



The Institute of Certified Bookkeepers

Level IV Module 4 - Business Taxation

Module 4 Business Taxation

Topic Area	Learning Outcome	Assessment Criteria
(1) Introduction to Business Taxation	Explain the types of business entity and their liability to taxation.	(1) Distinguish between: <ul style="list-style-type: none"> • Limited Company • Partnership • Sole Trade • and the relevance of Corporation Tax, Capital Gains Tax and Income Tax.
(2) Principles of Corporation Tax	Identify the elements of a Corporation Tax Computation.	(1) Explain the principle of a chargeable accounting period. (2) Outline the pro-forma of a Corporation Tax Computation.
(3) Adjusted Trading Profits	Outline the purpose of adjusted trading profits and identify disallowable expenditure.	(1) Explain how profits are adjusted. (2) Identify expenditure considered disallowable. (3) Explain the treatment of dividends. (4) Identify Bad Debts as an allowable deduction. (5) Explain the treatment of interest payable on trading loans. (6) Treatment of hire and lease charges. (7) Identify income in the accounts but not taxable as trading profit. (8) Compute adjusted trading profit for the period.

Topic Area	Learning Outcome	Assessment Criteria
(4) Capital Allowances – Plant and Machinery	Explain the nature and purpose of capital allowances.	<p>(1) Distinguish between depreciation and capital allowances.</p> <p>(2) Identify qualifying expenditure.</p> <p>(3) Identify the main types of capital expenditure and the capital allowances available.</p> <p>(4) Calculate the allowances:</p> <ul style="list-style-type: none"> • Expenditure not pooled • General or main pool • FYA – First Year Allowance • AIA – Annual Investment Allowance • WDA – Writing Down Allowances • Balancing Charges <p>(5) Capital allowances:</p> <ul style="list-style-type: none"> • Motor Vehicles v Motor Cars • Expensive Cars <p>(6) Short Life Assets.</p> <p>(7) Prepare a computation for capital allowances.</p> <p>(8) Apply Business Cessation and allowances.</p>

Topic Area	Learning Outcome	Assessment Criteria
(5) Calculation of Profits Chargeable to Corporation Tax	Determine profits chargeable to corporation tax and completion of return	<p>(1) Identify adjusted profit and capital allowances.</p> <p>(2) Explain the treatment of dividends paid.</p> <p>(3) Explain the treatment of interest received and interest paid:</p> <ul style="list-style-type: none"> • Trading Loans • Non-Trading Loans <p>(4) Explain the treatment of:</p> <ul style="list-style-type: none"> • Royalties • Dividend Income • Property Income <p>(5) Complete the Corporation Tax Return:</p> <ul style="list-style-type: none"> • Short Return • Long Return • Step by Step: <p>Company Tax Calculation – Calculation of PCTC</p> <p>Capital Allowances Section.</p>
(6) Calculation of Corporation Tax Liability	Determine the Corporation Tax Liability.	<p>(1) Compute PCTC</p> <p>(2) Apply relevant tax rates.</p> <p>(3) Apply if appropriate Small Company Rate.</p> <p>(4) Explain the treatment of marginal relief.</p> <p>(5) Complete Corporation Tax Return (Part 2).</p>

Topic Area	Learning Outcome	Assessment Criteria
(7) Company Loss Relief	Distinguish between Trading and Non-Trading Losses.	(1) Determine adjusted trading losses. (2) Apply types of loss relief: <ul style="list-style-type: none"> • Current year relief • Carry back relief • Carry forward relief (3) Terminal Loss Relief. (4) Non-Trading Losses. (5) Capital Losses
(8) Payment and Administration	Explain the process of payment and administration.	(1) Explain the process of Corporation Tax Self Assessment. (2) File the return. (3) Amend the return. (4) Deal with errors (5) Identify interest on late payment. (6) Identify interest on tax overpaid. (7) Explain the penalty process. (8) Explain HMRC powers of enquiry. (9) Payment date, payment by instalments.

Topic Area	Learning Outcome	Assessment Criteria
(9) Principles of Taxation, Sole Traders and Partnerships.	Explain the principles of taxation appropriate to Sole Traders and Partnerships.	<p>Define the characteristics of:</p> <p>(1) Sole Traders:</p> <ul style="list-style-type: none"> • No separate legal entity • Income tax and capital gains tax <p>(2) Partnerships</p> <ul style="list-style-type: none"> • No separate legal entity • Income tax capital gains tax
(10) Taxable Trade Profits for Unincorporated Businesses	Determine adjusted trading profit and capital allowances for individuals and complete the income tax return – self employment.	<p>(1) What constitutes trading?</p> <p>(2) Prepare adjustments of trading profits:</p> <p>(3) Identify income included in the accounts but not taxable as trading income.</p> <p>(4) Identify expenditure not in the accounts but allowable.</p> <p>(5) Capital allowances:</p> <ul style="list-style-type: none"> • FYA, WDA, AIA <p>(6) Private use of assets.</p> <p>(7) Complete the income tax return – self employment supplementary pages.</p>

Topic Area	Learning Outcome	Assessment Criteria
(11) Partnership Profit Allocation	Explain the process of partnership profit allocation.	(1) Determine adjusted profits. (2) Determine the allocation of profit between the partners. (3) Apply where appropriate charges in profit sharing arrangements.
(12) Basis Periods	Explain the principle of basis periods applicable Sole Traders and Partnerships.	(1) Identify the tax year. (2) Apply current year basis. (3) Apply opening year rules. (4) Determine overlap profit. (5) Apply closing year rules. (6) Partnerships: <ul style="list-style-type: none"> Existing Partners Partners Joining Partners Leaving
(13) Trading Losses for Individuals	Identify trading losses for individuals and partnerships.	(1) Determine the trading loss. (2) Identify on-going business options available: <ul style="list-style-type: none"> Relief against total income Future relief (3) Partnership Losses: <ul style="list-style-type: none"> Reliefs available to partners.

Topic Area	Learning Outcome	Assessment Criteria
(14) Payment and Administration (Income Tax)	Explain the procedure of payment and administration.	(1) File of the self assessment return. (2) Identify records to support the return. (3) Payment of income tax and C-ST. (4) Explain interest and penalties. (5) Explain the process of compliance checks.
(15) NI Contributions Payable by Self Employed Individuals	Identify NI contributions payable.	(1) Identify contributions payable as a sole trader Class 2 and Class 4. (2) Contributions as an employer. (3) Partnerships: Partners Contributions: <ul style="list-style-type: none"> • Class 2 • Class 4
(16) Gains and Losses for Companies	Explain the procedure for determining gains and losses.	(1) Identify the elements of the capital gains computation. (2) Apply Indexation allowance (3) Special Rules: <ul style="list-style-type: none"> • Enhancement expenditure • Part-disposals • Non-wasting chattels

Topic Area	Learning Outcome	Assessment Criteria
(17) Shares and Securities – Disposal by Companies	Explain the rules applicable to disposal of shares and securities.	<p>(1) Explain the principle of matching rules.</p> <p>(2) Identify matching rules for companies.</p> <p>(3) Application of:</p> <ul style="list-style-type: none"> • Same day • Previous nine days • Share pool principles <p>(4) Explain the treatment of bonus issues and rights issues</p>
(18) Chargeable Gains – Reliefs	Apply relief's deferrals and exemptions.	<p>(1) Explain the principle of Entrepreneurs' relief.</p> <p>(2) Identify qualifying business disposals qualifying ownership period; and apply the relief.</p> <p>(3) Apply the principle of Rollover relief:</p> <ul style="list-style-type: none"> • Conditions for relief • Partial reinvestment <p>(4) Principles of gift relief:</p> <ul style="list-style-type: none"> • Conditions for relief
(19) Duties and responsibilities of a tax advisor	Identify the duties and responsibilities of a tax advisor.	<p>(1) Understand that ICB expects its members' to maintain a high ethical standard.</p> <p>(2) Observe confidentiality.</p>



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