

# Unit 41: Taxation

<b>Unit code</b>	<b>Y/508/0568</b>
<b>Unit level</b>	<b>5</b>
<b>Credit value</b>	<b>15</b>

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## Introduction

This unit introduces students to a range of taxation principles and many of the issues that organisations need to consider to ensure that they comply with the taxation legislation of the country in which they operate. The unit also introduces students to the principles of personal and business taxation, the legal and ethical issues relating to taxation, the obligations of taxpayers, taxation systems and taxation planning.

An integral part of an organisation's operations is managing its taxation responsibilities and liabilities. Having a fundamental understanding of these responsibilities and how to determine taxation liabilities is important for all those who are employed in a management role in an organisation.

Successful completion of this unit will enable students to contribute positively to an organisation's responsibilities with regard to taxation. The unit will also prepare them for progression to a higher level of study.

## **Learning Outcomes**

By the end of this unit a student will be able to:

- LO1 Analyse taxation systems and the legislation that governs them
- LO2 Determine taxation liabilities for unincorporated organisations and individuals
- LO3 Determine taxation liabilities for incorporated organisations
- LO4 Evaluate the impact on organisations of the legal and ethical constraints associated with taxation responsibilities.

## Essential Content

### LO1 Analyse taxation systems and the legislation that governs them

#### *Taxation systems:*

The overall function and purpose of taxation in a modern economy.

The taxation system contextualised to the country of study.

The obligations of taxpayers and the implications of non-compliance.

Taxation systems in other countries with close economic and/or trade links, and the interrelationship of these systems.

#### *Taxation legislation:*

Taxation legislation that applies within country of study.

The implications on national taxation systems where countries are members of trade blocs such as the EU, APEC and NAFTA.

### LO2 Determine taxation liabilities for unincorporated organisations and individuals

#### *Unincorporated organisations:*

The characteristics of unincorporated organisations.

Advantages and disadvantages of operating unincorporated.

#### *Individuals:*

Personal taxation and taxation relating to sole traders and partnerships.

The characteristics of each type of taxation.

The implications on personal taxation for those trading as sole traders or as a partnership.

#### *Calculating taxation liabilities:*

Different models and formulae, taking into account changes in allowances from one tax year to another and changes in legislation.

Definition of key terminology, including personal allowance, capital gains tax, National Insurance contributions (or equivalent), inheritance tax and corporation tax.

Indirect taxes, e.g. capital gains, inheritance tax, Value Added Tax (VAT).

Processing tax online and different types of software application for tax returns.

### LO3 **Determine taxation liabilities for incorporated organisations**

#### *Incorporation:*

Characteristics of incorporated organisations as separate entities.

The advantages and disadvantages of incorporation.

#### *Private vs public limited companies:*

The differences between private and public limited companies.

The benefits and limitations of each type.

The taxation advantages for each type.

#### *Calculating taxation liabilities:*

Different models and formulae, taking into account changes in allowances from one tax year to another and changes in legislation.

Processing tax online and different types of software application for tax returns.

### LO4 **Evaluate the impact on organisations of the legal and ethical constraints associated with taxation responsibilities.**

#### *Legal constraints:*

The key aspects of relevant legislation at regional, national and international levels.

How these apply to different business formats and to individuals.

#### *Ethical considerations:*

The requirements for ethical considerations.

How ethical considerations differ from nation to nation.

How ethical constraints are applied consistently across different cultures.

#### *Compliance requirements:*

Recording transactions, reporting income for taxation purposes and the role of organisations as collectors of tax, e.g. VAT, National Insurance and income tax through PAYE.

The use of exemptions and deferrals to minimise tax liabilities.

Procedures related to compliance checks, appeals and disputes.

## Learning Outcomes and Assessment Criteria

Pass	Merit	Distinction
<b>LO1</b> Analyse taxation systems and the legislation that governs them		<b>D1</b> Provide supported and justified recommendations for developing effective tax systems and legislation that meet key principles in a global context
<b>P1</b> Analyse taxation systems and consider taxation legislation that will have given implications on national taxation.	<b>M1</b> Critically analyse and compare taxation systems in different countries.	
<b>LO2</b> Determine taxation liabilities for unincorporated organisations and individuals		<b>LO2 and LO3</b> <b>D2</b> Investigate taxation liabilities using appropriate application models and formulae to interpret and analyse data correctly.
<b>P2</b> Apply models and formulae to determine taxation liabilities for unincorporated organisations. <b>P3</b> Discuss the implications of taxation liabilities for unincorporated organisations.	<b>M2</b> Apply recognised models and formulae to interpret data appropriately to calculate and determine taxation liabilities for unincorporated organisations.	
<b>LO3</b> Determine taxation liabilities for incorporated organisations		
<b>P4</b> Apply models and formulae to determine taxation liabilities for incorporated organisations. <b>P5</b> Discuss the implications of taxation liabilities for incorporated organisations.	<b>M3</b> Apply recognised models and formulae to interpret data and determine taxation liabilities, including late-payment interest penalties, for incorporated organisations.	

Pass	Merit	Distinction
<p><b>LO4</b> Evaluate the impact on organisations of the legal and ethical constraints associated with taxation responsibilities.</p>		
<p><b>P6</b> Evaluate the impact of key legal and ethical constraints on different organisations.</p>	<p><b>M4</b> Critically evaluate the impacts of key legal and ethical constraints on application to different organisations, giving supporting conclusions and recommendations.</p>	<p><b>D3</b> Give supporting and justified recommendations for responding to and minimising the impact of legal and ethical constraints for a range of international examples.</p>

## Recommended Resources

### Textbooks

LYMER, A. and OATES, L. (2015) *Taxation: Policy and Practice*. 22nd Ed. Birmingham: Fiscal Publications.

MELVILLE, A. (2020). *Taxation: Finance Act 2020*. 25th Ed. Harlow: London.

SPIKER, B. et al (2016) *Taxation of Individuals and Business Entities*. 7th Ed. New York: McGraw Hill.

### Websites

<a href="http://www.accaglobal.com">www.accaglobal.com</a>	Association of Chartered Certified Accountants (ACCA) Introduction to Tax (Resources)
<a href="http://www.taxation.co.uk">www.taxation.co.uk</a>	Taxation (General reference)

### Links

This unit links to the following related unit:

*Unit 7: Business Law*