



# AAT

## **Business Tax** (Finance Act 2019)

**For assessments from  
1 January to 31 December 2020**

### **Pocket notes**

These Pocket Notes support study for the following AAT qualifications:

AAT Professional Diploma in Accounting - Level 4

AAT Level 4 Diploma in Business Skills

AAT Professional Diploma in Accounting at SCQF - Level 8



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## Preface

These pocket notes contain the key points you need to know for the assessment, presented in a unique visual way that makes revision easy and effective.

Written by experienced lecturers and authors, these pocket notes break down content into manageable chunks to maximise your concentration.

Quality and accuracy are of the utmost importance to us so if you spot an error in any of our products, please send an email to [mykaplanreporting@kaplan.com](mailto:mykaplanreporting@kaplan.com) with full details, or follow the link to the feedback form in MyKaplan.

Our Quality Co-ordinator will work with our technical team to verify the error and take action to ensure it is corrected in future editions.

The slide features two large, overlapping, curved pink lines that sweep from the top right towards the bottom left, framing the central text.

## **A guide to the assessment**

- AAT Business Tax reference material.
- The keys to success in AAT Business Tax.

### The assessment

BSTX is the business taxation unit studied on the Professional Diploma in Accounting qualification.

Business Tax is assessed by means of a computer based assessment. The CBA will last for 2 hours and consist of 11 tasks. It is marked with a mixture of computer and human marking.

In any one assessment, students may not be assessed on all content, or on the full depth or breadth of a piece of content. The content assessed may change over time to ensure validity of assessment, but all assessment criteria will be tested over time.

### Learning outcomes and weighting

1.	Complete tax returns for sole traders and partnerships and prepare supporting tax computations	29%
2.	Prepare supporting tax computations for the tax return for limited companies	19%
3.	Provide advice on the UK's tax regime and its impact on sole traders, partnerships and limited companies	15%
4.	Advise business clients on tax reliefs, and their responsibilities and their agent's responsibilities in reporting taxation to HMRC	19%
5.	Prepare tax computations for the sale of capital assets	18%
Total		100%

### Pass mark

To pass a unit assessment, students need to achieve a mark of 70% or more.

This unit is one of the five optional units of which two must be completed.

This unit contributes 10% of the total amount required for the Professional Diploma in Accounting qualification.

### Format of objective questions

The standard task formats that will be used for any computer based assessment are as follows:

- True or False (tick boxes).
- Multiple choice, with anything from three to six options available.
- Gap fill, using either words or numbers.
- Pick lists, or drop down options.
- Drag and drop, which can only be used if the question and the possible answers can fit on one screen.
- Hybrids, a mixture of the above.



## AAT Business Tax reference material

In your assessment a large amount of reference material can be accessed by clicking on the appropriate link on the right hand side of the screen.

It is essential that you are familiar with this material provided, as it will save you having to memorise a large amount of information.

The reference material is included throughout the Kaplan study text. It can also be downloaded from the AAT website.

## The keys to success in AAT Business Tax

- Attempt all of the tasks in the assessment.
- Learn the computational pro formas. This will enable you to adopt a structured approach to a question.
- Practise questions to improve your ability to apply the techniques and perform the calculations.

chapter

# 1

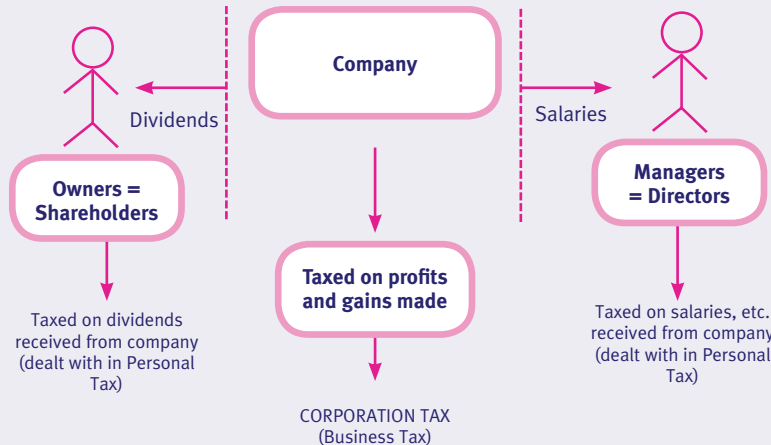
## Types of business entity

- Company.
- Sole trader.
- Partnership.
- Tax legislation.
- Tax planning, avoidance and evasion.

## Types of business entity

### Company

A company is a legal entity, separate from its owners and managers.

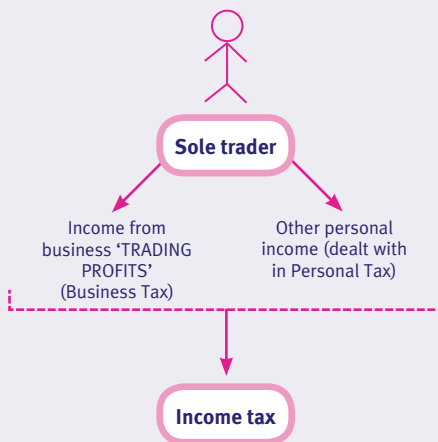


**Note:** In a lot of cases the shareholders and directors are the same people. However, this will have no effect on the Business Tax assessment.

## Sole trader

An individual setting up an unincorporated business (i.e. not a company) on his/her own is known as a sole trader.

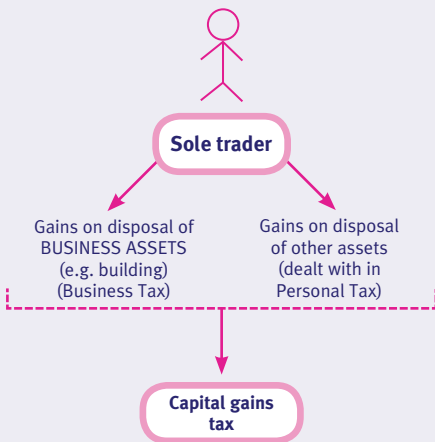
A sole trader is not a separate legal entity.



### CBA focus

In the Business Tax assessment, you are not required to complete a full income tax computation/income tax return. You are only required to deal with the business aspects.

## Types of business entity



### CBA focus

In the Business Tax assessment, you may be required to complete a capital gains tax computation. However, the sole trader will only have disposed of business assets.

## Partnership

- A number of individuals carrying on a business together with a view of profit.
- Another form of unincorporated business, not a separate legal entity.
- Treat as a collection of sole traders working together.
- Each partner pays their own income tax and capital gains tax on their share of the partnership's profits and gains.

## Tax legislation

- Statute law passed by Parliament.
- Judges interpret statute and create a body of case law.
- HM Revenue and Customs (HMRC) administer taxation.

## Tax planning, avoidance and evasion

- Tax planning – legitimate use of reliefs and allowances to minimise tax.
- Tax avoidance – minimising tax legally, but not following the intent of the law.
- Tax evasion – using illegal methods to reduce tax e.g. concealing income.