

Business taxation

Unit level 5

Unit code A/650/9648

GLH 60

Credit value 15

Unit grading structure

Pass-Merit-Distinction

Unit aims

The aim of this unit is to enable individuals to understand taxation as it affects small and medium enterprises (SMEs) and small and medium practices (SMPs).

To provide individuals with the skills to prepare basic tax computations and advise others of the effects of taxation and impact of tax on decision-making.

Learning outcomes

The learner:

Assessment criteria

The learner can:

Pass

Merit

Distinction

1. Can calculate tax for the self-employed and complete self-assessment tax returns.

1. Explain the nature and purpose of self-assessment tax.
2. Determine taxable amounts and calculate tax payable for a given scenario.
3. Complete self-assessment tax returns from given data.
4. Assess ethical issues arising in the course of performing tax work for a client.

1. Explain how to determine whether a worker has the tax status of any employee or contractor.

1. Evaluate the obligations a system of tax imposes on taxpayers and the implications for taxpayers of non-compliance.

2. Can calculate taxable income, corporation tax and prepare corporation tax returns.

1. Discuss tax law and its implications for different categories of business.
2. Determine from given data capital taxes payable and the chargeable gains subject to corporation tax.
3. Calculate adjusted profits for corporation tax purposes.
4. Calculate corporation tax liabilities from given data.

1. Be able to prepare a plant and machinery capital allowance computation

3. Can calculate VAT and complete VAT returns.

1. Describe the registration and administration procedures for VAT or equivalent taxes.
2. Compute tax under VAT schemes for small business organisations.
3. Calculate VAT or equivalent tax liabilities from given data for a specific company.
4. Discuss VAT penalties that could arise or equivalent tax.

1. Review when an organisation should voluntarily or compulsorily register/deregister for VAT or equivalent.

1. Evaluate the impact of different types of supply on input tax claims.

Indicative content

1. Can calculate tax for the self-employed and complete self-assessment tax returns

- Expenditure which is allowed in calculating taxable trade profits
- Basis of assessment for employment income
- Deductions for employment income – including statutory approved mileage rates
- Property business profits
- Rent-a-room relief
- Premiums received from the grant of a short lease
- Property business loss
- Tax payable on savings income
- Tax payable on dividend income
- Tax exempt investments
- Compute taxable income and tax payable including adjustments to net income for pension and gift aid payments.

- Badges of trade - HM Revenue & Customs (HMRC) now lists nine badges of trade:
 - Profit seeking motive
 - The number of transactions
 - The nature of the asset
 - Existence of similar trading transactions or interests
 - Changes to the asset
 - The way the sale was carried out
 - The source of finance
 - Interval of time between purchase and sale
 - Method of acquisition.

- Tax status of workers.
- Plant and machinery capital allowance computation including: writing down allowance, annual investment allowance, first year allowance, balancing adjustments.
- Trading losses – carry forward and current year, terminal and early year losses.
- Calculate trading profit assessments for opening years, current year, closing year and overlap profits (including partners in partnerships).
- Loss restrictions that apply to partners of a limited liability partnership.
- The purpose (economic, social, environmental) of a tax system in a modern economy.
- Capital and revenue taxes, direct and indirect tax.
- Overall structure of the UK tax system.
- Differentiate between tax avoidance and evasion.
- Self-assessment time limits for returns, payments, calculation of payments on account.
- The scope of any statutory pension contributions such as NI in UK.
- The calculation of pension contributions such as NI classes 1,1A, 2 and 4 in the UK.
- Penalties for late returns – non-payment of tax.

2. Can calculate taxable income, corporation tax and prepare corporation tax returns

- Define the terms 'period of account', 'accounting period', 'financial year', 'taxable total profits' and 'augmented profits'.
- When an accounting period starts and ends and what determines a company's residency.
- Expenditure allowable in calculating trading profits.
- Plant and machinery capital allowance computations.
- Property business income.
- Relief for property business losses.
- Interest under loan relationship rules.
- Chargeable gains.
- Qualifying charitable payment.
- Trading loss relief – carried forward and current/prior period relief.
- Calculate corporation tax payable/repayable including recognising the effects of receiving dividends, short and long accounting periods, marginal relief (where applicable) and associated companies.
- Penalties for late returns – non-payment of tax.

3. Can calculate VAT and complete VAT returns

- The scope of VAT or equivalent indirect taxation and how it falls as tax on the final consumer such as VAT in the UK.
- Calculation of indirect taxes such as input and output VAT in the UK.
- List the principle zero-rated, exempt, reduced-rate supplies.
- Understand how input tax claims are affected by the type of supply.
- Registration for VAT and the advantages of voluntary registration.
- Pre-registration input tax claims.
- Deregister for VAT and advantages of voluntary deregistration.
- Deregistration output tax on capital assets and inventories.
- VAT (or equivalent) accounting and administration.

Suggested resources

Textbooks

Lymer, A. and Oats, L. (2021), *Taxation Policy and Practice* (Oxford University Press)

Smith, S. (2015), *Taxation: A very short introduction* (Oxford University Press)

Websites

Institute for Fiscal Studies, <https://ifs.org.uk>

Videos

<https://youtube.com>

UK Self-Assessment – A Step-by-Step Guide

All about VAT and its Accounting Treatment: Accountant Training Series 27


Unit assessment

The assessment for each unit is based on the achievement of the learning outcomes at the standards set by the assessment criteria for that unit. The learner can achieve a Pass, Merit, Distinction or Fail for each unit based on the quality of the work submitted and the assessor's judgements made against the criteria provided.

The assessment is completed through the submission of internally assessed learner work which is subject to external moderation or verification.

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