

## STAGE: FORMATION 2

Subject Title:

### TAXATION

Examination Duration: 3 Hours

#### Aim

The aim of this subject is to ensure that students develop a knowledge and understanding of the workings of the tax system under the specified tax heads. This knowledge is applied in the calculation of tax liabilities and the identification of basic tax-saving measures.

#### Taxation as an Integral Part of the Syllabus

Taxation is an essential component for the later study of Advanced Taxation. Knowledge gained from this subject will also be relevant in the further study of Auditing, Audit Practice and Assurance Services, Managerial Finance and Strategic Corporate Finance.

Stage	Subject	Subject	Subject	Subject	Subject	Subject
P2	Strategic Corporate Finance	Strategic Performance Management	Advanced Corporate Reporting	Strategy & Leadership	Audit Practice and Assurance Services	Advanced Taxation
P1		Managerial Finance	Corporate Reporting	Corporate Laws and Governance	Auditing	
F2		Management Accounting	Financial Accounting	Information Systems	Taxation	
F1			Management in Organisations	Economics and Business Planning	Business Law and Professional Ethics	

The above table shows the linkages between *Taxation* and the subjects highlighted. The capabilities developed will be built upon in the study of the subjects highlighted above.

## Learning Outcomes

On successful completion of this subject, students should be able to:

- Classify and correctly assess income under the appropriate tax head and schedule.
- Prepare income tax computations and returns (including tax payable under Schedules D to F).
- Prepare capital gains tax computations and returns.
- Prepare corporation tax computations and returns.
- Discuss the operation of VAT and prepare VAT returns.
- Advise the requirements of a Revenue Audit and explain the powers of the Revenue Commissioners in this regard.
- Explain the principles underpinning double taxation, with particular emphasis on the Ireland / UK Tax Treaty.
- Describe and apply the relevant tax legislation with respect to subcontractors, including the operation of Relevant Contracts Tax (RCT).
- Research the appropriate tax legislation and apply it, as appropriate, to basic tax problems and scenarios.
- Demonstrate they have developed a sound basis for further tax studies.

## Syllabus

1: PURPOSE AND ADMINISTRATION OF TAXATION	CL*
Tax legislation.	1
Tax administration; Direct and Indirect taxation.	1
Registration and collection of various taxes, assessments and appeals.	1
Residence and Domicile.	1
The role of the accountant: position as tax agent including right to attend appeal hearings; duties to the client, the profession and the State.	1

## 2: INCOME TAX

Charge to income tax, Residence and Domicile	2
Taxation of individuals and partnerships.	2
System of Self Assessment.	2
Tax bands, tax credits and relief.	2
Tax treatment of single, widowed, married, separated and divorced persons.	2
Distinction between employed vs. self-employed.	2
Retirement annuity contracts including PRSAs and AVCs.	1
High income earner restriction.	2

## 3: SCHEDULES D CASES I AND II

Determination of income assessable under each Case.	2
Distinguish between capital and revenue, income and expenditure.	2
Basis periods.	2
Adjusting accounting results for tax purposes.	2
Rules of Commencement and Cessation including Taxpayer and Revenue revisions.	2
Partnership, assessment of partners.	2
Taxation of farmers, income averaging.	2
Relief for losses and years available.	2
Capital allowances.	2
Badges of Trade.	2

**3: SCHEDULES D CASES I AND II**

PRSI	2
Universal Social Charge	2

**4: SCHEDULES D CASES III TO V**

Determination of income assessable under Cases III to V, including:

- Interest, DIRT, annuities, withholding tax.
- Securities bearing interest.
- Income from foreign securities.
- Shares received in lieu of cash dividends.
- Royalties not chargeable under other Cases.
- Distributions by companies out of capital profits.
- Rental Income.

**5: SCHEDULE E**

Determination of assessable income 2 including taxable benefits.	2
Relief for personal expenses.	2
Termination and lump sum payments – calculation, exemptions and relief.	2
Universal Social Charge	2
PAYE and PRSI	2

**6: SCHEDULE F**

Income assessable, basis of 2 assessment.	2
Dividend Withholding Tax -2 calculation, payment, refund of tax credits to individual.	2

**7: SUBCONTRACTORS**

Legislative requirements, definitions.	2
Operation of Relevant Contracts tax, administrative procedures.	2

**8: VAT**

Legislative requirements and procedures.	2
Cash and invoice basis.	2
Two-thirds and package rule.	2
Zero and exempt.	2
Non-deductible inputs.	2
E.U. intra community trade	2
Imports and exports.	2

**9: DOUBLE TAXATION**

A basic knowledge is required insofar as it relates to an individual's Investment income, with particular emphasis on the Irish/UK Tax Treaty.	1
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**10: CORPORATION TAXATION**

Basic principles and administration.	2
Computations including capital allowances, capital gains, treatment of distributions.	2
Losses excluding terminal loss relief.	2

## 11: CAPITAL GAINS TAX

Principles and scope.	2
Basis of Assessment.	2
Exemptions and reliefs to include; PPR, Transfer of business to company, retirement.	2
Chattels and marginal relief.	2
Basic computations of gains and losses, including indexation.	2
Share transactions to include bonus and rights issues.	2
Part disposals.	2
Development land – gains, losses, indexation.	2

## 12: REVENUE AUDIT

Revenue powers.	2
Revenue offences.	2
Understanding and meeting the requirements of a Revenue Audit.	2
Tax-geared penalties and interest.	2
Charter of Rights.	1
Mandatory disclosure.	1

## Assessment Strategy

### EXAMINATION APPROACH

Students are required to display a knowledge of the system of administration of the various taxes, including requirements for compliance and corresponding penalties with regard to submissions and payment of taxes. Questions are mainly scenario based and students are expected to demonstrate the correct application of the practical aspects of the subject matter being examined.

Descriptive answers are also required to some questions to indicate an understanding of the relevant law and administrative procedure. It is necessary to demonstrate an ability to answer questions in a logical and coherent fashion.

### EXAMINATION FORMAT

The assessment is by unseen, closed book examination of 3 hours in duration. The paper is divided into two sections and all questions carry equal marks. In Section A students are required to answer 3 compulsory questions. In Section B students are required to answer 2 out of 3 questions. Questions 1 and 2 each mainly, but not necessarily exclusively, address one of the main taxes or tax heads on the syllabus. Question 3 addresses several areas. Questions 4, 5 and 6 may each focus on two or more areas.

Marks Allocation	Marks
SECTION A	
Question 1 (Compulsory)	20
Question 2 (Compulsory)	20
Question 3 (Compulsory)	20
SECTION B	
Questions 4 to 6 (Choice of any 2 out of 3, 20 marks each)	40
Total 100	

## Learning Resources

### CORE TEXTS

Irish Taxation: Law & Practice 2017/2018 / Irish Taxation Institute 2017

Irish Taxation Intermediate (Finance Act 2017) / Paula Byrne/Griffith College/ ISBN: 978-1999304713

### MANUALS

Griffith College Dublin CPA F2 Taxation - Latest edition

### SUPPLEMENTARY TEXTS AND JOURNALS

Tom Conlan / Students' Taxation Handbook 2016th edition/ McKeon Murray / Elm House, Leopardstown Office Park, Dublin18. Tel: 353 1 2959090

Irish Taxation: Law and Practice 2015/16 Volumes 1 and 2 / Irish Taxation Institute

AccountancyPlus

CPA Students' eBulletin

## **USEFUL WEBSITES (AS AT DATE OF PUBLICATION)**

[www.cpaireland.ie](http://www.cpaireland.ie) - CPA Ireland.

[www.revenue.ie](http://www.revenue.ie) - The Revenue Commissioners

[www.taxinstitute.ie](http://www.taxinstitute.ie) - Irish Tax Institute