

CPA FOUNDATION: TAXATION

Aim

The aim of this module is to provide students with a knowledge of the administration of the taxation system in Ireland. It introduces students to the application of Irish taxation legislation to individuals and companies in a compliant and ethical manner.

Taxation as an Integral Part of the Syllabus

Taxation is an essential module for the later study of Advanced Taxation and Advanced Tax Strategy. Knowledge gained from this module will also be relevant in the further study of Audit & Assurance, Advanced Audit & Assurance, Managerial Finance, Financial Reporting and Advanced Financial Reporting.

Syllabus and Subject Dependencies

LEVEL	SUBJECT					
CPA Foundation	Financial Accounting	Management Fundamentals	Taxation		Management Accounting	
CPA Professional	Financial Reporting	Corporate Law	Advanced Taxation	Audit & Assurance	Performance Management	Managerial Finance
CPA Strategic	Advanced Financial Reporting	Strategy & Leadership	Advanced Tax Strategy	Advanced Audit & Assurance	Data Analytics for Finance	Strategic Corporate Finance

Minimum Intended Learning Outcomes

On successful completion of this module, students will be able to:

- Discuss the role of tax in Irish Society, the underpinning legislative process, and the role and powers of the Revenue Commissioners (Revenue) in tax administration
- Describe the principle of self-assessment as applied in the Irish tax system, and the role of the Revenue Online Service (ROS) in supporting Revenue and its customers
- Prepare income tax computations and returns
- Prepare capital gains tax computations and returns
- Prepare corporation tax computations and returns
- Discuss the operation of VAT and prepare returns.

Indicative Syllabus

		Competency Level
Tax Management	<ul style="list-style-type: none"> • Tax – its role in society, policy, legislation • Tax management – the Revenue Commissioners, their role, audit, code of practice, appeals, ROS • Tax compliance, evasion vs avoidance, self-assessment • Ethics 	1 1 1 1
Income Tax	<ul style="list-style-type: none"> • Tax Credits, Allowances and Reliefs, Charges • Computation of Income Tax • PRSI and USC • Administration of Income Tax 	2 2 2 1
Capital Gains Tax	<ul style="list-style-type: none"> • Basic principles and basis of assessment for CGT, Residence implications, married couples • Computation of CGT, indexation, enhancement expenditure, market value • CGT Reliefs, Exemptions, Deductions, Allowances • CGT for specific asset types • Administration of CGT • Losses, CGT and Death 	1 2 2 2 1 2
Corporation Tax	<ul style="list-style-type: none"> • Basis of assessment • Computation of CT • Administration of CT • Close Companies • Treatment of Capital Allowances, Charges, Dividends 	1 2 1 1 2
VAT	<ul style="list-style-type: none"> • Principles of VAT • Multiple and composite supplies, two-thirds rule • VAT Administration • Operation of VAT • Supply 	1 2 1 2 2

Learning Guide

Tax Management

- Describe the role of the taxation system and tax policy in Ireland
 - Describe the process involved in the enactment of tax legislation
 - Outline the structure and role of the Revenue Commissioners
 - Distinguish between tax evasion and avoidance
 - Define direct and indirect taxes and describe the difference between them
 - Outline the responsibilities and rights of taxpayers in relation to tax compliance, and describe the role of the Revenue Commissioners in relation to tax compliance
 - Outline the key elements of the self-assessment system
 - Describe the processes involved in Revenue Audits
 - Outline the principal elements of the Revenue Charter and Code of Practice
 - Describe the tax appeals process
 - Recognise ethical dilemmas for tax payers, their agents and advisors
 - Describe the key functions of ROS.
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Income Tax

- Outline the various Income Tax schedules
 - Define the requirements for residence, ordinary residence and domicile, and explain their impact on liability to tax
 - Calculate income tax liabilities for individuals
 - Describe the various methods of taxation of married couples
 - Demonstrate how married couples are taxed in year of marriage, year of separation and year of death
 - Discuss and apply the principles of PRSI and USC
 - Define tax credits and distinguish between refundable and non-refundable credits; describe allowances, reliefs and charges and illustrate how they are applied
 - Define the basis of assessment for Schedule D Case I/II incomes, outline allowable deductions, and calculate tax adjusted profits, including treatment of losses
 - Define basis periods for Schedule D Case I/II incomes where businesses commence, cease, or are short-lived, and calculate income tax for each scenario
 - Describe the rules for availing of Capital Allowances, and calculate allowances which may be claimed
 - Define the basis of assessment for tax on income under Schedule D Case III
 - Define the basis of assessment for tax on income under Schedule D Case IV
 - Define the basis of assessment for tax on income under Schedule D Case V, outline the allowable deductions, and calculate taxable profits, including treatment of losses
 - Define the basis of assessment for tax on income under Schedule E, outline the allowable expenses regime, describe and apply Benefit in Kind rules, and list exempt benefits
 - Outline employers obligations in relation to deducting PAYE tax from employees, and describe the process in such deductions
 - Differentiate between employment and self-employment for tax purposes, and discuss the implications of both.
 - Distinguish between Contracts for Service and Contracts of Service
 - Define the basis of assessment for tax on income under Schedule F
 - Describe the various requirements for filing and paying income tax, and identify the consequences for non-compliance
 - Outline the principles and processes of withholding taxes from dividends paid, professional services payments and deposit interest paid.
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Capital Gains Tax (CGT)

- Describe the activities to which Capital Gains Tax applies, together with the underlying principles, and the basis of assessment
 - Calculate capital gains or losses, and appropriate CGT
 - Outline the principles of indexation and illustrate its workings
 - Define enhancement expenditure and its role in CGT calculation
 - Explain the impact of residency on liability to CGT
 - Describe the various requirements for filing and paying Capital Gains Tax and identify the consequences for non-compliance
 - Identify the treatment of married couples for CGT purposes
 - Apply the specific rules relating to disposal of Principal Private Residences
 - Outline and apply the specific rules for CGT liability on disposal of specific assets i.e Shares, Development Land, Chattels
 - State the rules relating to a taxpayers death and their liability to CGT
 - Outline the circumstances where market value is substituted for actual value in CGT calculations
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Learning Guide contd.

Corporation Tax (CT)

- Describe the various requirements for filing and paying corporation tax, and identify the consequences for non-compliance
- Define and apply the requirements for companies to be resident for tax purposes
- Explain the impact of residence on liability to corporation tax
- Define the basis of assessment for CT
- Outline allowable deductions; calculate tax adjusted profits and tax on other income sources
- Illustrate how dividends should be treated by companies for tax purposes
- Describe the rules for availing of Capital Allowances, and calculate allowances which may be claimed
- Define a Close Company
- Outline the restrictions that apply to directors of close companies

Value Added Tax (VAT)

- Outline the basic principles of VAT, and list VAT rates
 - Describe the circumstances which give rise to a charge to VAT
 - Explain what is meant by exempt supplies and apply the treatment for tax purposes
 - Distinguish between multiple and composite supplies, and show how they are treated for VAT purposes, including supplies under the two-thirds rule
 - Define the rules for registration for VAT
 - Discuss how the VAT system operates
 - Define and apply the rules specific to the supply of goods
 - Define and apply the rules specific to the supply of services
 - Define the meaning of and rules relating to input credits, and show how they operate within the VAT system
 - Describe the rules for accounting for VAT on (a) cash basis and (b) invoice basis, and illustrate how they are applied in practice
 - Describe the various requirements for accounting for and paying VAT, and identify the consequences for non-compliance.
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Learning Resources

Core Texts

TBD

Useful Websites

www.cpaireland.ie – CPA Ireland

www.revenue.ie – The Revenue Commissioners

www.taxinstitute.ie