting date.</p> <p>4.1 Define plant and machinery for capital allowance purposes.</p> <p>4.2 Demonstrate how to calculate writing down and first year allowance.</p> <p>4.3 Explain the treatment of short life and long life assets.</p> <p>4.4 Define an industrial building for industrial buildings allowances purposes.</p> <p>4.5 Demonstrate how to calculate industrial building allowance for new and second-hand buildings.</p> <p>4.6 Demonstrate how to compute the balancing adjustments on the disposal of an industrial building.</p> <p>4.7 Explain how trading losses can be carried forward</p> <p>4.8 Explain how trading losses can be claimed against total income and chargeable gains.</p> <p>4.9 Explain the relief for trading losses in the early years of a trade.</p> <p>4.10 Explain terminal loss relief.</p>
<p>5 Understand allocation assessable profits between the partners following a change in the profit sharing ratio or a change in the members in the partnership.</p>	<p>5.1 Outline how a partnership is assessed for tax.</p> <p>5.2 Describe the core areas of tax relating to partnerships and limited liability partnerships.</p> <p>5.3 Describe the alternative loss relief claims that are available to partners.</p> <p>5.4 Explain the loss relief restriction that applies to the Partners of a Limited Liability Partnership.</p> <p>5.5 Explain the relief given for contributions to a personal pension scheme.</p>
<p>6 Capital Gains Tax rates on property and other assets; outlining Capital Gains Tax rates and annual tax-free allowances.</p>	<p>6.1 Define principles and scope of capital gains</p> <p>6.2 Define a business asset for the purpose of a paper relief.</p> <p>6.3 Demonstrate how to compute paper relief (including non-business assets).</p> <p>6.4 Describe how to identify and apply relevant exemption and relief.</p> <p>6.5 Explain and apply holdover relief for the gift of business assets.</p> <p>6.6 Explain and apply the relief available when a business is transferred to a</p>

<p>7 Understand factors that determine whether an engagement is treated as employment or self-employment.</p>	<p>limited company.</p> <p>7.1 Describe the basis of assessment. 7.2 Explain the basis of assessment. 7.3 Describe the income assessable. 7.4 Define the allowable deductions, including travel expenses. 7.5 Explain the use of statutory approved mileage allowances.</p>
<p>8 The “PAY AS YOU EARN” (PAYE) System, the different types of National Insurance Contributions (NICs) and the occupational pension schemes</p>	<p>8.1 Explain the PAYE system. 8.2 Explain the tax treatment of benefits in-kind. Explain how benefits in kind are assessed 8.3 Identify P11D employees. 8.4 Define and Calculate Class 1 NIC 8.5 Define and Calculate class 1A NIC 8.6 Define and Calculate class 2 NIC 8.7 Define and Calculate class 4 NIC. 8.8 Describe the main features of an occupational Pension Scheme. 8.9 Explain the significance of an Occupational Pension Scheme being approved by the HMRC.</p>
<p>9 The factors that must be considered when incorporating a business, together with advantages and disadvantages.</p>	<p>9.1 Describe the process of incorporation of a business 9.2 Describe disposal of a business. 9.3 Explain the tax implications arising on the disposal of a business. 9.4 Explain whether remuneration or a dividend is the most tax efficient way to extract profit from a company.</p>
<p>10 Corporation tax and capital allowances and computing the balancing adjustment on the disposal of an industrial building.</p>	<p>10.1 Analyse the scope of corporation tax 10.2 Define the terms “Period of Account”, “Accounting Period”, and “Financial Year”. 10.3 Explain when an accounting period starts and finishes. 10.4 Explain how the residence of a company is determined. 10.5 Analyse how to compute tax on trading Profits- Schedule D case 1 10.6 Explain the expenditure that is allowable in calculating the tax-adjusted profit. 10.7 Explain how relief can be obtained for pre-trading expenditure. 10.8 Define Plant and Machinery for Capital Allowances purposes. 10.9 Calculate Writing Down Allowances and First Year Allowance. 10.10 Explain the treatment of motor vehicles. 10.11 Demonstrate computing balancing allowances and charges. 10.12 Explain the treatment of short life assets and long life assets. 10.13 Define an industrial building for industrial building allowance purposes. 10.14 Demonstrate how to calculate industrial</p>

<p>11 Relief for trading losses; preparing a basic capital gains computation, stating the allowable deductions and calculating the indexation allowance.</p>	<p>buildings allowance for new and second-hand buildings.</p> <p>11.1 Explain how trading losses can be carried forward.</p> <p>11.2 Explain how trading losses can be claimed against income of the current or previous accounting periods.</p> <p>11.3 Describe the factors that will influence the choice loss relief claim.</p> <p>11.4 Demonstrate how to compute the schedule A profit.</p> <p>11.5 Explain the treatment of a premium received for the grant of a short lease.</p> <p>11.6 Explain how relief for a schedule A loss is given.</p> <p>11.7 Explain how profit from loan relationship and interest received are assessed under schedule D Case III.</p> <p>11.8 Explain the treatment of charges on income.</p> <p>11.9 Explain the treatment of capital losses.</p> <p>11.10 Explain the identification rules for disposals of shares and securities.</p> <p>11.11 Explain and apply the pooling provisions for shares and securities.</p> <p>11.12 Explain the treatment following a bonus issue, Rights Issue or takeover.</p> <p>11.13 Evaluate the identification and application of relevant exemptions and reliefs.</p> <p>11.14 Explain and apply rollover relief.</p>
<p>12 Value Added Tax; the scope of VAT; the circumstances in registering for VAT, and the advantages of voluntary VAT registration.</p>	<p>12.1 Describe the circumstances in which pre-registration input VAT can be recovered.</p> <p>12.2 Explain how a person can deregister for VAT.</p> <p>12.3 Explain how VAT is accounted for and administered.</p> <p>12.4 Explain how the tax point is determined.</p> <p>12.5 Explain the information that must be given on a VAT invoice.</p> <p>12.6 Describe the principles that apply to the valuation of supplies.</p> <p>12.7 Describe the circumstances in which input VAT is non- deductible.</p> <p>12.8 Describe the relief that is available for bad debts.</p> <p>12.9 Explain the principal zero-rated and exempt supplies.</p> <p>12.10 Describe the Cash Accounting, the Annual Accounting and the flat rate schemes.</p> <p>12.11 Describe the circumstances in which the default surcharge, a serious mis-declaration penalty, and default interest will be applied.</p>
<p>13 The UK government annual budget set by the HM Treasury for the revenue and</p>	<p>13.1 Define fiscal year</p> <p>13.2 Describe the UK Government Budget</p>

expenditures in compliance with the government policy.	process 13.3 Evaluate and analyse the current budget 13.4 Explain UK National Debt
<b>Methods of Evaluation:</b> A 2½-hour written examination paper with five essay questions, each carrying 20 marks. Candidates are required to answer all questions. Candidates also undertake project/coursework in Taxation with a weighting of 100%.	

### Recommended Learning Resources: Taxation

<b>Text Books</b>	<ul style="list-style-type: none"> <li>• Taxation by Alan Melville. ISBN-10: 0273708716</li> <li>• The Economics of Taxation: Principles, Policy and Practice by Simon James and Christopher Nobes. ISBN-10: 0273646303</li> <li>• Wills, Administration and Taxation Law and Practice by John Barlow, Lesley King and Anthony King. ISBN-10: 184703456X</li> </ul>
<b>Study Manuals</b> 	BCE produced study packs
<b>CD ROM</b> 	Power-point slides
<b>Software</b> 	None