

## Taxation

This module covers the main taxes that CIPFA professionals encounter: direct and indirect taxes, and taxes applying to both organisations and individuals. These include central government taxes such as corporation tax, income tax, value added tax (VAT), and local tax, both domestic and business taxes. The emphasis will be on the aspects that affect organisations of all sizes and from different sectors.

This will enable CIPFA professionals to understand how decisions made by them have taxation consequences, work that is central to the stewardship and business partnering roles performed by finance professionals in modern organisations.

Some comparison will be made between the UK taxation system and the approaches applied in other countries, but detailed application will focus on UK legislation. International implications of taxation regulations are also considered, especially in relation to corporation tax and VAT.

The theory that underpins taxation is a critical part of this module. It is important for CIPFA professionals to understand what makes a taxation system fair and equitable and how to appraise taxation systems against relevant criteria.

Tax tables for the relevant financial year are provided in the examination so that the focus of the assessment is on application of knowledge and understanding rather than recall of rates etc.

## Syllabus topics

A Corporation tax	35%
B Taxation of individuals	25%
C Value added tax	20%
D Theory, principles and rules of taxation	20%

## Further information, including assessment

Prior knowledge:	FA (ethical principles)
Standards:	None
Assessment:	A 150 minute examination with 75 marks available, consisting of: 30 multiple choice questions (of 1 mark each); 3 short form questions of 5 marks each and 3 scenario questions of 10 marks each. The pass mark is 50%.
Additional materials:	Taxation tables for the relevant financial year
Validity:	Up to and including March 2024 examinations

Overall Aim	Learning outcome	Content
<b>A Determine the corporation tax liability of companies. (35%)</b>	A1 Calculate the taxable trading profits of a company and determine the amount and due dates of corporation tax payable.	(i) Taxable trading profits (ii) Capital allowances (iii) Property income (iv) Corporation tax liability (v) Dates of payment
	A2 Calculate a company's chargeable gains in relation to disposal of capital assets	(i) Part disposals (ii) Chattels and wasting assets (iii) Disposal of shares (iv) Reliefs for business assets
	A3 Determine the impact that group structures have on corporation tax	(i) Subsidiaries (75% group) and the reliefs that are available to members of a 75% group (ii) Associates and the effect of being an associated company for corporation tax purposes (iii) Transfer pricing
	A4 Determine the impact that losses have on corporation tax	(i) Relief for trading and non-trading losses (ii) Losses within group structures (iii) Anti-avoidance provisions
<b>B Determine the income tax and national insurance contributions for individuals (25%)</b>	B1 Explain the criteria used by Her Majesty's Revenue and Customs (HMRC) to distinguish between employment and self-employment	(i) Badges of trade (ii) Factors that determine employment or self-employment
	B2 Calculate the taxable profits of self-employed individuals	(i) Taxable profits (ii) Capital allowances (iii) Basis periods
	B3 Calculate the total employment income for individuals	(i) Employment income (ii) Benefits in kind
	B4 Calculate the income tax payable by individuals	(i) Personal tax computations including investment income (ii) Personal allowances (iii) Occupational pension schemes (iv) Tax impact of private pension schemes

	B5 Calculate the national insurance contributions (NIC) for employed individuals	(i) Class 1 NIC (ii) Class 1a NIC
C <b>Explain the principles of VAT and produce relevant VAT computations</b> (20%)	C1 Identify when organisations should register for VAT	(i) Registration, including group registration (ii) De-registration (iii) Voluntary registration
	C2 Explain the operational aspects of VAT	(i) Different types of supply (ii) VAT invoices (iii) Annual accounting scheme (iv) Cash accounting scheme (v) Flat rate scheme (vi) VAT treatment of bad debts (vii) VAT impact on government institutions
	C3 Calculate the VAT payable or reclaimable for a tax period	(i) Output and input VAT (ii) Fuel scale charges (iii) Partial exemption
D <b>Discuss and apply the theory, principles and rules that underpins taxation</b> (20%)	D1 Discuss and apply the main principles of taxation theory.	(i) Functions of taxation (ii) Types of taxation (iii) Criteria for evaluation of tax systems
	D2 Discuss the UK taxation system and compare alternative approaches	(i) The UK tax system (ii) International tax systems (iii) Other tax systems
	D3 Discuss the ethical issues that underpin a fair tax system and understand HMRC powers	(i) Tax avoidance and tax evasion (ii) Ethical behaviour within taxation (iii) HMRC powers and responsibilities
	D4 Explain the operational aspects of local taxes	(i) Legislation of local taxation (ii) Objectives of local taxation (iii) Domestic and business taxes (iv) Discounts and exemptions
	D5 Calculate local tax payable	(i) Domestic taxes

	(ii)	Business taxes
D6 Explain the administration of tax and apply penalties as imposed by HMRC	(i) (ii) (iii) (iv) (v) (vi)	Administration of corporation tax Administration of income tax Administration of VAT Penalties within corporation tax Penalties within income tax Penalties within VAT
D7 Explain and apply the taxation impact of international aspects of taxation on individuals	(vii) (viii) (ix) (x)	Residence for individuals Overseas income and how taxed Double tax treaties - Organisation for Economic Cooperation and Development (OECD) model Double tax relief for individuals
D8 Explain and apply the taxation impact of international aspects of taxation on businesses	(i) (ii) (iii) (iv)	Residence for companies Overseas income and how taxed Double tax treaties (OECD model) Double tax relief for companies
D9 Explain and apply the international impact of VAT	(i) (ii)	Transactions outside the European Union (EU) Transactions inside the EU