

## TAXATION OF INDIVIDUALS

### Paper aim

To enable candidates to apply the legislation and gain the detailed technical knowledge and professional skills to identify and resolve tax issues that arise in the context of individuals. The paper covers all the personal taxes: Income Tax, Capital Gains Tax and National Insurance.

Candidates will be required to use technical knowledge and professional judgement to identify, explain and evaluate alternative tax treatments and to determine the appropriate solutions to taxation issues, giving due consideration to the needs of clients.

### Prior knowledge

The paper is aimed at students who have had two or three years' practical experience working in personal taxation, together with the appropriate level of private study and/or tuition.

### Method of assessment

The Taxation of Individuals paper will be examined by a traditional paper based assessment. The examination paper will be 3 hours 15 minutes in length of which 15 minutes will be reading time. This examination will contain questions requiring the use of communication, judgement and evaluation skills as well as an ability to understand and apply technical skills to scenarios which may affect the taxation of individuals.

The questions will be for 10, 15 or 20 marks and there will normally be five or six questions.

The only printed material that candidates may take into the exam hall is a copy of the legislation (see below). Candidates will be provided with tax tables.

The pass mark is 50%.

### Syllabus

The syllabus for this paper comprises four elements:

- 1) Income Tax including employment income, property income and foreign income.
- 2) National Insurance. This will not necessarily be examined in every sitting.
- 3) Capital Gains Tax in relation to individuals.
- 4) International aspects including residence and domicile.

The detailed syllabus grid for this paper can be found at:

[www.tax.org.uk/students-and-qualifications/cta-qualification/cta-prospectus-and-syllabus](http://www.tax.org.uk/students-and-qualifications/cta-qualification/cta-prospectus-and-syllabus)

At least 70% of the Taxation of Individuals paper will comprise material highlighted in the detailed syllabus grid as “core”.

Whilst law is not specifically examined on this paper, questions may be set which require candidates to have a knowledge and understanding of relevant legal matters within the Law Computer Based Examination syllabus.

The following learning outcomes should be read in conjunction with the detailed syllabus grid.

## **Learning outcomes**

Candidates will be able to analyse, evaluate and calculate the tax consequences of actions for individuals in given scenarios. This will involve advising and assisting clients in adhering to the requirements of tax statute and relevant regulations.

In the assessment candidates may be required to demonstrate:

### *1) Communication skills*

- a. Communicate complex tax issues in a format appropriate to the recipient who may be an external client, a fellow professional, or an internal colleague.
- b. Prepare suitable advice to explain tax liabilities with supporting calculations.
- c. Recommend appropriate tax-planning advice.
- d. Identify further information required to complete tax computations and finalise tax advice.
- e. Give advice which is appropriate, technically correct and within the law. Whilst ethics is not specifically examined in this paper, candidates are expected to produce solutions which meet the ethical guidance of the CIOT.
- f. Interpret and communicate UK tax legislation and apply it to a scenario.

### *2) Technical skills*

The detailed requirements are set out in the grid referred to in the syllabus section above. In summary, the key technical skills to be assessed on this paper are to be able to:

- a. Understand, explain and calculate the tax charge for individuals. This will include:
  - i. the charge to Income Tax and income that does not fall within the charge.
  - ii. the deductions and reliefs that are available against an Income Tax charge.
  - iii. property income assessments and where special rules apply including furnished holiday lettings, rent a room and premiums.
  - iv. the scope and assessment of employment income including benefits and expenses.
  - v. the tax liability on termination payments.
  - vi. the different classes of National Insurance applicable to an individual's circumstances.
  - vii. the charge to Capital Gains Tax and disposals that do not fall within the charge.
  - viii. the Capital Gains Tax reliefs relevant to an individual, including Entrepreneurs' Relief, Roll-over Relief and Principal Private Residence Relief.

- b. Understand, explain and apply knowledge of regulatory matters including:
  - i. the administration of personal taxes including filing deadlines
  - ii. the penalty regime for non-compliance.
  - iii. the DOTAS rules and/or anti-avoidance legislation may apply to a scenario.
- c. Explain and evaluate whether anti-avoidance provision apply in relation to savings income.
- d. Explain and advise on tax efficient investments including the Enterprise Investment Scheme, Seed Enterprise Investment Scheme and Venture Capital Trusts.
- e. Understand the different types of pension schemes and advise on the tax implications of such investments.
- f. Understand the difference between employed and self-employed individuals and identify the taxation issues involved.
- g. Understand the tax implications of share reorganisations including a company purchase of own shares.
- h. Identify and understand the different share schemes available to reward employees including the tax treatment of the various alternatives.
- i. Explain and apply the knowledge relating to overseas tax matters including:
  - i. an individual's residence and domiciled status
  - ii. the implications of individuals leaving and coming to the UK.
  - iii. the impact of residence and domicile on UK Capital Gains Tax including the temporary non-residence rules.
- j. Explain and apply significant cases and developments as they affect UK Income tax, Capital Gains Tax and National Insurance.

### 3) Tax planning skills

Candidates will be able to advise on alternative tax treatments to defer or minimise tax liabilities. Candidates will also be able to understand the interaction of taxes in given scenarios and to identify and discriminate between tax evasion and tax avoidance.

In the assessment candidates may be required to:

- a. identify legitimate tax planning measures to minimise tax liabilities.
- b. evaluate and advise on tax strategies to meet personal objectives.
- c. evaluate and advise on alternative tax strategies relating to individuals.
- d. recognise, explain and communicate opportunities to use alternative tax treatments.

### Reference Materials

Candidates may bring into the examination any volumes from the following:

- Tolley's Yellow Tax Handbooks and Tolley's Orange Tax Handbook
- CCH Tax Statutes and Statutory Instruments Red book, including the index volume, and the CCH Green Book (VAT)
- HMSO copies of taxing statutes

Publications brought into the examination must be bound copies. They can be underlined and highlighted. Annotating, use of "post-its", tagging and folding pages is NOT allowed.