



DIPLOMA IN PROFESSIONAL FINANCIAL ADVICE

UNIT 2: PERSONAL TAXATION

Learning Outcomes:

1. Demonstrate an understanding of the UK tax system as relevant to the needs and circumstances of individuals and trusts
2. Demonstrate an ability to analyse the taxation of investments as relevant to the needs and circumstances of individuals and trusts
3. Demonstrate an ability to analyse the role and relevance of tax in the financial affairs of individuals and trusts
4. Demonstrate the ability to apply the knowledge of personal taxation to the provision of investment advice

Syllabus Points:

1. Demonstrate an understanding of the UK tax system as relevant to the needs and circumstances of individuals and trusts

- 1.1 Income tax – sources of income, liability, allowances, reliefs, priorities for taxing income, income of trusts and beneficiaries
- 1.2 National Insurance Contributions (NICs) – liability for employers, employees, self-employed contribution levels, voluntary NICs
- 1.3 Capital Gains Tax (CGT) – liability, rate, disposals, gains and losses, reliefs and exemptions, capital gains of trusts
- 1.4 Inheritance Tax (IHT) – liability, transfers, nil rate band, rates, reliefs and exemptions, assets held in trusts, transfers to and from trusts
- 1.5 Residence and domicile – main rules, impact on liability to income tax, CGT and IHT
- 1.6 UK tax compliance – self assessment, Pay As You Earn (PAYE), tax returns, tax payments, tax evasion and avoidance issues
- 1.7 Stamp duty reserve tax and stamp duty land tax – transactions subject to tax, rates of tax, main reliefs
- 1.8 Outline of Value Added Tax (VAT) and Corporation Tax

2. Demonstrate an ability to analyse the taxation of investments as relevant to the needs and circumstances of individuals and trusts

- 2.1 Cash and cash equivalents, fixed interest securities, equities and property
- 2.2 Pension arrangements
- 2.3 Individual Savings Accounts (ISAs) and Child Trust Funds (CTFs)
- 2.4 Onshore and offshore collectives and investment companies
- 2.5 Onshore and offshore life assurance policies
- 2.6 Real Estate Investment Trusts (REITs)
- 2.7 Venture Capital Trusts (VCTs) and Enterprise Investment Schemes (EISs) – basic outline

3. Demonstrate an ability to analyse the role and relevance of tax in the financial affairs of individuals and trusts

- 3.1 The impact of taxes on individuals, trusts and their investments
- 3.2 Key principles of income tax planning – spouse, civil partners, children, pension contributions, ISA allowances, use of the main CGT exemptions and reliefs
- 3.3 Main uses of lifetime gifts and trusts in basic IHT mitigation

4. Demonstrate the ability to apply the knowledge of personal taxation to the provision of investment advice

- 4.1 Carry out computations on the most common elements of income tax and NICs; CGT; IHT including the impact of lifetime transfers and transfers at death
- 4.2 Make elementary tax planning recommendations in the context of investment advice