



Business Planning: Taxation

ICAEW TUTORS' CONFERENCE FRIDAY 2 FEBRUARY 2018

Agenda

- Introduction - progression from Certificate and Professional Levels - Overview of Business Planning: Tax and skills and ethics
- Professional skills update project application of the skills grid to BPT – examples of skills in September 2017 questions

Break

- Marking – 2 candidates scripts
- CBE

Q&A

*Introduction - progression
from Certificate and
Professional Levels*



Professional Level



Background knowledge: BPT assessment process

- 2.5 hour examination
- 3 compulsory questions
- Question 1 – usually 40 marks – ‘case study’ style
- Questions 2 and 3 – total 60 marks
- Fully open book examination
- Questions can be on any area of the content of the learning materials (the ‘syllabus’)

BPT: syllabus areas and balance

- Four syllabus areas:

Syllabus area	Weighting (%)
Ethics and law	5-10
Taxation of corporate entities	35-45
Taxation of owner-managed businesses	20-30
Personal taxation	15-25

Weighting between knowledge and skills

	Weighting (%)
Knowledge	25-35
Skills	65-75

Progression from TC to BP:T

Areas of progression:

- Technical Progression: including some new topics as per the technical skills grid
- Skills Progression
- Brought forward knowledge is very important

Progression from TC to BP:T: Ethics

- May be embedded within the question scenario (e.g. client not willing to correct a return submitted to HMRC – but need not necessarily be related to a tax issue).
- Professional scepticism
- Structured approach to ethical issues:
 - What is the ethical issue?
 - (Question if there is an ethical issue? – don't get the handcuffs out....)
 - Who is impacted?
 - What are the courses of action available?
 - Who will these actions affect?

BPT in 2018

Two main things to note:

1. BPT will be tested by **CBE** for the first time in **March 2018**
2. Two **Finance Acts** were published in 2017 – **only the first one is examinable in BPT exams for 2018 (Finance Act 2017, enacted on 27 April 2017)**. The 2018 BPT learning materials are based on this Finance Act.

However, there is a supplement available for students covering the second Finance Act. Available to download from January 2018 – this is **NOT** examinable.



2018 revised professional skills

Overview of Professional skills update

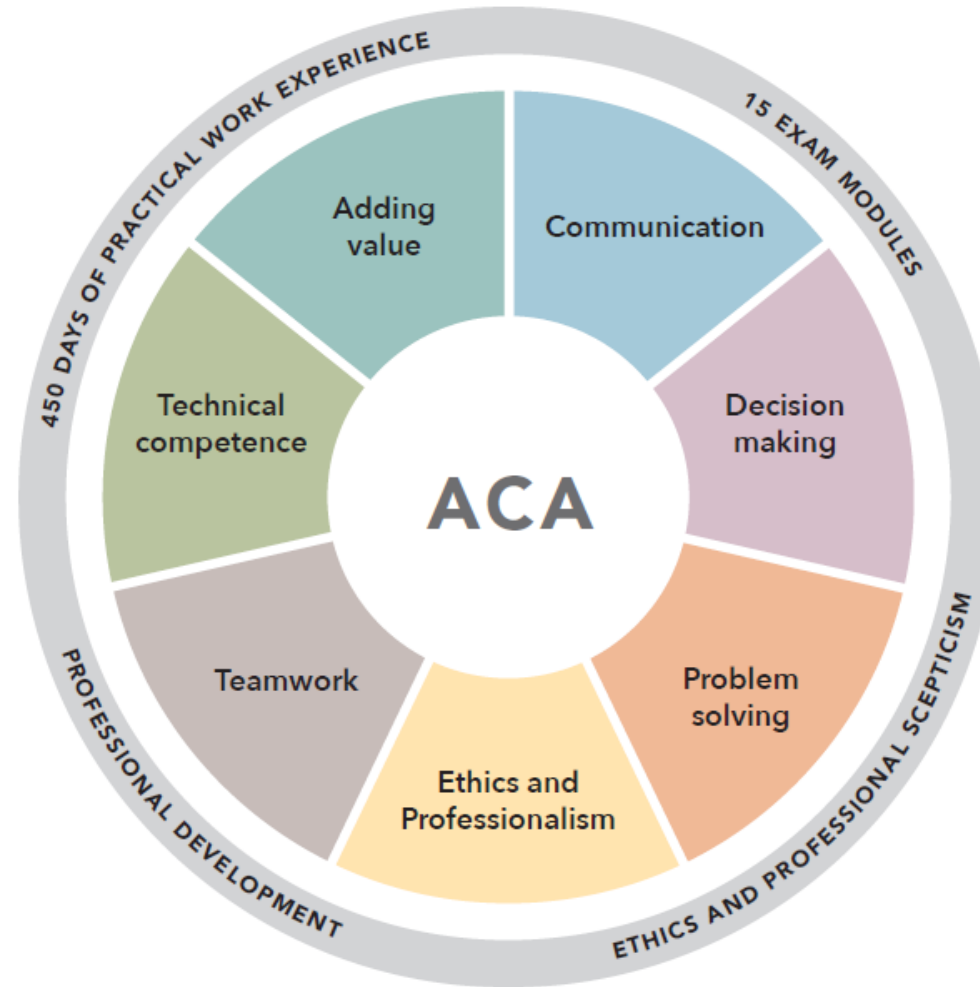
Background

Project undertaken by ICAEW identified 5 key professional themes:

- Adaptability
- Insight
- Collaboration
- Perspective
- Learning and reflection

Resulted in a reconsideration of the 7 professional development skills which form the skills development required to be completed by ICAEW students.

Updated professional development skills



Updated professional development skills

- What does this mean for the technical exams?

Exam skills development grids revised but still grouped under the same four headings:

Assimilating and using information

Structuring problems and solutions

Applying judgement

Concluding, recommending and communicating

No change to the way exams are set

No change to the way the exams are marked

BPT examiners have **always used** skills to direct marking team

Skills within the ACA - see icaew.com/examresources

Assimilating and using information

Understand the situation

Identify and use relevant information

Identify and prioritise key issues

For the BPT exam examples include:

- understanding the business structure and tax implications
- assimilating information provided by internal and external sources;
- identifying and evaluating inconsistencies in information provided from multiple sources; and

Structuring problems and solutions

Structure data and develop solutions

For the BPT exam could require the candidate to:

- consider and calculate a range of appropriate tax treatments;
- evaluate taxation impact of a transaction;
- integrate descriptions with calculations in a form appropriate for the user;
- apply technical knowledge to perform relevant, accurate calculations in a logically structured way
- identify further information or clarifying existing arrangements with a client;
- consider the impact of delaying or modifying future decisions; and
- identify and explain ethical and legal issues.

Applying judgement

Apply professional scepticism and critical thinking; and Relate issues to the environment

For BPT exam this could require the candidate to:

- apply scepticism to the integrity of information provided in the scenario having regard to its source;
- select between appropriate options;
- identify omissions in the information;
- evaluate inconsistencies in information;
- evaluate the effects of future events;
- identify key linkages between information provided in a scenario and possible tax treatments;
- compare the effects of a range of estimates, outcomes or tax treatments; and
- exercise own ethical judgement in assessing the consequences of various courses of action

Concluding recommending and communicating

Conclusions - Recommendations - Communication

- determine the tax implications of scenarios and proposals to provide alternative recommendations
- recommendations to meet a given individual or corporate objective or goal;
- formulate and recommend a reasoned conclusion from structured calculations;
- justify a conclusion made using knowledge of the existing tax regime;
- advise on the ethical considerations;
- explain the limitations of conclusions or recommendations;
- present a report/memorandum in response to a specific technical or ethical issue and in accordance with client requirements;
- present a review of advice or proposed tax strategies making recommendations supported by calculations or analysis of tax issues identified; and
- present a justification of a specific recommended action when a variety of options are available



BPT – examples of skills in questions

September 2017 – Question 1 – Examples of skills

Assimilating and using information

- Understand the business context - Fall Ltd is loss making but not insolvent – therefore can time the cessation of trade and appointment of liquidator

Structuring problems and solutions

- Identify any information gaps – it is not clear in the scenario whether the loss in October 2017 is avoidable – part of developing the solution is to realise that the cost saving of running the business for another month does not outweigh the tax benefit of selling the property before trade ceases.
- The computation of adjustment of profit needs completing before the use of losses – candidates who did this demonstrated structuring skills

September 2017 – question 1

Applying judgement

Ken and LM Ltd will be taxed differently on the cash proceeds – Ken may be entitled to ER relief – but the not all the information is there to arrive at a recommendation.

Ethics requirement – scepticism should clearly be demonstrated here – an overheard conversation??

If true, using technical knowledge and some scepticism, the better candidates identified potential tax evasion if the bribe had been unadjusted in the tax computation

Concluding recommending and communicating

The question asks for a recommendation – in a report candidates should provide one.

And there are always marks for actions in the ethics requirement

Questions & Answers before break



Sample marking

	Max marks	Script A	Script B
Question 1			
1.1 Prepare a draft report for the board Explain without calculations the key tax implications in determining the date of cessation – and recommendation Explain with calculations t – assuming 31 October cessation date – including the cash receivable for LM Ltd and for Ken	32		
1.2 Identify and explain the ethical implications for you and for LM Ltd arising from the overheard conversation and the actions	8		
	40		

Sample marking

	Max marks	Script A	Script B
Question 2			
2.1 Prepare an email to the directors Explanation for Aldo, Zeta, Greg and Luca Ltd for each of three methods of selling Zeta's shares A summary comparing Zeta's tax liability effective tax rate and after-cash receivable for each method	24		
2.2 explain tax implications for Zeta of outright gift of her shares	6		
	30		

Sample marking

	Max marks	Script A	Script B
Question 3			
3.1 Tax implications for Gig plc of three outstanding matters	16		
3.2 A calculation of revised taxable profit and corporation tax	4		
3.3 Tax implications of redundancy payments for Gig plc, Frances and IT employees	6		
3.4 Tax risks of self employment	4		
	30		

*Preparing for BPT CBE in
March 2018*



CR and CBE 2018

- All CBE exams from March 2018
- Style/structure of exam not affected
- Follow advice in most recent ICAEW CBE Guide on website
- **CANDIDATES SHOULD PRACTISE PRODUCING ANSWERS USING CBE ICAEW RESOURCES**

CR and CBE 2018

- All narrative must be visible – examiner cannot interrogate cells
- Quality of typing/proofing: text must be understandable
- If using formulae in cells for calculations (consider including workings)
- Clarity of tables – rows should be labelled

Resources

- Guidance online: <https://www.icaew.com/en/for-current-aca-students/exam-resources/computer-based-exams-guidance-and-support>

- Practice exam scenario:

<https://www.icaew.com/-/media/corporate/files/qualifications-and-programmes/aca-evolved/aca-students/exams/question-bank/2018-bpt-question-bank-practice-software-guidance-v2.ashx?la=en>

Questions & Answers



