



Diploma in Accounting & Finance (519) - Taxation

Prerequisites: Knowledge of accounting terminology.	Corequisites: A pass or higher in Diploma in BA & Computer Systems or equivalence.
<p>Aim: The course 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>	
Required Materials: Recommended Learning Resources.	Supplementary Materials: Lecture notes and tutor extra reading recommendations.
<p>Special Requirements: The course requires a combination of lectures, demonstrations and discussions.</p>	
<p>Intended Learning Outcomes:</p> <p>1 Analyse basic income tax computation for unincorporated businesses.</p> <p>2 Illustrate self assessment system for unincorporated businesses. Analyse the Self Assessment system</p> <p>3 Describe general income principles - Schedule D case I</p>	<p>Assessment Criteria:</p> <p>1.1 Prepare a basic Income Tax computation.</p> <p>1.2 Explain the treatment of savings income and dividends</p> <p>1.3 Explain Rental Income</p> <p>1.4 Explain the treatment of trade charges on 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 require 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>3.3 Explain the basis of assessment and compute the assessable profit on commencement and cessation.</p> <p>3.4 Be able to state the factors that will influence the choice of accounting date.</p>




4 Describe capital allowances for unincorporated businesses	3.5	Be able to state the conditions that must be met for a change of accounting date to be valid.
	3.6	Be able to compute the assessable profit on a change of accounting date.
	4.1	Define plant and machinery for capital allowance purposes.
	4.2	Calculate writing down and first year allowance.
	4.3	Explain the treatment of short life and long life assets.
	4.4	Define an industrial building for industrial buildings allowances purposes.
	4.5	Calculate industrial building allowance for new and second- hand buildings.
	4.6	Compute the balancing adjustments on the disposal of an industrial building.
	4.7	Explain how trading losses can be carried forward
	4.8	Explain how trading losses can be claimed against total income and chargeable gains.
5 Understand the core areas of tax relating to partnerships and limited liability partnerships.	4.9	Explain the relief for trading losses in the early years of a trade.
	4.10	Explain terminal loss relief.
	5.1	How a partnership is assessed to tax.
	5.2	Illustrate how to allocate assessable profits between the partners following a change in the profit sharing ratio or a change in the members in the partnership.
	5.3	Describe the alternative loss relief claims that are available to partners.
6 Describe capital gains tax	5.4	Explain the loss relief restriction that applies to the Partners of a Limited Liability Partnership.
	5.5	Explain the relief given for contributions to a personal pension scheme.
	6.1	Define principles and scope of capital gains
	6.2	Define a business asset for the purpose of a taper relief.
	6.3	Be able to compute taper relief (including non-business assets).
	6.4	Identification and application of relevant exemption and relief.
7 Describe the basis of assessment	6.5	Explain and apply holdover relief for the gift of business assets.
	6.6	Explain and apply the relief available when a business is transferred to a limited company.
	7.1	State factors that determine whether an engagement is treated as employment or self-employment.
	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

8 Analyse the “PAY AS YOU EARN” (PAYE) System, the different types of National Insurance Contributions (NICs) and the occupational pension schemes	<p>mileage allowances.</p> <p>8.1 Explain the PAYE system.</p> <p>8.2 Explain the tax treatment of benefits in-kind. Explain how benefits in kind are assessed</p> <p>8.3 Identify P11D employees.</p> <p>8.4 Define and Calculate Class 1 NIC</p> <p>8.5 Define and Calculate class 1A NIC</p> <p>8.6 Define and Calculate class 2 NIC</p> <p>8.7 Define and Calculate class 4 NIC.</p> <p>8.8 State the main features of an occupational Pension Scheme.</p> <p>8.9 Explain the significance of an Occupational Pension Scheme being approved by the HMRC.</p>
9 Describe the process of incorporation of a business	<p>9.1 Explain the factors that must be considered when incorporating a business</p> <p>9.2 Describe disposal of a business.</p> <p>9.3 Explain the tax implications arising on the disposal of a business.</p> <p>9.4 Discuss whether remuneration or a dividend is the most tax efficient way to extract profit from a company.</p>
10 Describe corporation tax and capital allowances	<p>10.1 Analyse the scope of corporation tax</p> <p>10.2 Define the terms “Period of Account”, “Accounting Period”, and “Financial Year”.</p> <p>10.3 Explain when an accounting period starts and finishes.</p> <p>10.4 Explain how the residence of a company is determined.</p> <p>10.5 Analyse how to compute tax on trading Profits- Schedule D case 1</p> <p>10.6 State the expenditure that is allowable in calculating the tax-adjusted profit.</p> <p>10.7 Explain how relief can be obtained for pre-trading expenditure.</p> <p>10.8 Define Plant and Machinery for Capital Allowances purposes.</p> <p>10.9 Calculate Writing Down Allowances and First Year Allowance.</p> <p>10.10 Explain the treatment of motor vehicles.</p> <p>10.11 Compute balancing allowances and charges.</p> <p>10.12 Explain the treatment of short life assets and long life assets.</p> <p>10.13 Define an industrial building for industrial building allowance purposes.</p> <p>10.14 Calculate industrial buildings allowance for new and second- hand buildings.</p> <p>10.15 Compute the balancing adjustment on the disposal of an industrial building.</p>
11 Describe relief for trading losses	<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 State the factors that will influence the</p>

	<p>choice loss relief claim.</p> <p>11.4 Be able 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 Be able to prepare a basic capital gains computation, state the allowable deductions and calculate the indexation allowance.</p> <p>11.10 Explain the treatment of capital losses.</p> <p>11.11 Explain the identification rules for disposals of shares and securities.</p> <p>11.12 Apply the pooling provisions for shares and securities.</p> <p>11.13 Explain the treatment following a bonus issue, Rights Issue or takeover.</p> <p>11.14 The identification and application of relevant exemptions and reliefs.</p> <p>11.15 Explain and apply rollover relief.</p>
12 Understand the calculation of the Corporation Tax liability	<p>12.1 Prepare a basic corporation tax calculation.</p> <p>12.2 Explain the implications of receiving franked investment income.</p> <p>12.3 Calculate the corporation tax liability at the starting rate, small company rate, and full rate, and apply tapering relief.</p> <p>12.4 Be able to compare the UK tax treatment of an overseas branch to an overseas subsidiary.</p> <p>12.5 Be able to calculate double taxation relief for withholding tax and underlying tax.</p> <p>12.6 Explain and apply the transfer pricing rules.</p>
13 Understand treatment of groups of companies	<p>13.1 Define an associated company.</p> <p>13.2 Define a 75% group.</p> <p>13.3 Explain and apply the reliefs available to members of a 75% group.</p> <p>13.4 Define a 75% capital gains group.</p> <p>13.5 Explain and apply the reliefs available to the members of a 75% capital gains group.</p>
14 Define Value Added Tax. Describe the scope of VAT.	<p>14.1 State the circumstances in which a person must register for VAT, and explain the advantages of voluntary VAT registration.</p> <p>14.2 State the circumstances in which pre-registration input VAT can be recovered.</p> <p>14.3 Explain how a person can deregister for VAT.</p> <p>14.4 Explain how VAT is accounted for and administered.</p> <p>14.5 Explain how the tax point is determined.</p>

	<p>14.6 List the information that must be given on a VAT invoice.</p> <p>14.7 Describe the principles that apply to the valuation of supplies.</p> <p>14.8 State the circumstances in which input VAT is non- deductible.</p> <p>14.9 Describe the relief that is available for bad debts.</p> <p>14.10 List the principal zero-rated and exempt supplies.</p> <p>14.11 Describe the Cash Accounting, the Annual Accounting and the flat rate schemes.</p> <p>14.12 State the circumstances in which the default surcharge, a serious mis-declaration penalty, and default interest will be applied.</p>
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Recommended Learning Resources: Taxation

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