

## DOMESTIC INDIRECT TAXATION

### Paper aim

To enable candidates to apply the legislation and gain the detailed technical knowledge and professional skills to identify and resolve Value Added Tax (VAT), Insurance Premium Tax, (IPT), Stamp Duty (SD), and Stamp Duty Land Tax (SDLT) issues that arise in the context of businesses undertaking activities within the UK.

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. Candidates should consider the commercial context and impact of recommendations in making such judgements.

Ultimately, candidates are expected to advise clients in respect of taxation and so will be expected to provide recommendations in respect of various scenarios.

### Prior knowledge

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

### Method of assessment

The Domestic Indirect Taxation 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 UK businesses.

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 together with one copy of the duties material (see below). Candidates will be provided with tax tables.

The pass mark is 50%.

### Syllabus

The syllabus for this paper comprises four elements:

- 1) VAT relating to activities within the UK
- 2) IPT
- 3) SD
- 4) SDLT

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

[www.tax.org.uk/students\\_qualifications/newctastudents/ctaprospectus](http://www.tax.org.uk/students_qualifications/newctastudents/ctaprospectus).

At least 70% of the VAT on Domestic Indirect Taxation paper will comprise material

highlighted in the detailed syllabus grid as “core”.

The split of the paper between the 4 elements will be:

	Minimum	Maximum
VAT	70%	90%
IPT SD & SDLT	10%	30%

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 E-Assessment 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 businesses 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 calculations and/or returns 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*

##### VAT

- a. Understand how and when VAT becomes chargeable in the UK including knowledge of :
  - a. the territorial scope of VAT and the requirement to become VAT registered in the UK.
  - b. the different types of taxable person and the circumstances in which VAT registration may apply to them.
  - c. the meaning of supply and consideration, and how supplies differ in respect of goods and services; and when treated as single or multiple supplies.
  - d. VAT liabilities, including deemed values, and income that does not fall within the tax.
  - e. the different rates of VAT and in what circumstances they apply.
  - f. the different rules relating to the time that supplies are deemed to take place.
- b. Identify the deductions and reliefs that are available against a VAT charge, including non-deductibles, and
  - a. Calculate partially recoverable VAT and understand different methods of calculating this.

- c. Understand the interaction of UK law with European legislation
- d. Understand how VAT applies in special circumstances including:
  - a. special accounting schemes and to particular types of person.
  - b. in relation to differing supplies of property and construction.

#### *SD*

- a. Understand the various rates of charge in respect of SD and how these apply.
- b. Understand how SD applies to stocks and shares
- c. Understand how SD applies in respect of groups of companies

#### *SDLT*

- a. Understand the various rates of charge in respect of SDLT and how these apply.
- b. Understand differing transactions, interests and consideration in respect of SDLT, including:
  - a. how SDLT applies in respect of high residential value properties and property leases and rentals
  - b. how SDLT applies to partnerships and linked transactions.
- c. Demonstrate an understanding of the different reliefs available for SDLT.

Note: - SD and SDLT will be examined to awareness level only.

#### *IPT*

- a. Understand the scope and charging provisions in respect of IPT including:
  - a. the various registration requirements in respect of IPT and the differing types of person that registration can apply to
  - b. the tax points in respect of IPT and the various rates that could apply.

#### *Administration*

Demonstrate an understanding of the administration of VAT, IPT, SD and SDLT including filing deadlines and the penalty regime for non-compliance; and HMRC's powers to investigate. Candidates may also be examined on matters affecting all taxes, such as Disclosure of Tax Avoidance Schemes, General Anti-Avoidance Regulations, and Alternative Dispute Resolution

### *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 alternative tax strategies relating to businesses.
- c. 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



- Tolley's Customs Duties Handbook and Tolley's Excise Duties Handbook; or
- CCH Purple Book (Customs and Excise Duties)

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.