

TAXATION OF MAJOR CORPORATES

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 major corporates (primarily FTSE 100 and FTSE 350 companies).

This paper is only available to candidates on the Joint Programme with the ICAEW and is primarily aimed at those working in the corporate tax departments of Big 4 and large mid-tier firms. Scenarios will typically be based around quoted plcs with no individual controlling shareholders. International and group aspects will be covered as well as certain aspects of Law, VAT and Stamp Taxes. Whilst a high level of technical knowledge is required, there will also be some recognition that advisers to these companies must be able to identify issues but will often call upon specialists.

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 complex taxation issues, giving due consideration to the needs of clients. Candidates will need to consider the commercial context and impact of recommendations in making such judgements.

Prior knowledge

This paper is only available to those candidates on the ICAEW-CIOT Joint Programme. Except that candidates may not attempt the ICAEW case study before sitting this paper, there are no regulations stipulating the time at which candidates must attempt this paper. It is however strongly recommended that candidates should complete both the ICAEW Principles of Taxation module and the ICAEW Tax Compliance module before attempting this paper, as material from these papers is assumed as prior knowledge. In addition, this paper assumes that candidates sitting it will have had significant practical experience of the taxation of major corporates (primarily FTSE 100 and FTSE 350 companies).

Method of assessment

The Taxation of Major Corporates paper will be examined by a traditional paper based assessment. The examination paper will be 3 hours 30 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 large corporate entities.

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 one 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) The Corporation Tax element which is set out in the detailed grid.
- 2) The syllabus for the CIOT VAT Awareness Module. Certain items which do not relate to major corporates will not be examined (flagged in the detailed grid).
- 3) The syllabus for the ICAEW papers Principles of Taxation and Tax Compliance, insofar as they may be relevant to the taxation of a major corporate. In particular, this means that questions may be set requiring a knowledge of material in relation to Employment Income, PAYE and National Insurance. Questions will not be set requiring a knowledge of Inheritance Tax, sole traders or partnerships. The objective is that candidates should have an awareness of other taxes which may affect a major corporate and to be able to identify issues where they may then need to involve a specialist.
- 4) Certain aspects of law which are relevant to a tax adviser but have not previously been examined in the ICAEW law paper. These comprise law on disposing of a business; land law and intellectual property law.

The split of the paper between the four elements will be as follows:

	<i>Minimum</i>	<i>Maximum</i>
<i>Corporation Tax</i>	80%	100%
<i>VAT</i>	0%	10%
<i>Other Taxes</i>	0%	10%
<i>Law</i>	0%	5%

At least 75% of the Corporation Tax element will comprise material highlighted in the detailed grid as “core”.

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

Learning outcomes

Candidates will be able to analyse, evaluate and calculate the tax consequences of actions for large corporates and groups in given scenarios. This will involve advising and assisting clients in adhering to the requirements of tax statutes 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 both the CIOT and the ICAEW.

- f. Interpret and communicate UK tax legislation and apply it to a scenario.

2) *Technical skills*

The detailed requirements are set out grids and other documents 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 prepare UK corporation tax computations of major corporates. This will include:
 - a. a sound knowledge of adjustments that will feature in the UK corporation tax computations of global companies and groups together with a working understanding of other areas in which such clients will take advice. Even though they are not specialising in such areas candidates will be expected to have a reasonable knowledge of them so that they could coordinate the work of the firm's specialists when advising their clients.
 - b. accounting standards in so far as they are relevant to tax and to understand the tax consequences of adopting alternative accounting treatments.
 - c. the taxation of loan relationships and derivative contracts, together with an awareness of the tax implications of common financing transactions.
 - d. the corporate tax implications of employee remuneration including the use of shares in executive remuneration, corporate tax deductions for share option costs and pensions.
 - e. the taxation of intellectual property.
- b. Understand, explain and apply knowledge of regulatory matters including:
 - a. the corporation tax self-assessment system
 - b. the role of the Senior Accounting Officer
 - c. the processes for resolving disputes together with time limits generally.
 - d. the DOTAS rules and/or anti-avoidance legislation and their application to a scenario.
- c. Explain and apply the use of reliefs and planning for their efficient use on a group basis including group loss relief, consortium relief, transfers of trade within a group and definition of a group.
- d. Explain and calculate gains on disposals of assets including shares or securities in other companies within the same capital gains group and outside the capital gains group, de-grouping charges and the consequences of transferring assets to an overseas group company.
- e. Explain and apply the taxation of different business structures and of acquisitions and disposals including branch versus subsidiary, joint ventures, partnerships and company reconstructions. Candidates will not be examined on the overseas tax aspects of cross-border mergers.
- f. Explain and apply UK reporting and other UK company compliance concerning transfer pricing.
- g. Explain and apply knowledge relating to overseas tax matters including:
 - a. company double tax relief
 - b. dividend exemption
 - c. branch exemption
 - d. controlled foreign companies legislation
 - e. taxation of exchange gains and losses
 - f. the tax treatment of profits accounted for in a foreign currency and functional foreign currency election.

- g. worldwide debt cap and thin capitalisation
- h. Explain and apply significant cases and developments as they affect UK corporate tax.
- i. Demonstrate an awareness of:
 - a. broader tax issues which may affect a company and in relation to which the prime requirement is to identify the problem, which may in practice be dealt with by a specialist.
 - b. aspects of law that are relevant to a tax adviser including law in relation to disposing of a business, intellectual property and land law.
 - c. VAT and Stamp Taxes in a group context.

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 business objectives.
- c. evaluate and advise on alternative tax strategies relating to corporate transformations.
- 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.