

Next Generation Higher National Unit Specification

Personal Taxation (SCQF level 7)

Unit code: J7BP 47
SCQF level: 7 (16 SCQF credit points)
Valid from: session 2023–24

Prototype unit specification for use in pilot delivery only (version 1.0) May 2023

This unit specification provides detailed information about the unit to ensure consistent and transparent assessment year on year.

This unit specification is for teachers and lecturers and contains all the mandatory information required to deliver and assess the unit.

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Unit purpose

This unit introduces learners to the basic concepts of income tax by exploring the tax implications of income from different sources. It considers the general administration of the income tax system, and more specifically the pay as you earn (PAYE) system of collecting taxes from employees. The unit also addresses the capital gains tax implications on individuals.

Entry to the unit is at your centre's discretion. It is suitable for learners who are considering a career or further learning in accounting. Before learners start the unit, we recommend that they have studied accounting at SCQF level 6.

Learners who complete the unit can progress to further study in Higher National Diploma (HND) Accounting or professional qualifications.

Unit outcomes

Learners who complete this unit can:

- 1 provide an overview of the UK income tax system and calculate income tax and national insurance contributions (NIC) for employed people
- 2 calculate income tax and NIC for self-employed people
- 3 calculate basic capital gains tax for individuals

Evidence requirements

You must teach and assess this unit using legislation in place at the start of delivery. Your centre can choose to update the materials and assessment to reflect any in-year legislation updates.

Outcome 1

You must assess the following three elements of outcome 1 under open-book, unsupervised conditions.

Learners must show they can:

- ◆ describe the UK income tax system, including:
 - the scope of income tax
 - taxable person
 - tax year
 - self-assessment procedures, including how to complete and submit tax returns
 - income tax payment dates
 - procedures for applying surcharges, interest and penalties
- ◆ distinguish between employment and self-employment, including:
 - control
 - financial risk
 - equipment
 - work performance and correction
 - holidays
 - sickness
 - exclusivity
- ◆ explain the PAYE system, including:
 - basis of assessment
 - tax codes
 - PAYE forms

You must assess the following element of outcome 1 under open-book, supervised conditions.

Learners must show they can:

- ◆ calculate the taxable income and resulting income tax payable of an employed person, including:
 - taxable income
 - two types of non-taxable income
 - allowable expenses
 - personal allowances
 - three generally accepted benefits in kind
 - allowable pension scheme contributions (occupational and/or personal pension scheme)
 - allowable interest payments
 - class 1 and 1A NIC

Outcome 2

You must assess this outcome under open-book, supervised conditions.

Learners must show they can:

- ◆ apply the criteria of case law to establish whether trading exists
- ◆ calculate a minimum of two capital allowances, including the general pool and at least one other, for example:
 - cars with different emission categories (including private use)
 - short-life assets
 - annual investment allowances
 - first-year allowance
 - special rate pool (subject to changes in legislation)
- ◆ calculate the taxable trading profit for an unincorporated business entity, dealing appropriately with:
 - allowable and non-allowable expenditure
 - trading income not shown in the financial statements
 - non-trading income shown in the financial statements
 - allowable expenditure not shown in the financial statements
- ◆ calculate basic rental income, including basic issues such as the basis of assessment and allowable expenditure
- ◆ identify the basis periods for an unincorporated business
- ◆ apply a form of loss relief available to unincorporated businesses, with a minimum of one from:
 - carry forward trade loss relief
 - trade loss relief against total income

- early trade losses relief
- terminal trade loss relief
- ◆ explain personal pension plans and stakeholder pensions legislation for an individual and calculate the tax-allowable contributions
- ◆ calculate the income tax due on taxable trading profits for a sole trader
- ◆ calculate class 2 and 4 NIC for a self-employed person

Outcome 3

You must assess this outcome under open-book, supervised conditions.

Learners must show they can:

- ◆ explain the scope of:
 - capital gains tax
 - chargeable and exempt assets
 - chargeable and exempt persons
 - connected persons for capital gains tax purposes
- ◆ calculate a minimum of three chargeable gains and a minimum of one allowable loss on normal capital disposals, including:
 - compensation: assets damaged or destroyed
 - transfers between connected persons
- ◆ apply annual exemptions
- ◆ treat capital losses appropriately
- ◆ apply rates of capital gains tax
- ◆ identify the date that capital gains tax is due
- ◆ calculate the capital gains tax due on disposals

Knowledge and skills

The following table shows the knowledge and skills covered by the unit outcomes:

Knowledge	Skills
<p>Outcome 1 Learners should understand how to:</p> <ul style="list-style-type: none"> ◆ describe the UK income tax system ◆ detail the difference between employment and self-employment ◆ explain the PAYE system 	<p>Outcome 1 Learners can:</p> <ul style="list-style-type: none"> ◆ describe the UK income tax system, including: <ul style="list-style-type: none"> — the scope of income tax — taxable person — tax year — self-assessment procedures, including how to complete and submit tax returns — income tax payment dates — procedures for applying surcharges, interest and penalties ◆ distinguish between employment and self-employment, including: <ul style="list-style-type: none"> — control — financial risk — equipment — work performance and correction — holidays — sickness — exclusivity ◆ explain the PAYE system, including: <ul style="list-style-type: none"> — basis of assessment — tax codes — PAYE forms

Knowledge	Skills
<ul style="list-style-type: none"> ◆ calculate the taxable income of an employed person 	<ul style="list-style-type: none"> ◆ calculate the taxable income of an employed person, including: <ul style="list-style-type: none"> — taxable versus non-taxable income by source — allowable expenses — personal allowances — benefits in kind — allowable pension scheme contributions (occupational and/or personal pension scheme) — allowable interest payments — class 1 and 1A NIC — income tax
<p>Outcome 2 Learners should understand how to:</p> <ul style="list-style-type: none"> ◆ apply income tax legislation to calculate basic trading profit, and the tax payable thereon, for a sole trader 	<p>Outcome 2 Learners can:</p> <ul style="list-style-type: none"> ◆ apply the criteria of case law to establish whether trading exists ◆ calculate capital allowances, including: <ul style="list-style-type: none"> — the general pool — short life assets — annual investment allowances — first year allowance — special rate pools ◆ calculate the taxable trading profit for an unincorporated business entity, dealing appropriately with: <ul style="list-style-type: none"> — allowable and non-allowable expenditure — trading income not shown in the financial statements — non-trading income shown in the financial statements — allowable expenditure not shown in the financial statements ◆ calculate income tax payable on trading profits ◆ calculate class 2 and 4 NIC for a self-employed person

Knowledge	Skills
<ul style="list-style-type: none"> ◆ apply income tax legislation to a range of complex trading circumstances 	<ul style="list-style-type: none"> ◆ calculate basic rental income, including basic issues such as the basis of assessment and allowable expenditure ◆ identify the basis periods for an unincorporated business ◆ apply loss relief available to unincorporated businesses ◆ explain personal pension plans and stakeholder pensions legislation for an individual, and calculate the tax allowable contributions
<p>Outcome 3 Learners should understand how to:</p> <ul style="list-style-type: none"> ◆ explain the scope of UK capital gains tax and perform simple calculations for an individual 	<p>Outcome 3 Learners can:</p> <ul style="list-style-type: none"> ◆ explain the scope of: <ul style="list-style-type: none"> — capital gains tax — chargeable and exempt assets — chargeable and exempt persons — connected persons for capital gains tax purposes ◆ calculate basic gains and losses for capital gains tax ◆ apply current reliefs, allowances and exemptions ◆ discuss and apply the rates of capital gains tax ◆ discuss and apply the use of capital losses

Meta-skills

Throughout the unit, learners develop meta-skills to enhance their employability in the accounting sector.

Self-management

This meta-skill includes:

- ◆ focusing: sorting the information into the correct categories and applying the relevant legislation to the data

Social intelligence

This meta-skill includes:

- ◆ communicating: receiving, understanding, processing and communicating data in the format recipients need
- ◆ receiving information: understanding and processing information relevant to taxation legislation

Innovation

This meta-skill includes:

- ◆ information sourcing: filtering and sorting a large amount of information and raw data and presenting this data in accordance with statutory requirements

Literacies

Learners develop core skills in the following literacies.

Numeracy

Learners develop the key skills in this profession by performing taxation calculations and working with percentages and formulae.

Communication

Learners develop communication skills by providing advice and communicating accounting information.

Digital

Learners develop digital skills and computer literacy by using information and communications technology (ICT).

Delivery of unit

The unit is an optional unit in the Higher National Certificate (HNC) Accounting.

The notional time for delivery and assessment is 80 hours. The amount of time you allocate to each outcome is at your discretion.

Additional guidance

The guidance in this section is not mandatory.

Approaches to delivery and assessment

We recommended you deliver the outcomes in numerical order and use spreadsheet software where practical.

You can assess the outcomes separately, or you can assess outcomes 1 and 2 together. To assess them together, use a case study where learners give advice on the tax implications for the owner and for the employees to someone who is running their own business.

Equality and inclusion

This unit is designed to be as fair and as accessible as possible with no unnecessary barriers to learning or assessment.

You should take into account the needs of individual learners when planning learning experiences, selecting assessment methods or considering alternative evidence.

Guidance on assessment arrangements for disabled learners and/or those with additional support needs is available on the assessment arrangements web page:

www.sqa.org.uk/assessmentarrangements.

Information for learners

Personal Taxation (SCQF level 7)

This information explains:

- ◆ what the unit is about
- ◆ what you should know or be able to do before you start
- ◆ what you need to do during the unit
- ◆ opportunities for further learning and employment

Unit information

This unit introduces you to the basic concepts of income tax by exploring the tax implications of income from different sources. It considers the general administration of the income tax system and, more specifically, the pay as you earn (PAYE) system of collecting taxes from employees.

The unit also addresses the tax implications of those who receive benefits in kind, and focuses on the final tax liabilities of individuals who receive income from a variety of sources.

It explores the implications of capital gains tax for individuals by looking at chargeable and exempt assets, chargeable and exempt persons, and connected persons for capital gains tax purposes. You calculate the chargeable gains and allowable losses on capital disposals and the resulting tax charge on those transitions.

You are assessed under open-book, supervised conditions and open-book, unsupervised conditions.

Meta-skills

Throughout the unit you develop meta-skills to enhance your employability in the accounting sector.

Meta-skills include self-management, social intelligence and innovation.

Administrative information

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Superclass: AK

History of changes

Version	Description of change	Date

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