



# *Business Planning: Tax*



# *Session Agenda*

**1. GENERAL INTRODUCTION**

**2. SYLLABUS CHANGES**

**BREAK**

**3. RECENT RESULTS & HOW TO PRESENT A CBE ANSWER SCRIPT**

**4. SCRIPTS FROM DECEMBER 2018 Q1**

# *Professional Level*

**ADVANCED  
LEVEL**

Case Study

Corporate Reporting

Strategic Business  
Management

**PROFESSIONAL  
LEVEL**

Business Planning

Business Strategy

Audit and Assurance

Financial  
Accounting and  
Reporting

Financial  
Management

Tax Compliance

Self study bookkeeping module

**CERTIFICATE  
LEVEL**

Accounting

Assurance

Business  
and Finance

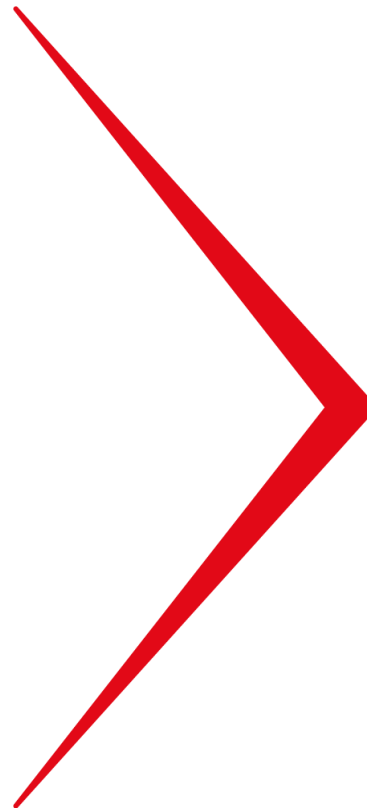
Law

Management  
Information

Principles of  
Taxation

# ***BPT SYLLABUS***

- 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
- Relative weighting between knowledge and skills:
- Knowledge 25-35
- Skills 65-75



## *Syllabus Changes*

GUIDANCE ON HOW SYLLABUS  
CHANGES FOR EXAMS IN 2019 WILL BE  
EXAMINED

# *Syllabus Changes: Items new to BPT*

|                                  | PoT | TC             | BPT      |
|----------------------------------|-----|----------------|----------|
| <b>NEW: Devolved taxes</b>       |     | <b>C</b>       | <b>B</b> |
| <b>NEW: Apprenticeship levy</b>  |     | <b>C</b>       | <b>C</b> |
| <b>NEW: Deemed domicile (IT)</b> |     | <b>B</b>       | <b>A</b> |
| <b>Leases (CGT)</b>              |     | <b>Removed</b> | <b>A</b> |

# *Devolved Taxes and Apprenticeship Levy*

- The level of detail in the Learning Materials is key to understanding how much candidates need to know.
- These can only ever be sub-parts of questions, rather than full questions in their own right.
- They are highly relevant to the tax burden for businesses in the real world and cannot be ignored.

# *Deemed domicile (IT) and CGT on Leases*

- The new deemed domicile rules for IT are clearly examinable and will fit into questions on the international tax issues surrounding individuals arriving in the UK.
- CGT on the disposal of leases over land was previously in the tax compliance syllabus and not in BPT. This was a bit of an anomaly and the topic has now been added to the BPT syllabus. However, it is a very computational topic – and BPT is not normally about rote learning and repeating computations. It is also a fully open book exam – so the format of computations is available in front of students in the exam. The focus of exam questions will be the concepts, not just the computations. The link to the taxation of a property business is also important (and this forms a new chapter in the Study Text for 2019).



# *Syllabus Changes: Changes in Level IT, CGT and IHT*

|                       | PoT             | TC           | BPT |
|-----------------------|-----------------|--------------|-----|
| CGT for trusts        |                 | Removed      | B   |
| Patent royalties (IT) |                 | Removed      | B   |
| Lease premiums (IT)   | Removed (was B) | Removed      | A   |
| IT for trusts         |                 | Removed      | B   |
| IHT trusts            |                 | Reduced to C | B   |

## *Patent royalties (IT) and Lease premiums (IT)*

- Both of these topics have been examined at BPT in the past and there is no intention to change the level of complexity of how these areas are tested. They will remain peripheral issues that could be tested, but, as computations of profits are not a large part of the BPT examination, they will be tested conceptually, or in the context of e.g. correction of errors in computations, rather than in a full-blown computation of taxable profits.

# *Trusts: IT, CGT and IHT*

- IT, CGT and IHT in relation to trusts has always been examinable at BPT.
- In the past the computational aspects of the taxation of trusts has been covered at TC. The syllabus change removes IT and CGT for trusts from TC.
- Again, the issue is that the mainly computational aspects of trust taxation will not be tested at BPT, in the same detail as they could have been tested at TC. This is a fully open book exam and there are examples of computations in the study material, that students can refer to in the exam. What is more important are the planning aspects of trusts and incorporating the concepts behind those planning issues into planning scenarios for clients.

# *Syllabus Changes: Changes in Level (CT and VAT)*

|  | PoT | TC                         | BPT          |
|--|-----|----------------------------|--------------|
| Leases (CT)                                    |     | Removed                    | A            |
| Substantial shareholding exemption             |     | C (was B)                  | A            |
| Pension contributions (CT)                     |     | Reduced to B               | A            |
| Patent royalties (CT)                          |     | Removed                    | B            |
| Property income (CT)                           |     | Reduced to B               | A            |
| R&D tax credits (CT)                           |     | B (Previously in BPT only) | A            |
| Change in ownership (CT groups)                |     | Removed                    | A            |
| Non-coterminous accounting periods (CT groups) |     | Removed                    | A            |
| Capital goods scheme (VAT)                     |     | Reduced to B               | Reduced to B |

# *Syllabus changes for CT*

- Items removed from TC (Leases, patent royalties, Changes in ownership and non-coterminous year ends (groups))
  - Lease and patent royalties – again, this is an open book exam and there will be computational examples and information in the study material. The level at which these would be tested will not be in the same computational manner as TC.
  - Groups – these issues are better dealt with at BPT – leaving the group scenarios at TC to be suitably simplified.
- Items where coverage at TC reduced (SSE, Pension Contributions, Property Income)
  - Coverage remains at A for these areas, (even if it has reduced for TC) .
  - No changes in the level or style of examining these areas is being considered.
  - Property income for companies – as well as for individuals is an area being emphasized within the 2019 study materials

# *Syllabus Changes for VAT*

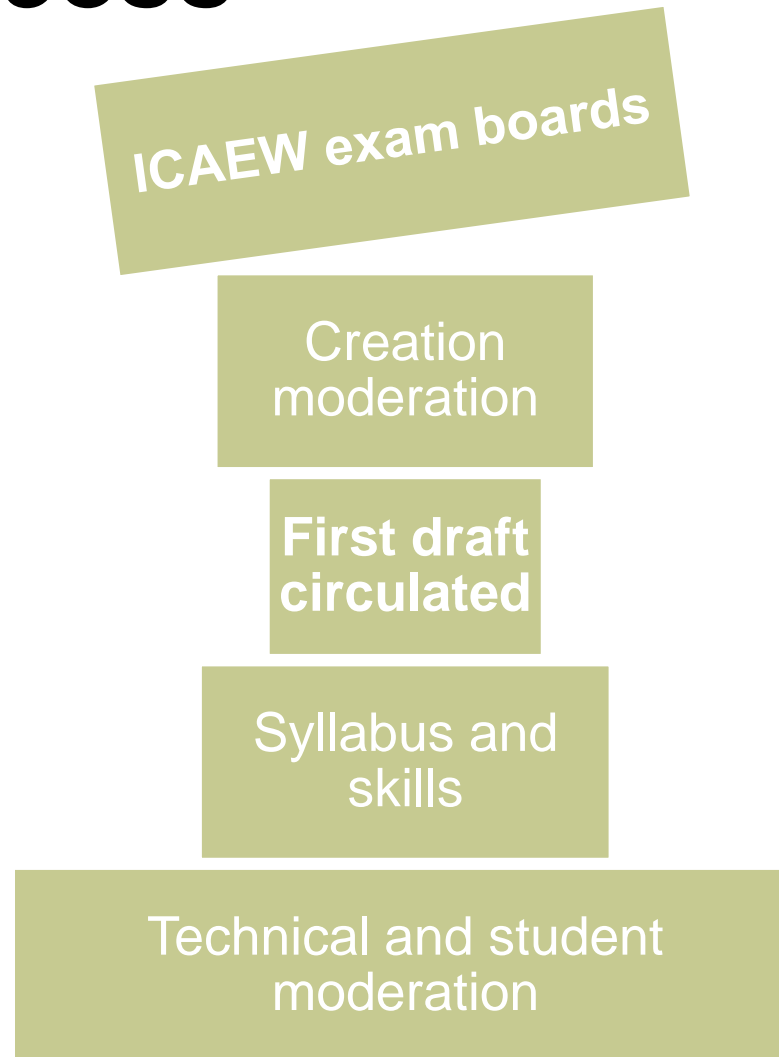
- Capital goods scheme reduced from A to B in both TC and BPT

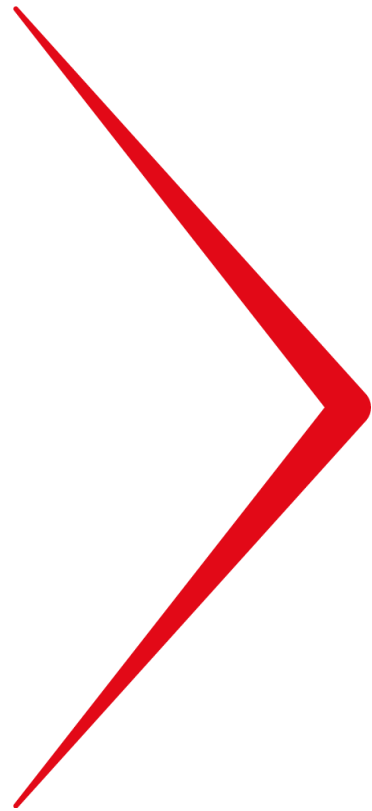
# ***Setting the papers – the quality control process***

Team of writers and reviewers

Academics and practitioners

Student moderators





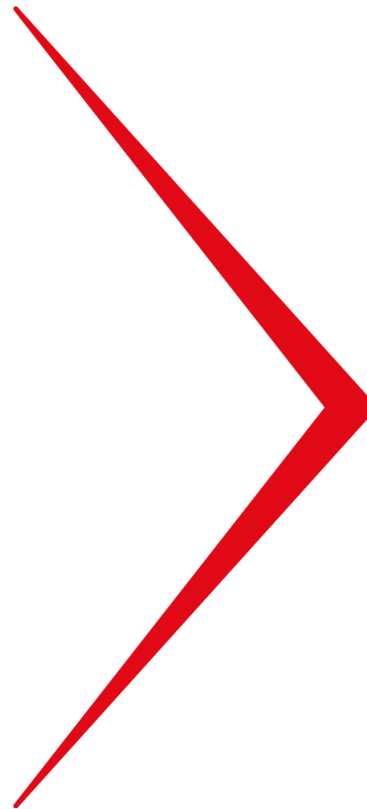
***BREAK***



BPT pass rates over the past two sittings:

September 2018 – 82%

December 2018 – 81%



## *Pass rates and results*

In December 2018, a candidate attained a mark of 100%....

*Savage Chickens*

by Doug Savage



www.savagechickens.com

## *How to present a CBE answer script*

Some examples of presentation highs  
and lows

# Examples of poor approach

- Knowledge dump;
- No application;
- No workings ;
- Failure to use info  
in the question;
- Very muddled;
- Jumps around;
- No calculations!

61101577.docx [Read-Only] - Word

File Home Insert Design Layout References Mailings Review View Tell me what you want to do... Gregory, Catherine Share

Cut Copy Paste Format Painter Clipboard

Arial 11 A A- Aa Font

B I U abc X<sub>2</sub> X<sup>2</sup> A ab A Paragraph

AaBbCcD AaBbCcD AaBbCc AaBbCc AaB AaBbCcD Styles

1 Normal 1 No Spac... Heading 1 Heading 2 Title Subtitle

Find Replace Select Editing

2.1 a)

**Dennis:**

Differences between operating as an unincorporated business to a limited company:

**Utilisation of losses:**  
By operating as a sole trader business, loss relief is more flexible than if he was to incorporate, as they can be used against employment income and therefore the loss of 54k can be used to reduce his income tax payable on the redundancy payment.

His redundancy payment would be covered by the tax free amount of 30k less stat redundancy pay of £7335 = 22665.  
The 10k payment in lieu of notice and the discretionary termination payment of 10k would be taxed as employment income as normal.  
Therefore this 20k net redundancy payment will be netted off against the trading losses of his sole trader business as under s64 he can carry back losses of the first four tax years 3 years against trading profit.

He can also carry any excess losses of 34k (54k-20k) forward under s83 against future trading profits in 2021 and 2022.

**NICs**  
For NICs, class 2 and class 4 NICs are due as a sole trader at £2.85 a week for class 2s and at 9% and 2% for class 4s.  
However if he were to operate under a limited company he would pay class 2 secondary NICs on salaries paid as well as class primary and secondary NICs on his own salary.

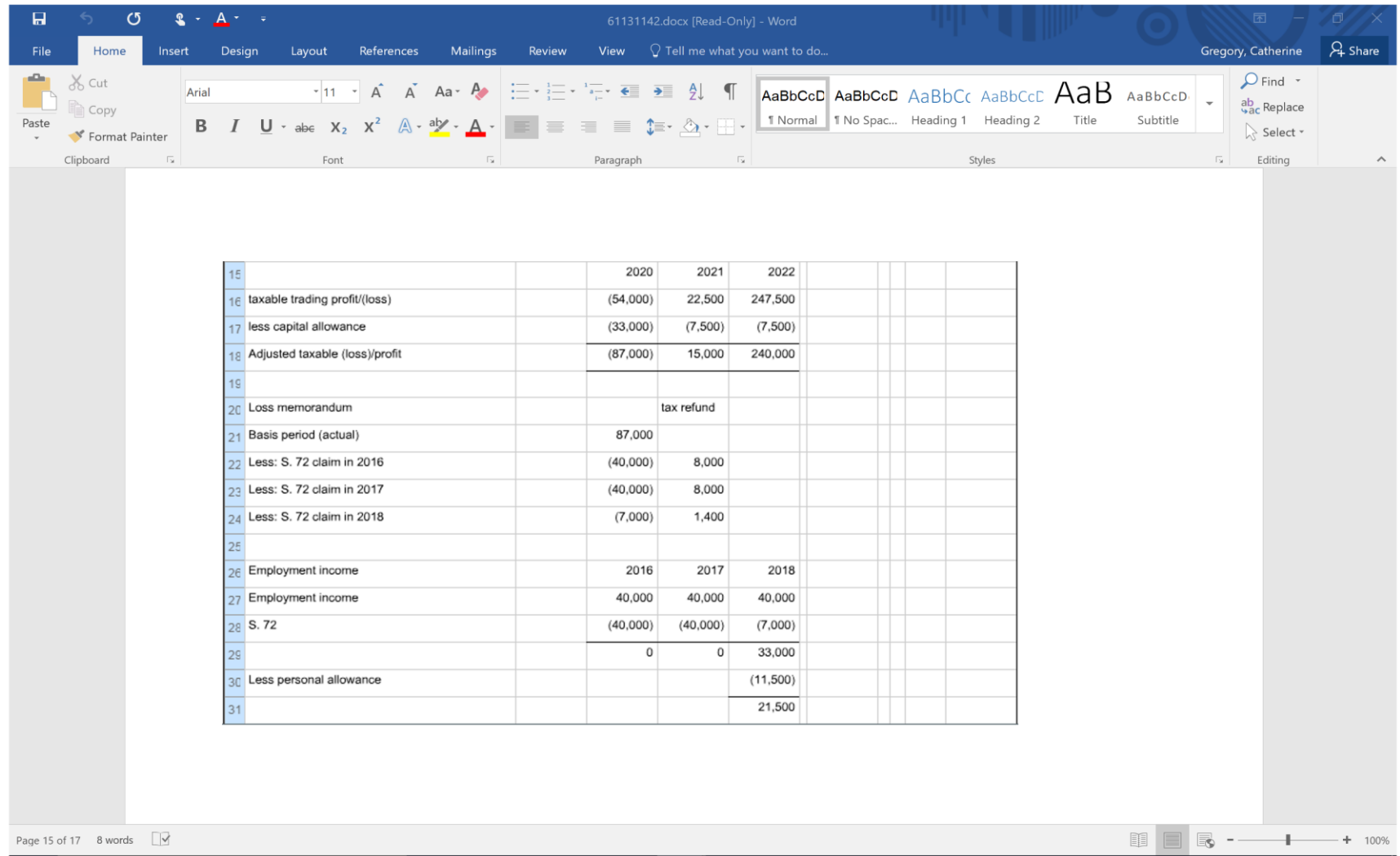
**Extracting cash**  
Under a limited company he could extract cash in a more tax efficient way by taking dividends instead of a salary. I would recommend paying yourself a salary of 11.5k as this will be covered by the personal allowance and then extracting dividends as you will get 5k tax free and the rates after that are lower at 7.5/32.5/38.1%.

However the downside of remaining a sole trader as a profitable business is that income tax rates apply of 20/40/45% whereas if he was incorporated he would pay corp tax at 19%.

Page 2 of 5 2 words 100%

# Examples of good approach

- Easy to follow;
- Uses the info;
- Does not just  
    knowledge dump;
- Applies;
- Reaches a conclusion.



The screenshot shows a Microsoft Word document with a table of tax calculations. The table is structured as follows:

|                                | 2020     | 2021       | 2022     |  |  |  |  |  |  |
|--------------------------------|----------|------------|----------|--|--|--|--|--|--|
| taxable trading profit/(loss)  | (54,000) | 22,500     | 247,500  |  |  |  |  |  |  |
| less capital allowance         | (33,000) | (7,500)    | (7,500)  |  |  |  |  |  |  |
| Adjusted taxable (loss)/profit | (87,000) | 15,000     | 240,000  |  |  |  |  |  |  |
| Loss memorandum                |          | tax refund |          |  |  |  |  |  |  |
| Basis period (actual)          | 87,000   |            |          |  |  |  |  |  |  |
| Less: S. 72 claim in 2016      | (40,000) | 8,000      |          |  |  |  |  |  |  |
| Less: S. 72 claim in 2017      | (40,000) | 8,000      |          |  |  |  |  |  |  |
| Less: S. 72 claim in 2018      | (7,000)  | 1,400      |          |  |  |  |  |  |  |
| Employment income              | 2016     | 2017       | 2018     |  |  |  |  |  |  |
| Employment income              | 40,000   | 40,000     | 40,000   |  |  |  |  |  |  |
| S. 72                          | (40,000) | (40,000)   | (7,000)  |  |  |  |  |  |  |
|                                | 0        | 0          | 33,000   |  |  |  |  |  |  |
| Less personal allowance        |          |            | (11,500) |  |  |  |  |  |  |
|                                |          |            | 21,500   |  |  |  |  |  |  |

# *Tips to help candidates pass*

- Identify the issues
- Look for links between issues
- DECONSTRUCT THE QUESTION
- Apply professional scepticism
- Think about further information! Scenarios are sometimes left open ended
- Answer requirements in order within a question
- Consider the marker when laying out questions

## *Tips to help candidates pass*

- Marks available for demonstrating knowledge and understanding; but...
- More marks for using knowledge, applying skills in context of scenario.
- Open book – examiners know this! – avoid “knowledge dumping”

## *Tips to help candidates pass*

- Use columns to set out numbers
- Separate ideas by using lines
- Leave space for markers to mark!
- Conclude with justifications and recommendations
- Always relate to the scenario

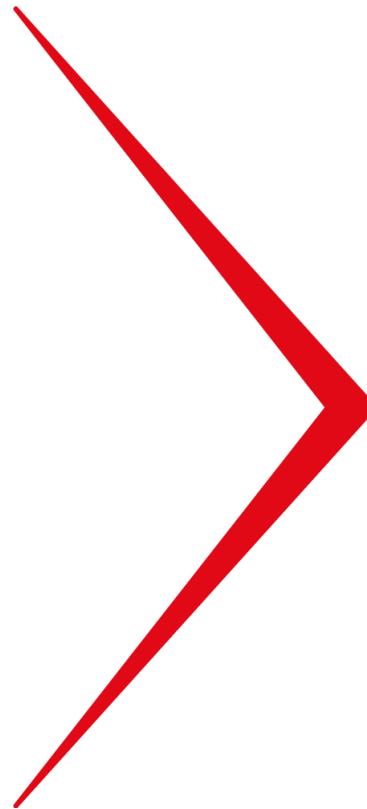
## *Tips to help candidates pass*

- Do not cut and paste from the question - the marking team includes the examiners who wrote the questions
- Answer all parts of the questions – if you write nothing you get nothing





Copyright Homemade-Preschool.com



## *Sample marking*

Examples of scripts from Question 1  
December 2019

*Time to mark*

