



JUNE & DECEMBER 2009 – STUDY GUIDE
CERTIFIED ACCOUNTING TECHNICIAN EXAMINATION

ACCA

Paper 9 (UK)
Preparing Taxation
Computations

Introduction

This booklet contains the Study Guide for the ACCA's Certified Accounting Technician Paper 9 (UK): Preparing Taxation Computations.

The Study Guide is designed to help you plan your studies and to provide more detailed interpretation of the syllabus for ACCA's Certified Accounting Technician examinations. It contains both the Syllabus and the Study Sessions for the paper, which you can follow when preparing for the examination.

The Syllabus outlines the content of the paper and how that content is examined. The Study Sessions take the syllabus and expand it into teaching or study sessions of similar length. These sessions indicate what the examiner expects of candidates for each part of the syllabus, and therefore gives you guidance in the skills you are expected to demonstrate in the examinations. The time to complete each session will vary according to your individual capabilities and the time you have available to study. Tuition providers offering face-to-face tuition are recommended to design courses with a minimum of two hours tuition per study session. However, repeated coverage of the material is vital to ensure your understanding and recall of the subject. Be sure to practice past examination questions to consolidate your knowledge and read your *student accountant* magazine regularly.

If you have any queries concerning the study guide, please direct them to:

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ABOUT ACCA

ACCA is the largest and fastest-growing international accountancy body with 260,000 students and 115,000 members in 170 countries. We aim to offer first choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management. ACCA works to achieve and promote the highest professional, ethical and governance standards and advance the public interest.

Preparing Taxation Computations (UK)

AIMS

To develop the ability to prepare computations of tax liability for both individuals and businesses resident in the UK for the purposes of income tax, corporation tax, capital gains tax and value added tax. In addition, to develop knowledge and understanding of the manner in which dealings must be conducted with HM Revenue and Customs, including knowledge of the statutory timescales for the submission of claims and returns and the due dates for the payment of tax liabilities.

OBJECTIVES

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

- prepare adjusted profit / loss computations for trades and professions
- calculate an individual's income from employment
- prepare computations of property and investment income
- prepare income tax computations
- prepare computations of the chargeable gains arising on disposals by both individuals and companies
- prepare corporation tax computations
- complete and submit value added tax calculations using data from the appropriate recording systems
- identify the due dates for submission of returns and the payment of tax liabilities
- conduct dealings with the HM Revenue & Customs and with clients in an appropriate manner.

POSITION OF THE PAPER IN THE OVERALL SYLLABUS

An understanding of the format of accounts used for sole traders, partnerships and companies is assumed from Paper 3, *Maintaining Financial Records* and Paper 6, *Drafting Financial Statements*, but no prior knowledge of taxation is required.

SYLLABUS CONTENT

1 Adjusted profit / loss computations for trades and professions

- (a) Adjustment of trading profits / losses for tax purposes
- (b) Capital allowances
 - (i) definition of plant
 - (ii) allowances on plant and machinery
 - (iii) private use assets
 - (iv) short life assets

- (v) hire purchase and leasing
- (vi) industrial buildings
- (c) Assessments
 - (i) basis of assessment
 - (ii) sole traders and partnerships
- (d) Relief for losses

2 National insurance contributions

- (a) Class 2 and Class 4 National Insurance Contributions for the self employed
- (b) Class 1 and 1A National Insurance Contributions for employees and employers

3 Income from employment

- (a) Computing taxable earnings from employment
 - (i) basis of assessment
 - (ii) employment or self-employment
- (b) Allowable deductions
- (c) Benefits
- (d)
 - (i) contributions to occupational pension schemes
 - (ii) charitable giving through the payroll

4 Property and investment income

- (a) Profits / losses from property income
 - (i) computation of property income profits / losses
 - (ii) furnished holiday lettings
 - (iii) rent a room scheme
 - (iv) relief for property income losses
- (b) Other investments
 - (i) bank, building society and other interest
 - (ii) dividends
 - (iii) tax exempt investments

5 Income tax computations

- (a) Computing taxable income
 - (i) the aggregation of income
 - (ii) eligible interest
 - (iii) the personal allowance for individuals under 65
- (b) Computing income tax payable
 - (i) allocation of tax rates / bands to savings income, non-savings income and dividend income

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- (ii) relief for:
 - charitable donations
 - personal pension contributions

6 Chargeable gain computations (individuals and companies)

- (a) Chargeable persons, disposals and assets
- (b) Computing gains and losses
 - (i) the basic computation
 - (ii) valuing assets
 - (iii) indexation allowance for companies
 - (iv) part disposals
- (c) Share and securities
 - (i) matching rules for individuals
 - (ii) matching rules for companies
 - (iii) FA 1985 pool
 - (iv) bonus and rights issues
 - (v) gilts and qualifying corporate bonds
- (d) Other areas of capital gains tax (including reliefs)
 - (i) gift relief
 - (ii) rollover relief
 - (iii) principal private residence relief
 - (iv) chattels
 - (v) relief for losses
 - (vi) compensation and insurance proceeds
 - (vii) entrepreneurs relief
- (e) Computing capital gains tax payable

7 Administration of income tax and capital gains tax

- (a) Self-assessment system
- (b) Payment of income tax (including payments on account) and capital gains tax
- (c) Enquiries
- (d) Dealing with the HM Revenue and Customs (HMRC) and client confidentiality

8 Corporation tax computations

- (a) Company profits chargeable to corporation tax
- (b) Accounting periods
- (c) Computing corporation tax
- (d) Relief for losses (trade and non-trade)

9 Administration of corporation tax

- (a) Corporation tax self-assessment
- (b) The payment of corporation tax (including quarterly payments on account)
- (c) Dealing with HMRC and client confidentiality

10 Value added tax (VAT)

- (a) Scope of VAT
- (b) Basic principles of VAT
 - (i) types of supply
 - (ii) computing VAT due
 - (iii) accounting for VAT
 - (iv) the time of supply
- (c) VAT invoices and records
- (d) Registration
- (e) Administration of VAT

EXCLUDED TOPICS

The following topics are specifically excluded from Paper 9:

Adjusted profit computations for trades and professions:

- badges of trade
- successions
- change of accounting date
- long life assets
- capital allowances using the hybrid rate for periods straddling 5 April 2008
- capital allowances on agricultural buildings, hotels and intangible assets
- FYA for energy saving equipment and low emission cars
- in respect of industrial buildings allowances: enterprise zones, initial allowances; the sale of industrial buildings following a period of non-industrial use; disposals prior to 21 March 2007
- notional profits / losses for partnerships
- limited liability partnerships
- personal service companies
- the special rules for losses in the opening years of a trade (s72 ITA 2007)
- the special rules for losses in the closing years of a trade (terminal losses under s89 ITA 2007)
- the special rules for the use of trade losses against capital gains (s261B TCGA 1992).

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Income from employment:

- detailed operation of the PAYE system (including calculations of code numbers)
- share incentive schemes
- termination payments.

Property and investment income:

- the enterprise investment scheme and venture capital trusts
- trust income.

Income tax computations:

- personal allowances other than the personal allowance for people aged under 65
- tax reducers
- foreign income and double tax relief
- the calculation of interest for under/overpaid or late paid tax.

Chargeable gains:

- calculation of the indexation allowance for individuals
- reinvestment relief
- assets held at 31 March 1982
- negligible value claims
- substantial shareholdings
- wasting assets (other than chattels) and leases
- connected persons and transfers between spouses
- incorporation relief
- damaged assets
- capital losses in the year of death.
- disposals prior to 6 April 2008

Corporation tax:

- a calculation involving two financial years and a change in the rate of tax
- close companies
- non-trading deficits on loan relationships
- relief for intangible assets
- the corporate venturing scheme
- groups and consortia
- foreign income and double tax relief
- investment companies and companies in receivership / liquidation

- completion of forms CT61
- non-corporate dividends.

Value added tax:

- group registration
- secondhand goods scheme
- partial exemption
- special schemes for retailers
- the capital goods scheme
- serious misdeclaration penalty
- default interest.

National insurance contributions:

- for Class 4: the offset of trading losses against non-trading income
- contracted out contributions
- classes 1(b) and 3

KEY AREAS OF THE SYLLABUS

The key topic areas are as follows:

- computation of adjusted profits / losses for trades and professions
- calculating an individual's income from employment
- assessment of profits / losses from trades or professions
- basic income tax computations
- basic chargeable gains computations
- computing profits chargeable to corporation tax
- computing corporation tax payable
- income tax and corporation tax self assessment
- basic value added tax computations.

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APPROACH TO EXAMINING THE SYLLABUS

Paper 9 is a three-hour written paper with 15 minutes reading time.

The examination will be predominantly computational and will comprise of 2 parts. There will be no optional questions.

Part A will comprise of 10 multi-choice questions (MCQ), each worth 2 marks. This will total 20 marks.

Part B will comprise of 4 long form questions. Question 1 will be on income tax and be worth between 23 and 27 marks. Question 2 and 3 will be on corporation tax and capital gains tax respectively. Both will be between 18 and 22 marks each. Question 4 will examine topics from any area of the syllabus not examined elsewhere in part B, it will be worth between 13 and 18 marks. A total of 80 marks are available for this part.

Value added tax (VAT) will not be examined as a full question but will be examined as a MCQ or as part of any of the questions involving a business, either linked to the business scenario contained in the remainder of the question or as a distinct and separate scenario. It will be worth a maximum of 10 marks.

ADDITIONAL INFORMATION

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 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 paper based examinations regulation issued or legislation passed on or before 30th September annually, will be assessed from June 1st of the following year to May 31st of the year after. Therefore, paper based examinations in June 2009, December

2009 (and March 2010 where applicable) will be assessed on regulations issued and legislation passed on or before 30 September 2008.

Regulation 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 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.

Tax rates and allowance tables will be provided at the front of the examination paper.

Calculations should be made to the nearest month and the nearest £.

Knowledge of section numbers will not be needed to understand questions in this paper, nor will students be expected to use them in their answers. If students wish to refer to section numbers in their answers, they may do so and will not be penalised if old, or even incorrect section numbers, are used.

The Study Sessions section provides more detailed guidance on the syllabus.

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RELEVANT TEXTS

There are a number of sources from which you can obtain a series of materials written for the ACCA CAT examinations. These are listed below:

ACCA's official publishers:

BPP Learning Media

Contact number: +44(0)20 8740 2222

Website: www.bpp.com

Kaplan Publishing

Contact number: +44(0)118 989 0629

Website: www.kaplanpublishing.co.uk

Candidates may also find the following text useful:

Melville, A. *Taxation* (Prentice Hall)

ISBN 0273673130

Wider reading is also desirable, especially regular study of relevant articles in ACCA's *student accountant* magazine.

STUDY SESSIONS

1 Introduction to the UK tax system

- (a) Identify the main sources of UK tax legislation
- (b) Identify the key reference sources for UK tax legislation
- (c) Describe the organisation HM Revenue & Customs and its terms of reference including the appeals system
- (d) Describe the appeals process for income tax special and general commissioners
- (e) Explain the system of income tax and its background (how the legislation does not define income but defines taxable sources)

2 Introduction to personal taxation

- (a) Identify the fiscal year
- (b) Outline the scope of income tax: chargeable persons, chargeable income
- (c) Distinguish between income and capital profits/losses
- (d) Outline the key elements of a personal income tax computation
 - (i) earned income
 - (ii) non-savings income
 - (iii) savings income
 - (iv) dividend income
 - (v) net income
 - (vi) taxable income

3 Income from savings and investments

- (a) Identify investments taxed at source
- (b) Identify tax-free investments
- (c) Identify the source documents used to complete the tax return
- (d) Prepare schedules of savings income to accompany the tax return

4 Income tax – assessments

- (a) Explain the entitlement to and the amount of the personal allowance
- (b) Identify and explain the use of eligible interest
- (c) Illustrate the allocation of tax bands and tax rates against taxable income

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- (i) non-savings
- (ii) savings
- (iii) dividends
- (d) Explain and illustrate the difference between tax liability and tax payable for:
 - (i) deduction of tax credits from savings and dividend income
 - (ii) deduction of PAYE
- (e) Explain and illustrate charitable payments
 - (i) payroll giving
 - (ii) gift aid and the extension of basic rate band
- (f) Prepare examples of income tax computations
 - (i) standard layout
 - (ii) net income
 - (iii) use of rates and bands
 - (iv) basic rate band extension
 - (v) tax liability and tax payable

5 Income tax – employment income 1

- (a) Explain the difference between employment and self-employment
- (b) Identify assessable income
 - (i) salaries
 - (ii) commissions
 - (iii) bonuses
 - (iv) benefits
- (c) Define and illustrate the basis of assessment for:
 - (i) directors
 - (ii) others
- (d) Identify the principal categories of deductions and illustrate their scope (no detail on pension contributions at this point)
 - (i) payroll giving
 - (ii) subscriptions
 - (iii) travelling expenses
 - (iv) expenses incurred wholly, exclusively and necessarily in the performance of duties

6 Income tax – employment income 2

- (a) Define and distinguish between excluded and non-excluded employees
- (b) Identify the information required on a P11D and a P9D

- (c) Identify and calculate benefits
 - (i) assessable on all employees
 - (ii) assessable on excluded employees
 - (iii) assessable on non-excluded employees
- (d) Identify the circumstances when a general business expenses dispensation may be available, how it works and its implications on the employer and employee

7 Income tax – employment income 3

- (a) Compute aggregate income
 - (i) all income
 - (ii) benefits
 - (iii) expenses
- (b) Identify source documents required to complete tax returns
 - (i) interest statements
 - (ii) receipts for expenses
 - (iii) Forms P11D or P9D
 - (iv) Form P60
- (c) Compute basic Class 1 National Insurance Contributions
 - (i) employees
 - (ii) employers (including class 1A)
 - (iii) weekly/monthly computations

8 Income tax – income from trade and professions 1

- (a) Explain the principles of deductible and non-deductible expenditure
- (b) Prepare adjusted profit computations (pre capital allowances)

9 Income tax – income from trade and professions 2

- (a) Explain the basis of assessment for a continuing sole trader's business
- (b) Explain and demonstrate the calculations of the basis of assessment for commencement and cessation of businesses
- (c) Calculate overlap relief, explain and demonstrate how it can be used on cessation

10 Capital allowances 1

- (a) Explain the principles relating to capital allowances on plant and machinery
 - (i) definition of plant
 - (ii) cars
 - (iii) private use assets
 - (iv) short life assets
 - (v) hire purchase and leasing
- (b) Prepare capital allowance computations for plant and machinery
 - (i) writing down allowance
 - (ii) annual investment allowance
 - (iii) restrictions

11 Capital allowances 2

- (a) Explain the principles relating to capital allowances on industrial buildings
 - (i) qualifying trades
 - (ii) qualifying expenditure
 - (iii) qualifying industrial use
- (b) Explain non-industrial use and notional allowances
- (c) Prepare capital allowance calculations for industrial buildings
 - (i) new buildings
 - (ii) second-hand buildings
 - (iii) disposals after 21 March 2007

12 Income from trade and professions 3

- (a) Prepare adjusted profit calculations (including capital allowances)
- (b) Illustrate the use of capital allowances at the commencement and cession of businesses
- (c) Calculate National Insurance Contributions for the self-employed and contrast with employees
 - (i) class 2
 - (ii) class 4

13 Income from trade and professions 4

- (a) Explain the alternative loss reliefs available to a sole trader
 - (i) s.64 current and prior years

- (ii) s.83 carried forward
- (b) Demonstrate the best use of a loss relief claim
 - (i) save the highest amount of tax
 - (ii) timing
 - (iii) protection of personal allowances

14 Partnerships

- (a) Explain how the trading profit rules are adapted for partnerships
- (b) Explain and show the effect of capital allowances on partnerships
- (c) Demonstrate the effect of changes in partnerships
 - (i) change in profit sharing ratios
 - (ii) new partners
 - (iii) departing partners
- (d) Illustrate the loss relief claims available to individual partners

15 Income from property – individuals

- (a) Identify property income assessable
 - (i) furnished and unfurnished property
 - (ii) premiums from short leases
- (b) Outline the deductions allowable
 - (i) revenue expenses
 - (ii) capital allowances
 - (iii) wear and tear allowance
 - (iv) repairs and renewals
 - (v) restriction for private use
- (c) Rent a room relief
- (d) Furnished holiday lettings
- (e) Use of losses

16 Pension contributions

- (a) Identify the schemes available
 - (i) occupational pension schemes
 - (ii) private pension plans
- (b) Define net relevant earnings
- (c) Explain the maximum contributions allowed for tax relief
 - (i) occupational schemes
 - (ii) personal pension plans
 - (iii) stakeholder plans

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- (iv) employee, employer and self employed
- (d) Show how the relief is given
 - (i) deductions from salary
 - (ii) basic rate tax withheld at source
 - (iii) higher rate tax relief given via basic rate band extension
- (e) Show the tax effects of employer contributions
 - (i) on the employer
 - (ii) on the employee

17 Income tax administration

- (a) Self assessment forms
 - (i) requirement
 - (ii) completion dates
- (b) Pay As You Earn (PAYE) forms and deadlines for submission
 - (i) P11D
 - (ii) P9D
 - (iii) P14
 - (iv) P60
 - (v) P35
 - (vi) P45
- (c) Payment dates
 - (i) employees
 - (ii) self employed

18 Capital gains tax – basic principles

- (a) Define chargeable persons, chargeable disposals and chargeable assets
 - (i) individuals and companies
 - (ii) exempt disposals
 - (iii) exempt assets
- (b) Outline the administrative framework for capital gains tax
 - (i) individuals
 - (iii) payment
- (c) Outline the basic calculation including the deduction of expenses of purchase and sale
- (d) Explain the entitlement to the annual exemption

19 Capital gains tax – basic computations

- (a) Explain the circumstances when market value may be used for the transfer value
 - (i) bargains not at arms length

- (ii) gifts
- (b) Demonstrate the calculation of market value for quoted shares and securities
- (c) Calculate indexation allowance up to the date of sale for companies
- (d) Calculate disposals of post 31 March 1982 assets
 - (i) including enhancement expenditure
- (e) Explain the use of capital losses
 - (i) current year
 - (ii) brought forward

20 Capital gains tax – shares and securities I

- (a) Outline the matching rules for individuals
 - (i) same day
 - (ii) next 30 days
 - (iii) FA 85 Pool
- (b) Compute gains and losses on disposals by individuals
- (c) Outline the matching rules for companies
 - (i) same day
 - (ii) last 9 days
 - (iii) FA 1985 pool (construction of a basic pool, including the calculation of indexation allowance up to the date of sale will be required)
- (d) Compute gains and losses on disposals by companies

21 Capital gains tax – shares and securities 2

- (a) Illustrate the impact of bonus and rights issues on shareholdings
- (b) Sale of rights – awareness of basic treatment (partial vs. small disposal) only
- (c) Identify exempt disposals
 - (i) gilts
 - (ii) qualifying corporate bonds (individuals only)

22 Capital gains tax – chattels, part disposals, compensation and insurance

- (a) Define chattels
 - (i) non-wasting
 - (ii) wasting
- (b) Explain and demonstrate the calculation of gains on

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chattel disposals

- (i) exemptions
 - (ii) marginal relief
 - (iii) deemed proceeds for losses
 - (iv) awareness of the interaction with capital allowances
- (c) Calculate gains on part disposals
- (d) Compensation and insurance proceeds

23 Capital gains tax – further reliefs

- (a) Outline the rules governing principal private residence (PPR)
- (i) exemption
 - (ii) relief for absences
 - (iii) letting relief
- (b) Gift Relief
- (i) outline availability
 - (ii) explain and calculate the relief
 - (iii) calculate the restriction as a result of a sale at undervalue
- (c) Roll-over relief
- (i) outline availability
 - (ii) explain and calculate the relief
 - (iii) calculate the relief available on the partial reinvestment of sale proceeds and/or partial business use of an asset
 - (iv) explain the consequences of reinvestment in depreciating or non-depreciating assets
- (d) Entrepreneur's relief

24 Corporation tax – compute the profits liable to corporation tax

- (a) Identify the scope of corporation tax
- (i) chargeable entities
 - (ii) chargeable income
- (b) Identify chargeable accounting periods
- (c) Identify the basis of assessment for all sources of income
- (i) Trading income
 - (ii) Profits from loan relationships and interest
 - (iii) Property business income
 - (iv) capital gains
- (d) Compute profits chargeable to corporation tax (PCTCT)

25 Corporation tax – computation of tax liability

- (a) Identify the financial year(s) relevant to a chargeable accounting period
- (b) Identify the rates of corporation tax to be applied
- (i) small companies rate
 - (ii) marginal rate
 - (iii) full rate
- (c) Calculate the corporation tax liability
- (d) Calculate and offset any income tax on payments and receipts
- (e) Identify associate companies and show their effect on tax calculations

26 Corporation tax – other aspects

- (a) Calculate the corporation tax payable for periods longer and shorter than 12 months
- (b) Explain the loss reliefs available for both trade and non trade losses
- (c) Illustrate the use of the loss reliefs in a basic calculation
- (i) trade losses
 - s393A (1) current period
 - s393A (1) carry back (including cessation)
 - s393 (1) carry forward
 - (ii) non trade losses
 - Property business loss relief
 - capital losses
 - explain the impact of cessation of trade on trade and non trade losses
- (d) Compute corporation tax repayable following a loss relief claim

27 Corporation tax – administration

- (a) Outline the corporation tax self assessment rules
- (i) return and filing date
 - (ii) amendments and enquiries
- (b) Illustrate and calculate methods of payment of tax
- (i) small and medium size companies
 - (ii) large companies

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28 Value Added Tax (VAT)

- (a) Explain the scope of VAT
- (b) Illustrate the need for registration
 - (i) compulsory
 - (ii) voluntary
 - (iii) exemption
 - (iv) deregistration
- (c) Explain and contrast the types of supply
 - (i) standard
 - (ii) zero rated
 - (iii) exempt
- (d) Compute VAT liability
 - (i) input tax
 - (ii) output tax
 - (iii) bad debts
 - (iv) discounts
 - (v) irrecoverable VAT
- (e) Account for VAT
 - (i) return periods
 - (ii) tax point
 - (iii) VAT return
- (f) Explain the detail required on VAT invoices
- (g) Detail the basic VAT administration requirements
 - (i) records
 - (ii) late registration penalties
- (h) Explain the treatment of overseas transactions (EU and non EU)
- (i) Describe the following schemes
 - (i) annual accounting scheme
 - (ii) cash accounting scheme
 - (iii) flat rate scheme

29 Revision of income tax

30 Revision of capital gains tax

31 Revision of corporation tax

32 Revision of VA