

PERSONAL TAX

STUDY TEXT

Qualifications and Credit Framework

Q2022

Finance Act 2024

For assessments from 27 January 2025 to end January 2026

This Study Text supports study for the following AAT qualifications:

AAT Level 4 Diploma in Professional Accounting

AAT Diploma in Professional Accounting at SCQF Level 8

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STUDY TEXT AND WORKBOOK

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ICONS

The chapters include the following icons throughout.

They are designed to assist you in your studies by identifying key definitions and the points at which you can test yourself on the knowledge gained.



Definition

These sections explain important areas of knowledge which must be understood and reproduced in an assessment.



Example

The illustrative examples can be used to help develop an understanding of topics before attempting the activity exercises.



Test your understanding

These are exercises which give the opportunity to assess your understanding of all the assessment areas.



Reference material/tax tables

These boxes will direct you to the AAT reference material that you can access during the real assessment. A copy of the professional conduct in relation to taxation is included as an appendix at the end of Chapter 1 and the rest of the reference material is included at the end of this section.



Foundation activities

These are questions to help ground your knowledge and consolidate your understanding on areas you're finding tricky.



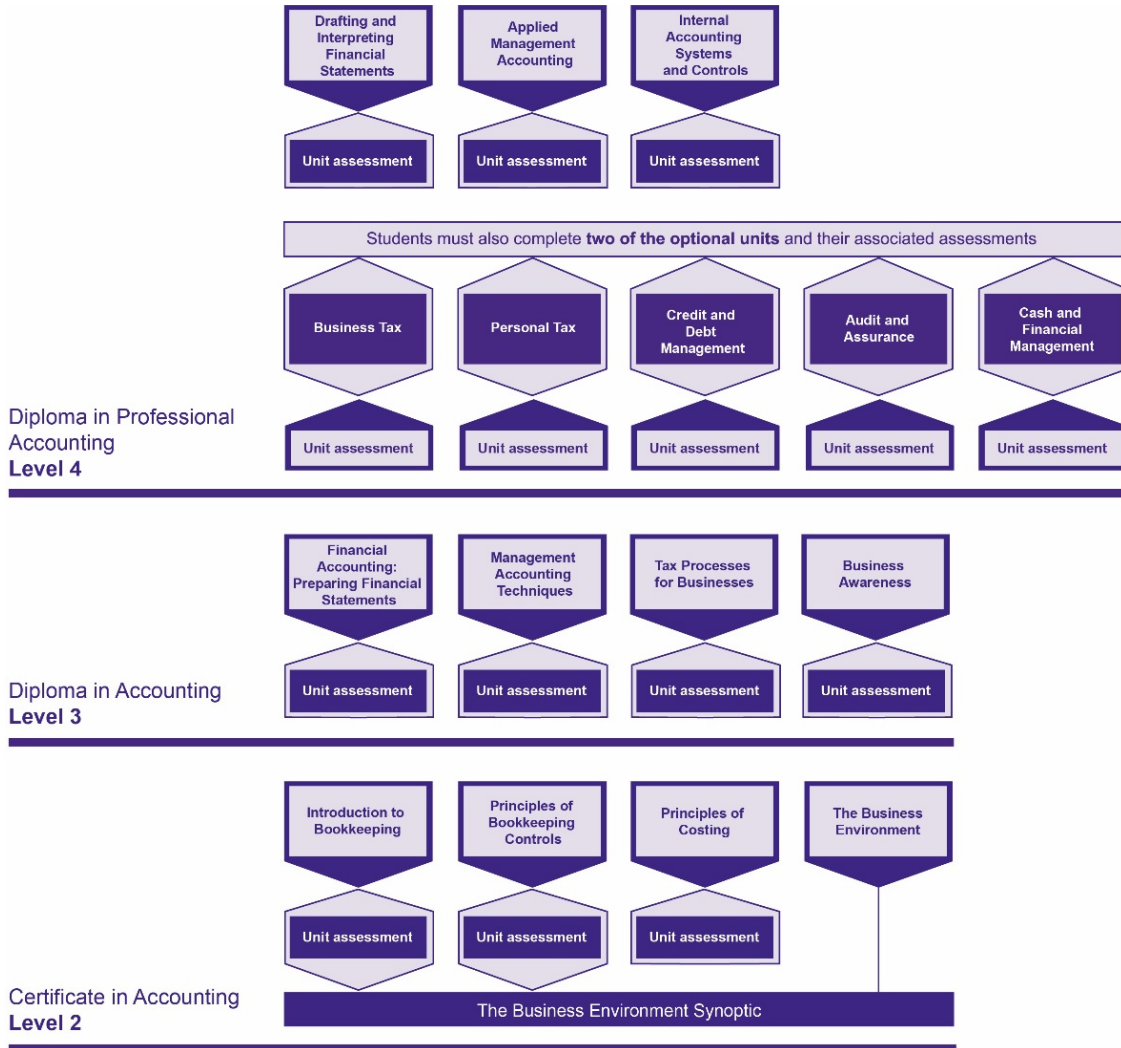
Extension activities

These questions are for if you're feeling confident or wish to develop your higher level skills.

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

PERSONAL TAX



Introduction to personal tax

Introduction

This chapter provides a context for the subsequent chapters in this text.

It outlines the features of a tax system and sets out the manner in which a professional tax adviser should behave when giving advice and dealing with clients.

It introduces the four taxes covered within personal tax and sets out the rules relating to residence and domicile.

ASSESSMENT CRITERIA

Understand principles underpinning tax systems including neutrality, efficiency, certainty and simplicity, effectiveness and fairness, and flexibility (1.1)

Understand definitions of progressive, regressive and proportional tax (1.1)

Understand definitions of tax planning, tax avoidance and tax evasion (1.2)

Understand ethical implications of tax avoidance and tax evasion (1.2)

Understand requirements to report suspected tax evasion (1.2)

Understand AAT's expectations of its tax practitioners as set out in the AAT Professional Conduct in Relation to Taxation, particularly in dealing with clients and third parties (1.3)

Understand the ethical principle of confidentiality (1.3)

Understand the definition of residence and domicile (1.4)

Understand how to determine residence and domicile status (1.4)

Understand the impact of residence and domicile status on the taxation position of UK taxpayers (1.4)

CONTENTS

- 1 Features of tax systems
- 2 Duties and responsibilities of a tax adviser
- 3 Tax planning, avoidance and evasion
- 4 Taxes within the Personal Tax assessment
- 5 Tax residence
- 6 Tax domicile
- 7 Professional conduct in relation to taxation

Where a tax adviser realises that an error or omission has been made in a client's or employer's tax return the individual must recommend that the client/employer informs HMRC.

If the client/employer refuses to do so, the member must cease to act for the client.

Dishonestly retaining funds acquired as a result of an error or omission amounts to tax evasion.

More details regarding dealing with errors are given in relation to the PCRT later in this chapter.



Test your understanding 3

When a taxpayer makes use a particular tax relief, what is this an example of?

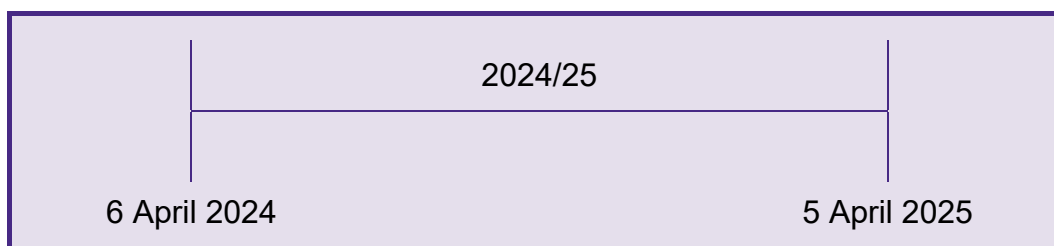
- A Tax planning
- B Tax avoidance
- C Tax evasion

4

Taxes within the Personal Tax assessment

4.1 The tax year

This study text is based on the tax year 2024/25.

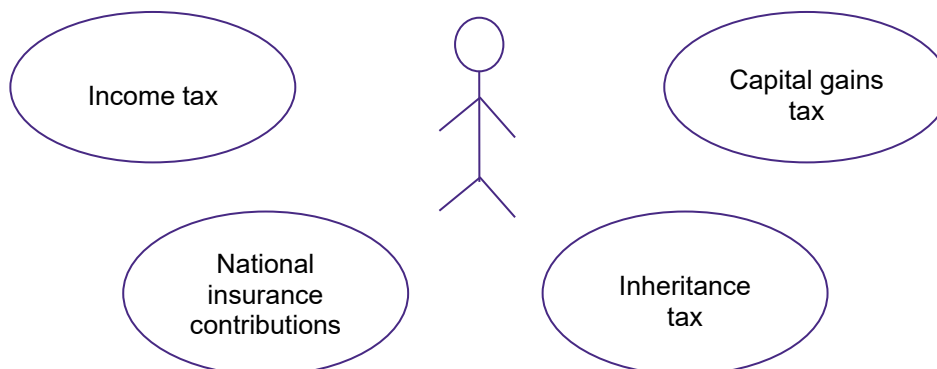


The tax year 2024/25 runs from 6 April 2024 to 5 April 2025.

This study text will explain which items go into the tax computations for the tax year.

4.2 The taxes within personal tax

The four taxes within personal tax are:



- income tax (Chapters 2 – 7)
- national insurance contributions (Chapter 8)
- capital gains tax (Chapters 9 – 11)
- inheritance tax (Chapter 12)

4.3 Income tax

Income tax applies mainly to:

- amounts earned in day to day work, and
- income generated from assets (for example dividend income on shares).

You will discover how to calculate an individual's income tax payable.

The ways in which the income tax payable by an individual can be reduced are also considered.

4.4 National insurance contributions (NICs)

The personal tax assessment requires knowledge of class 1 NICs, which are payable by employers and employees in respect of employment income as well as class 1A NICs, which are payable by employers in respect of taxable benefits received by their employees.

The NICs payable by the self-employed (Class 4) are covered in Business Tax.

You will discover how to calculate the class 1 NICs payable by both the employer and the employee and class 1A NICs payable by the employer.



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