

Think Ahead

ACCA

June 2019 to  
March 2020

# Taxation – United Kingdom (TX-UK)

Syllabus and study guide

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## 1. 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 Applied Knowledge, the Applied Skills and the Strategic Professional exams 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 learning outcome. 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 Applied Knowledge, level 2 equates to Applied Skills and level 3 to Strategic Professional, some lower level skills can continue to be assessed as the student progresses through each 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.

## 2. Learning hours and educational recognition

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.

As a member of the International Federation of Accountants, ACCA seeks to enhance the education recognition of its qualification on both national and international education frameworks, and with educational authorities and partners globally. In doing so, ACCA aims to ensure that its qualification is recognised and valued by governments, regulatory authorities and employers across all sectors. To this end, ACCA qualification is currently recognised on the education frameworks in several countries. Please refer to your national education framework regulator for further information.

Each syllabus is organised into main subject area headings which are further broken down to provide greater detail on each area.

### 3. Guide to ACCA examination structure and delivery mode

The structure and delivery mode of examinations varies.

#### Applied Knowledge

The Applied Knowledge examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus. These are assessed by a two-hour computer based examination.

#### Applied Skills

The *Corporate and Business Law* exam is a two-hour computer-based objective test examination for English and Global.

For the format and structure of the *Corporate and Business Law* or *Taxation* variant exams, refer to the 'Approach to examining the syllabus' in section 9 of the relevant syllabus and study guide.

The other Applied Skills examinations (PM, TX-UK, FR, AA, and FM) contain a mix of objective and longer type questions with a duration of three hours for 100 marks. These are assessed by a three hour computer-based exam. Prior to the start of each exam there will be time allocated for students to be informed of the exam instructions.

The question types used at Applied Skills require students to use a range of digital skills, especially the longer (constructed response) style questions where they must demonstrate their ability to use spreadsheets and word processing tools in producing their answers, just as they would use these tools in the workplace. These assessment methods allow ACCA to focus on testing students' technical and

application skills, rather than, for example, their ability to perform simple calculations.

#### Strategic Professional

*Strategic Business Leader* is ACCA's case study examination at Strategic Professional and is examined as a closed book exam of four hours, including reading, planning and reflection time which can be used flexibly within the examination. There is no pre-seen information and all exam related material, including case information and exhibits are available within the examination. Strategic Business Leader is an exam based on one main business scenario which involves candidates completing several tasks within which additional material may be introduced. All questions are compulsory and each examination will contain a total of 80 technical marks and 20 professional skills marks.

The other Strategic Professional exams are all of three hours and 15 minutes duration. All contain two sections and all questions are compulsory. These exams all contain four professional marks.

For June, September and December 2019 sittings, all Strategic Professional exams will be available by paper based examination. From March 2020, these exams will become available by computer based examination. For more details regarding what is available in your market, please consult the ACCA global website. Strategic Professional variant exams will continue to be available as paper based examinations until a later date.

With Applied Knowledge and Applied Skills exams now assessed by computer

based exam, ACCA is committed to continuing on its journey to assess all exams within the ACCA Qualification using this delivery mode.

The question types used at Strategic Professional require students to effectively mimic what they would do in the workplace and, with the move to CBE, these exams again offer ACCA the opportunity to focus on the application of knowledge to scenarios, using a range of tools – spreadsheets, word processing and presentations - not only enabling students to demonstrate their technical and professional skills but also their use of the technology available to today's accountants.

ACCA encourages students to take time to read questions carefully and to plan answers but once the exam time has started, there are no additional restrictions as to when candidates may start producing their answer.

Time should be taken to ensure that all the information and exam requirements are properly read and understood.

The pass mark for all ACCA Qualification examinations is 50%.

## 4. Guide to ACCA examination assessment

ACCA reserves the right to examine any learning outcome 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 exams except where indicated otherwise, ACCA will publish *examinable documents* once a year to indicate exactly what regulations and legislation could potentially be assessed within identified examination sessions.

For most examinations (not tax), regulations **issued** or legislation **passed** on or before 31 August annually, will be examinable from 1 September of the following year to 31 August of the year after that. Please refer to the examinable documents for the examination (where relevant) for further information.

Regulations issued or legislation passed in accordance with the above dates may be examinable even if the **effective** date is in the future.

The term issued or passed relates to when regulation or legislation has been formally approved.

The term effective relates to when regulation or legislation must be applied to an entity's transactions and business practices.

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.

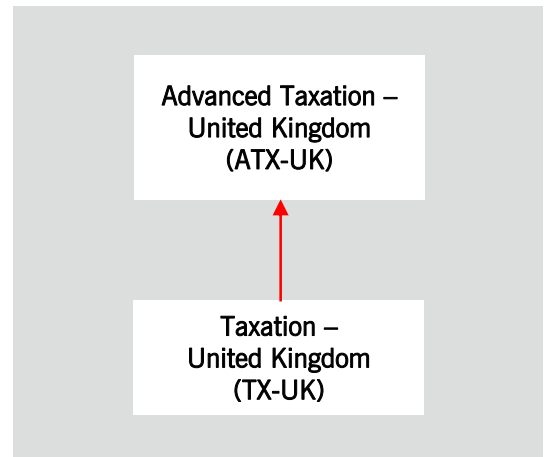
For **UK** tax exams, examinations falling within the period 1 June to 31 March will generally examine the Finance Act which was passed in the previous year. Therefore, exams falling in the period 1 June 2019 to 31 March 2020 will examine the Finance Act 2018 and any examinable legislation which is passed outside of the Finance Act before 31 July 2018.

For additional guidance on the examinability of specific tax rules and the depth in which they are likely to be examined, reference should be made to the relevant Finance Act article written by the examining team and published on the ACCA website.

None of the current or impending devolved taxes for Scotland, Wales, and Northern Ireland is, or will be, examinable.

## 5. Relational diagram linking Taxation – United Kingdom (TX-UK) with other exams

This diagram shows links between this exam and other exams preceding or following it. Some exams are directly underpinned by other exams such as Advanced Taxation – United Kingdom (ATX-UK) by Taxation – United Kingdom (TX-UK).



These links are shown as solid line arrows. Other exams only have indirect relationships with each other such as links existing between the accounting and auditing exams. 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.

## 6. Overall aim of the syllabus

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.

Aim

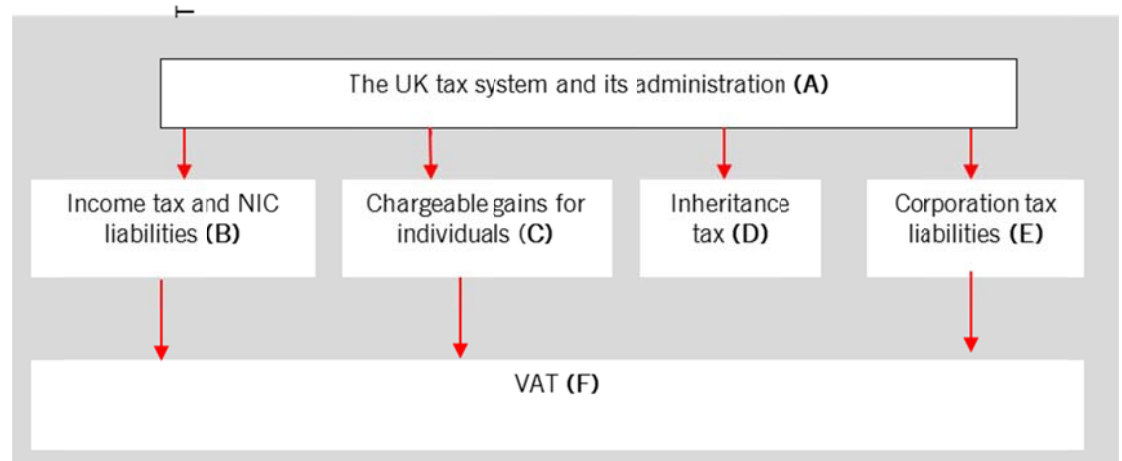
To develop knowledge and skills relating to the tax system as applicable to individuals, single companies, and groups of companies

## 7. Main capabilities

On successful completion of this exam, candidates should be able to:

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

### Relational diagram of the main capabilities



This diagram illustrates the flows and links between the main capabilities of the syllabus and should be used as an aid to planning teaching and learning in a structured way.



## 8. Rationale

The syllabus for Taxation - United Kingdom (TX-UK) 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, the chargeable gains arising on disposals of investments by both individuals and companies, and the inheritance tax liabilities arising on chargeable lifetime transfers and on death.

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.

## **9. Approach to examining the syllabus**

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

All questions are compulsory. The exam will contain both computational and discursive elements.

Some questions will adopt a scenario/case study approach.

Tax rates, allowances and information on certain reliefs will be given in the exam.

Section A comprises 15 objective test questions of 2 marks each

Section B comprises three questions each containing five objective test questions.

Section C comprises one 10 mark and two 15 mark constructed response questions.

The two 15 mark questions will focus on income tax (syllabus area B) and corporation tax (syllabus area E).

All other questions can cover any areas of the syllabus.

## 10. The syllabus

### A The UK tax system and its administration

1. The overall function and purpose of taxation in a modern economy
2. Principal sources of revenue law and practice
3. The systems for self-assessment and the making of returns
4. The time limits for the submission of information, claims and payment of tax, including payments on account
5. The procedures relating to compliance checks, appeals and disputes
6. Penalties for non-compliance

### B Income tax and NIC 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. National insurance contributions for employed and self-employed persons
7. The use of exemptions and reliefs in deferring and minimising income tax liabilities

### C Chargeable gains for individuals

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

### D Inheritance tax

1. The basic principles of computing transfers of value
2. The liabilities arising on chargeable lifetime transfers and on the death of an individual
3. The use of exemptions in deferring and minimising inheritance tax liabilities
4. Payment of inheritance tax

### E Corporation tax liabilities

1. The scope of corporation tax
2. Taxable total profits
3. Chargeable gains for companies
4. The comprehensive computation of corporation tax liability

5. The effect of a group corporate structure for corporation tax purposes
6. The use of exemptions and reliefs in deferring and minimising corporation tax liabilities

**F Value added tax (VAT)**

1. The VAT registration requirements
2. The computation of VAT liabilities
3. The effect of special schemes

## 11. Detailed study guide

### A The UK Tax system and its administration

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

#### 2. 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) Describe the organisation HM Revenue & Customs (HMRC) and its terms of reference.<sup>[1]</sup>
- d) Explain the difference between tax avoidance and tax evasion, and the purposes of the General Anti-Abuse Rule (GAAR).<sup>[1]</sup>
- e) Appreciate the interaction of the UK tax system with that of other tax jurisdictions.<sup>[2]</sup>
- f) Appreciate the need for double taxation agreements.<sup>[2]</sup>
- g) Explain the need for an ethical and professional approach.<sup>[2]</sup>

#### Excluded topics

- *Specific anti-avoidance legislation.*

#### 3. 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, including the use of iXBRL.<sup>[2]</sup>

#### 4. 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, and compute payments on account and balancing payments/repayments for individuals.<sup>[2]</sup>
- c) Explain how large companies are required to account for corporation tax on a quarterly basis and compute the quarterly instalment payments.<sup>[2]</sup>
- d) 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.*

- *Simple assessments*

## 5. The procedures relating to compliance checks, appeals and disputes

- Explain the circumstances in which HM Revenue & Customs can make a compliance check into a self-assessment tax return.<sup>[2]</sup>
- Explain the procedures for dealing with appeals and First and Upper Tier Tribunals.<sup>[2]</sup>

### Excluded topics

- *Information powers.*
- *Pre-return compliance checks.*
- *Detailed procedures on the carrying out and completion of a compliance check.*

## 6. Penalties for non-compliance

- Calculate late payment interest and state the penalties that can be charged.<sup>[2]</sup>

## B Income tax and NIC liabilities

### 1. The scope of income tax

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

### Excluded topics

- *The split year treatment where a person comes to the UK or leaves the UK.*
- *Foreign income, non-residents and double taxation relief.*

- *Income from trusts and settlements.*

## 2. Income from employment

- Recognise the factors that determine whether an engagement is treated as employment or self-employment.<sup>[2]</sup>
- Recognise the basis of assessment for employment income.<sup>[2]</sup>
- Recognise the income assessable.<sup>[2]</sup>
- Recognise the allowable deductions, including travelling expenses.<sup>[2]</sup>
- Discuss the use of the statutory approved mileage allowances.<sup>[2]</sup>
- Explain the PAYE system, how benefits can be payrolled, and the purpose of form P11D.<sup>[1]</sup>
- Explain and compute the amount of benefits assessable.<sup>[2]</sup>
- Recognise the circumstances in which real time reporting late filing penalties will be imposed on an employer and the amount of penalty which is charged.<sup>[2]</sup>

### Excluded topics

- *The calculation of a car benefit where emission figures are not available.*
- *The exemption for zero emission company motor cars.*
- *The reduced charge applicable to zero emission company vans.*
- *Tax free childcare scheme.*

- *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

- Recognise the basis of assessment for self-employment income.<sup>[2]</sup>
  - Describe and apply the badges of trade.<sup>[2]</sup>
  - Recognise the expenditure that is allowable in calculating the tax-adjusted trading profit.<sup>[2]</sup>
  - Explain and compute the assessable profits using the cash basis for small businesses.<sup>[2]</sup>
  - Recognise the relief which can be obtained for pre-trading expenditure.<sup>[2]</sup>
  - Compute the assessable profits on commencement and on cessation.<sup>[2]</sup>
  - Recognise the factors that will influence the choice of accounting date.<sup>[2]</sup>
  - Capital allowances
    - Define plant and machinery for capital allowances purposes.<sup>[1]</sup>
    - Compute writing down allowances, first-year allowances and the annual investment allowance.<sup>[2]</sup>
    - Compute capital allowances for motor cars.<sup>[2]</sup>
    - Compute balancing allowances and balancing charges.<sup>[2]</sup>
    - Recognise the treatment of short life assets.<sup>[2]</sup>
- Relief for trading losses
    - Understand how trading losses can be carried forward.<sup>[2]</sup>
    - Understand how trading losses can be claimed against total income and chargeable gains, and the restriction that can apply.<sup>[2]</sup>
    - Explain and compute the relief for trading losses in the early years of a trade.<sup>[1]</sup>
    - Explain and compute terminal loss relief.<sup>[1]</sup>
    - Recognise the factors that will influence the choice of loss relief claim.<sup>[2]</sup>
  - Partnerships and limited liability partnerships
    - Explain and compute how a partnership is assessed to tax.<sup>[2]</sup>
    - Explain and compute the assessable profits for each partner following a change in the profit sharing ratio.<sup>[2]</sup>
    - Explain and compute the assessable profits for each partner following a change in the membership of the partnership.<sup>[2]</sup>
    - Describe the alternative loss relief claims that are available to partners.<sup>[1]</sup>

### Excluded topics

- *Change of accounting date.*
- *The 100% allowance for expenditure on renovating business premises in disadvantaged areas, flats above shops and water technologies.*
- *Capital allowances for agricultural buildings, patents,*

*scientific research and know how.*

- *Knowledge of the annual investment allowance limit of £500,000 applicable prior to 1 January 2016.*
- *Enterprise zones.*
- *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 following the incorporation of a business.*
- *Loss relief for shares in unquoted trading companies.*
- *The loss relief restriction that applies to the partners of a limited liability partnership.*
- *Trading allowance of £1,000.*
- *Non-deductible capital expenditure under the cash basis other than motor cars, land and buildings.*

#### **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) Understand 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 and apply the restriction on property income finance costs.<sup>[2]</sup>
  - f) Understand how relief for a property business loss is given.<sup>[2]</sup>
  - g) Compute the tax payable on savings and dividends income.<sup>[2]</sup>
  - h) Recognise the treatment of individual savings accounts (ISAs) and other tax exempt investments.<sup>[1]</sup>
  - i) Understand how the accrued income scheme applies to UK Government securities (gilts).<sup>[1]</sup>

#### **Excluded topics**

- *The deduction for expenditure by landlords on energy-saving items.*
- *Premiums for granting subleases.*
- *Junior ISAs.*
- *The additional ISA allowance for a surviving spouse or registered civil partner*
- *Help-to-buy, innovative finance and lifetime ISAs.*
- *Savings income paid net of tax.*
- *The detailed rules for establishing whether higher or additional rate tax is applicable for the purposes of the savings income nil rate band.*
- *Property allowance of £1,000.*



- *Non-deductible capital expenditure under the cash basis other than motor cars, land and buildings.*

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

- Prepare a basic income tax computation involving different types of income.<sup>[2]</sup>
- Calculate the amount of personal allowance available.<sup>[2]</sup>
- Understand the impact of the transferable amount of personal allowance for spouses and civil partners.<sup>[2]</sup>
- Compute the amount of income tax payable.<sup>[2]</sup>
- Understand the treatment of interest paid for a qualifying purpose.<sup>[2]</sup>
- Understand the treatment of gift aid donations and charitable giving.<sup>[1]</sup>
- Explain and compute the child benefit tax charge.<sup>[1]</sup>
- Understand the treatment of property owned jointly by a married couple, or by a couple in a civil partnership.<sup>[1]</sup>

#### Excluded topics

- *Consideration of the most beneficial allocation of the personal allowance to different categories of income.*
- *The blind person's allowance and the married couple's allowance.*

- *Tax credits.*
- *Maintenance payments.*
- *The income of minor children.*

#### 6. National insurance contributions for employed and self-employed persons

- Explain and compute national insurance contributions payable:
  - Class 1 and 1A NIC.<sup>[2]</sup>
  - Class 2 and 4 NIC.<sup>[2]</sup>
- Understand the annual employment allowance.<sup>[2]</sup>

#### Excluded topics

- *The calculation of directors' national insurance on a month by month basis.*
- *The offset of trading losses against non-trading income.*
- *The exemption from employer's class 1 NIC in respect of employees aged under 21 and apprentices aged under 25.*

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

- Explain and compute the relief given for contributions to personal pension schemes, and to occupational pension schemes.<sup>[2]</sup>
- Understand how a married couple or a couple in a civil partnership can minimise their tax liabilities.<sup>[2]</sup>
- Basic income tax planning.<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 anti-avoidance annual allowance limit of £10,000 for pension contributions (the tapering of the annual allowance down to a minimum of £10,000 is examinable).*
- *The threshold level of income below which tapering of the annual allowance does not apply.*
- *The transitional rules affecting the annual allowance for pension contributions for the tax year 2015-16.*
- *The enterprise investment scheme and the seed enterprise investment scheme.*
- *Venture capital trusts.*
- *Tax reduction scheme for gifts of pre-eminent objects.*

**C Chargeable gains for individuals****1. The scope of the taxation of capital gains**

- a) Describe the scope of capital gains tax.<sup>[2]</sup>
- b) Recognise 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**

- a) Compute and explain the treatment of capital gains.<sup>[2]</sup>
- b) Compute and explain the treatment of capital losses.<sup>[2]</sup>
- c) Understand the treatment of transfers between a husband and wife or between a couple in a civil partnership.<sup>[2]</sup>
- d) Understand the amount of allowable expenditure for a part disposal.<sup>[2]</sup>
- e) Recognise 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**

- *Small part disposals of land, and small capital sums received where an asset is damaged.*
- *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**

- a) Identify when chattels and wasting assets are exempt.<sup>[1]</sup>

- b) Compute the chargeable gain when a chattel or a wasting asset is disposed of.<sup>[2]</sup>
- c) Calculate the chargeable gain when a principal private residence is disposed of.<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) Recognise 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 including the same day and 30 day matching rules.<sup>[2]</sup>
- c) Explain and apply the pooling provisions.<sup>[2]</sup>
- d) Explain and apply the treatment of bonus issues, rights issues, takeovers and reorganisations.<sup>[2]</sup>
- e) Identify the exemption available for gilt-edged securities and qualifying corporate bonds.<sup>[1]</sup>

#### Excluded topics

- *The exemption for employee shareholders.*
- *The small part disposal rules applicable to rights issues, takeovers and reorganisations.*
- *Gilt-edged securities and qualifying corporate bonds other than the fact that they are exempt.*

#### 5. The computation of capital gains tax

- a) Compute the amount of capital gains tax payable.<sup>[2]</sup>
- b) Explain and apply entrepreneurs' relief.<sup>[2]</sup>

#### Excluded topics

- *Entrepreneurs' relief for associated disposals.*
- *Mixed use property.*

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

- a) Explain and apply capital gains tax reliefs:
  - (i) rollover relief.<sup>[2]</sup>
  - (ii) holdover relief for the gift of business assets.<sup>[2]</sup>
- b) Basic capital gains tax planning.<sup>[2]</sup>

#### Excluded topics

- *Incorporation relief.*
- *Reinvestment relief.*

### D Inheritance tax

#### 1. The basic principles of computing transfers of value

- a) Identify the persons chargeable.<sup>[2]</sup>
- b) Understand and apply the meaning of transfer of value, chargeable transfer and potentially exempt transfer.<sup>[2]</sup>
- c) Demonstrate the diminution in value principle.<sup>[2]</sup>

- d) Demonstrate the seven year accumulation principle taking into account changes in the level of the nil rate band.<sup>[2]</sup>

**Excluded topics**

- *Pre 18 March 1986 lifetime transfers.*
- *Transfers of value by close companies.*
- *Domicile, deemed domicile, and non-UK domiciled individuals.*
- *Trusts.*
- *Excluded property.*
- *Related property.*
- *The tax implications of the location of assets.*
- *Gifts with reservation of benefit.*
- *Associated operations.*

**2. The liabilities arising on chargeable lifetime transfers and on the death of an individual**

- a) Understand the tax implications of lifetime transfers and compute the relevant liabilities.<sup>[2]</sup>
- b) Understand and compute the tax liability on a death estate.<sup>[2]</sup>
- c) Understand and apply the transfer of any unused nil rate band between spouses.<sup>[2]</sup>
- d) Understand and apply the residence nil rate band available when a residential property is inherited by direct descendants.<sup>[2]</sup>

**Excluded topics**

- *Specific rules for the valuation of assets (values will be provided).*
- *Business property relief.*
- *Agricultural relief.*
- *Relief for the fall in value of lifetime gifts.*
- *Quick succession relief.*
- *Double tax relief.*
- *Post-death variation of wills and disclaimers of legacies.*
- *Grossing up on death.*
- *Post mortem reliefs.*
- *Double charges legislation.*
- *The reduced rate of inheritance tax payable on death when a proportion of a person's estate is bequeathed to charity.*
- *The tapered withdrawal of the residence nil rate band where the net value of the estate exceeds £2 million.*
- *The protection of the residence nil rate band where an individual downsizes to a less valuable property or where a property is disposed of.*
- *Nominating which property should qualify for the residence nil rate band where there is more than one residence.*

### 3. The use of exemptions in deferring and minimising inheritance tax liabilities

- a) Understand and apply the following exemptions:
- i) small gifts exemption.<sup>[2]</sup>
  - ii) annual exemption.<sup>[2]</sup>
  - iii) normal expenditure out of income.<sup>[2]</sup>
  - iv) gifts in consideration of marriage.<sup>[2]</sup>
  - v) gifts between spouses.<sup>[2]</sup>
- b) Basic inheritance tax planning<sup>[2]</sup>

#### **Excluded topics**

- *Gifts to charities.*
- *Gifts to political parties.*
- *Gifts for national purposes.*

### 4. Payment of inheritance tax

- a) Identify who is responsible for the payment of inheritance tax and the due date for payment of inheritance tax.<sup>[2]</sup>

#### **Excluded topics**

- *Administration of inheritance tax other than listed above.*
- *The instalment option for the payment of tax.*
- *Interest and penalties.*

## **E 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. Taxable total profits

- a) Recognise the expenditure that is allowable in calculating the tax-adjusted trading profit.<sup>[2]</sup>
- b) Recognise the relief which can be obtained for pre-trading expenditure.<sup>[1]</sup>
- c) Compute capital allowances (as for income tax).<sup>[2]</sup>
- d) Compute property business profits and understand how relief for a property business loss is given.<sup>[2]</sup>
- e) Understand how trading losses can be carried forward.<sup>[2]</sup>
- f) Understand how trading losses can be claimed against income of the current or previous accounting periods.<sup>[2]</sup>

- g) Recognise the factors that will influence the choice of loss relief claim.<sup>[2]</sup>
- h) Recognise and apply the treatment of interest paid and received under the loan relationship rules.<sup>[1]</sup>
- i) Recognise and apply the treatment of qualifying charitable donations.<sup>[2]</sup>
- j) Compute taxable total profits.<sup>[2]</sup>

#### **Excluded topics**

- *Research and development expenditure.*
- *Non-trading deficits on loan relationships.*
- *Relief for intangible assets.*
- *Patent box.*
- *Carried forward losses prior to 1 April 2017.*
- *Restriction on carried forward losses for companies with profits over £5 million.*

### **3 Chargeable gains for companies**

- a) Compute and explain the treatment of chargeable gains.<sup>[2]</sup>
- b) Explain and compute the indexation allowance available using a given indexation factor.<sup>[2]</sup>
- c) Explain and compute the treatment of capital losses.<sup>[1]</sup>
- d) Understand the treatment of disposals of shares by companies and apply the identification rules including the same day and nine day matching rules.<sup>[2]</sup>

- e) Explain and apply the pooling provisions.<sup>[2]</sup>
- f) Explain and apply the treatment of bonus issues, rights issues, takeovers and reorganisations.<sup>[2]</sup>
- g) Explain and apply rollover relief.<sup>[2]</sup>

#### **Excluded topics**

- *A detailed question on the pooling provisions as they apply to limited companies.*
- *Substantial shareholdings.*
- *Calculation of indexation factors.*

### **4. The comprehensive computation of corporation tax liability**

- a) Compute the corporation tax liability.<sup>[2]</sup>

#### **Excluded topics**

- *The tax rates applicable to periods prior to financial year 2015*
- *Marginal relief*
- *Franked investment income*

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

- a) Define a 75% group, and recognise the reliefs that are available to members of such a group.<sup>[2]</sup>
- b) Define a 75% chargeable gains group, and recognise the reliefs that are available to members of such a group.<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.*
- *Overseas aspects of corporation tax.*
- *Transfer pricing.*

**6. 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 5 of part E of the syllabus, concerning corporation tax.

**F Value added tax (VAT)****1. The VAT registration requirements**

- a) Recognise the circumstances in which a person must register or deregister for VAT (compulsory) and when a person may register or deregister for VAT (voluntary).<sup>[2]</sup>
- b) Recognise the circumstances in which pre-registration input VAT can be recovered.<sup>[2]</sup>

- c) Explain the conditions that must be met for two or more companies to be treated as a group for VAT purposes, and the consequences of being so treated.<sup>[1]</sup>

**2. The computation of VAT liabilities**

- a) Calculate the amount of VAT payable/recoverable.<sup>[2]</sup>
- b) Understand how VAT is accounted for and administered.<sup>[2]</sup>
- c) Recognise the tax point when goods or services are supplied.<sup>[2]</sup>
- d) List the information that must be given on a VAT invoice.<sup>[1]</sup>
- e) Explain and apply the principles regarding the valuation of supplies.<sup>[2]</sup>
- f) Recognise the principal zero rated and exempt supplies.<sup>[1]</sup>
- g) Recognise the circumstances in which input VAT is non-deductible.<sup>[2]</sup>
- h) Recognise the relief that is available for impairment losses on trade debts.<sup>[2]</sup>
- i) Understand when the default surcharge, a penalty for an incorrect VAT return, and default interest will be applied.<sup>[1]</sup>
- j) Understand the treatment of imports, exports and trade within the European Union.<sup>[2]</sup>

**Excluded topics**

- *VAT periods where there is a change of VAT rate.*
- *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.*
- ii) annual accounting scheme.<sup>[2]</sup>
  - iii) flat rate scheme.<sup>[2]</sup>

### **Excluded topics**

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

- a) Understand the operation of, and when it will be advantageous to use, the VAT special schemes:
  - i) cash accounting scheme.<sup>[2]</sup>

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



## Summary of changes to Taxation - United Kingdom (TX-UK)

ACCA periodically reviews its qualification syllabuses so that they fully meet the needs of stakeholders such as employers, students, regulatory and advisory bodies and learning providers.

There are changes to the syllabus and these are summarised in the tables below.

**Table 1 – Additions**

	<b>Section and subject area</b>	<b>Syllabus content</b>
B3	Income from self-employment – <i>Excluded topics</i>	<p><i>Trading allowance of £1,000 added to excluded topics</i></p> <p><i>Non-deductible capital expenditure under the cash basis other than motor cars, land and buildings added to excluded topics.</i></p>
B4	Property and investment income – <i>Excluded topics</i>	<p><i>Property allowance of £1,000 added to excluded topics</i></p> <p><i>Non-deductible capital expenditure under the cash basis other than motor cars, land and buildings added to excluded topics.</i></p>
E2	Taxable total profits – <i>Excluded topics</i>	<p><i>Added to excluded topics:</i></p> <p><i>Carried forward losses prior to 1 April 2017.</i></p> <p><i>Restriction on carried forward losses for companies with profits over £5 million.</i></p>
E3	Chargeable gains for companies – <i>Excluded topics</i>	<i>Calculation of indexation factors added to excluded topics</i>

**Table 2 – Amendments**

	<b>Section and subject area</b>	<b>Syllabus content</b>
E3	Chargeable gains for companies	<i>Part (b) amended to clarify that the indexation factor will be given for any calculation of the indexation allowance.</i>

There have been no other amendments to the syllabus.