

PROFESSIONAL ACCOUNTANCY QUALIFICATION DETAILED SYLLABUS

DIPLOMA STAGE TAXATION

1. INTRODUCTION AND SCOPE

CIPFA's Statement of Expertise identifies the key areas of competence and standards of performance expected of a CPFA within 5 years of initial qualification. The CIPFA Professional Accountancy Qualification is designed to provide the professional education element of CIPFA's qualification scheme, equipping newly-qualified CPFAs with the technical and managerial knowledge and skills which underpin the competences described in the Statement of Expertise. Each module of the Professional Accountancy Qualification contributes to the attainment of a range of these competences.

This module is part of the Diploma stage of the CIPFA scheme. The module will deliver a series of objectives (see below) which represent the standard of attainment expected of a newly-qualified CPFA. This level of attainment, coupled with initial professional development activities, will enable the CPFA to perform to the standards specified in areas of the Statement of Expertise as described below.

2. LINKAGES

This module is linked to the Public Finance module (which introduces the role of taxation as the principal source of government revenue) and draws upon prior accounting knowledge gained in the Financial Accounting module.

3. OBJECTIVES

On completion of the module, a successful candidate will be able to:

- A) Explain the history and functions of taxation and identify alternatives to the current taxation system. (SOE: LSM3)¹ (15%)**
- B) Calculate the income tax and National Insurance contributions payable in relation to an employee working in the public sector and identify the taxation treatment of different forms of employee remuneration. (SOE: GEV4, A&A1, PSR1) (25%)**
- C) Determine the corporation tax liability of a trading company operated by a public sector organisation, and identify tax-efficient strategies for it. (SOE: LSM2, SOFM3, SOFM6) (40%)**

¹ Note that these references link to specific areas of expertise described in the Statement of Expertise.

D) Explain the principles of value added tax (VAT) and apply these principles to public sector organisations. (SOE: LSM2, SOFM3) (20%)

4. LEARNING OUTCOMES

A) Explain the history and functions of taxation and identify alternatives to the current taxation system.

The successful candidate will be able to:

- A1) State the functions of taxation and explain the economic principles which underlie the taxation system of the UK.
- A2) Describe the history of the UK taxation system.
- A3) Describe direct and indirect taxes.
- A4) Classify progressive, regressive and proportional taxes.
- A5) Identify alternatives to the current taxation system.
- A6) Identify the difference between tax avoidance and tax evasion and explain the current view of the courts with regard to tax avoidance schemes.

Related learning from other modules:

- A1) Sources of government revenue and the revenue-raising process (Governance & Public Policy and Public Finance modules).

B) Calculate the income tax and National Insurance contributions payable in relation to an employee working in the public sector and identify the taxation treatment of different forms of employee remuneration.

The successful candidate will be able to:

- B1) State the classes of income falling within each category for income tax purposes.
- B2) Prepare the income tax computation of an employee, applying the correct rates of tax to non-savings income, savings income and dividends.
- B3) Identify the personal allowances to which an employee is entitled.
- B4) Formulate the income tax reliefs available to an employee who makes charitable gifts.
- B5) Explain the distinction between employment and self-employment and explain the tax significance of this distinction.
- B6) Calculate the employment income of an individual, dealing correctly with benefits in kind and non-taxable emoluments.
- B7) Calculate the Class 1 and Class 1A National Insurance contributions payable in relation to an employee.
- B8) Describe the system of self-assessment for individuals and the PAYE system.
- B9) Identify and analyse tax -efficient ways of rewarding employees.

C) Determine the corporation tax liability of a trading company operated by a public sector organisation, and identify tax-efficient strategies for it.

The successful candidate will be able to:

- C1) Identify trading and non-trading activities by reference to the badges of trade.
- C2) Describe periods of account, accounting periods and corporation tax financial years.
- C3) Determine the Schedule D Case I profits of a trading company and calculate the capital allowances available in relation to plant and machinery and industrial buildings.
- C4) Calculate the Schedule A income of a company which lets property to tenants.
- C5) Calculate a company's Schedule D Case III income and apply the corporation tax rules with regard to loan relationships.
- C6) Determine a company's chargeable gains in relation to its disposals of chargeable assets, dealing correctly with:
 - Part disposals
 - Assets acquired before 31 March 1982
 - Disposals of chattels and wasting assets
 - Disposals of stocks and shares
 - Roll-over relief on the replacement of a business asset.
- C7) Calculate a company's corporation tax liability for an accounting period.
- C8) State the normal due date of payment for corporation tax and explain the operation of the system of payment by instalments and the system of self-assessment for companies.
- C9) Identify tax-efficient ways of relieving a company's trading losses and non-trading losses.

Related learning from other modules:

- C3) Structure of the income statement of a trading company (Financial Accounting).

D) Explain the principles of value added tax (VAT) and apply these principles to public sector organisations.

The successful candidate will be able to:

- D1) Identify the VAT implications of making standard-rate supplies, reduced-rate supplies, zero-rate supplies and exempt supplies.
- D2) State the circumstances in which VAT registration and deregistration are compulsory and explain why registration might occur voluntarily.
- D3) Explain how a registered person accounts for VAT to HM Revenue and Customs, with particular reference to:
 - The meaning and significance of the tax point
 - The purpose and contents of a VAT invoice

The accounting records which must be maintained by a taxable person
The annual accounting scheme
The cash accounting scheme
The flat-rate scheme for small businesses
The VAT treatment of bad debts
Non-deductible input tax
The supply of fuel for private motoring

- D4) Calculate the amount of VAT payable or reclaimable for a tax period.
- D5) Apply the VAT rules relating to partial exemption.
- D6) Explain the special VAT rules which apply to local authorities and other statutory bodies, NHS bodies, educational institutions and charities.
- D7) Describe the administration of the VAT system and state the penalties which may be imposed for a breach of VAT regulations.

Related learning from other modules:

- D3) Accounting records and the concept of bad debts (Financial Accounting).