About Topic Gateways

Topic Gateways are intended as a refresher or introduction to topics of interest to CIMA members. They include a basic definition, a brief overview and a fuller explanation of practical application. Finally they signpost some further resources for detailed understanding and research.

Topic Gateways are available electronically to CIMA members only in the CPD Centre on the CIMA website, along with a number of electronic resources.

About the Technical Information Service

CIMA supports its members and students with its Technical Information Service (TIS) for their work and CPD needs.

Our information specialists and accounting specialists work closely together to identify or create authoritative resources to help members resolve their work related information needs. Additionally, our accounting specialists can help CIMA members and students with the interpretation of guidance on financial reporting, financial management and performance management, as defined in the CIMA Official Terminology 2005 edition.

CIMA members and students should sign into My CIMA to access these services and resources.

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Introduction

CIMA cannot give tax advice. However, the Further information section of this Topic Gateway offers sources of help with interpreting and applying the tax regulations.


CIMA’s Professional Development Certificate in Business Taxation is available as an additional qualification. It covers UK business taxes and focuses on taxable trading profit, taxation of limited companies, taxation of employment and value added tax (VAT). Further details can be found in the CIMA Professional Development Centre [Accessed 18 March 2008]

Overview

UK tax used to be collected and administered by two separate government departments – the Inland Revenue and HM Customs and Excise. In 2005 these departments were merged to form HM Revenue and Customs (HMRC).

Tax rules and rates stem from UK tax law which is complex, extensive and changes frequently. The main tax Acts include:

- the annual Finance Act
- Income and Corporation Taxes Act 1988
- Capital Allowances Act 2001
- Taxation of Chargeable Gains Act 1992
- Value Added Tax Act 1994
- Income Tax (Earnings and Pension) Act 2003
This topic gateway offers signposting to websites, printed material and other sources of guidance on the main UK taxes, particularly those relevant to business. It includes sections on:

- Corporation tax
- Value Added Tax
- National Insurance
- Income tax
- Capital taxes
- IR35
- Importing/exporting
- HMRC Inspections

If you cannot find the information you are looking for, the Technical Information Service may be able to suggest further sources of information.

www.cimaglobal.com/mycima
[Accessed 18 March 2008]

**Application**

**The Main UK Taxes – 2007**

**Corporation tax**

Corporation tax is charged on the profits of limited companies. Unincorporated bodies which are not partnerships, for example, members’ clubs, trade associations and housing associations, must also pay corporation tax.

A company that is resident in the UK must pay corporation tax on its world profits. If a non-resident company carries on a trade in the UK through a branch or agency, corporation tax must be paid on the profits of that branch or agency.

Penalties and interest charges can be incurred for late payment, late or incorrect filing of tax returns, and failure by a body to inform HMRC that it is liable for corporation tax.

Corporation tax returns can be filed online using the HMRC corporation tax online service  www.hmrc.gov.uk/ctsa/ct-online.htm
[Accessed 29 April 2008]
Introductory guidance on corporation tax can be found on Business Link; visit http://digbig.com/4wppg
[Accessed 29 April 2008]

This guidance includes simple instructions on completing the company tax return form, tips for avoiding mistakes, and instructions on how to pay corporation tax.

More detailed guides and downloadable CT600 Company Tax Return forms are available on the HMRC website; www.hmrc.gov.uk/ctsa/index.htm
[Accessed 29 April 2008]

At present there are two rates of corporation tax, namely the small companies’ rate and the main rate. ‘Marginal relief’ eases the transition from the lower small companies’ rate to the higher main rate. See the corporation tax rates and allowances sections of Business Link and HMRC for more details; www.hmrc.gov.uk/rates/corp.htm
[Accessed 29 April 2008]

Tax relief on research and development expenditure may be available to businesses liable to corporation tax. Details can be found on Business Link; http://digbig.com/4wppg
[Accessed 29 April 2008]

Further sources of information

Tolley’s Corporation Tax Main Annuals, published by LexisNexis Tolley. Details can be viewed on the LexisNexis Butterworths website http://digbig.com/4wpwr
[Accessed 29 April 2008]

[Accessed 29 April 2008]

Corporation Tax (annual) and Corporation Tax Self-Assessment are published by Tottel http://www.tottelpublishing.com
[Accessed 29 April 2008]

Further help

HMRC’s Business and Corporation Tax Offices. Contact details of local corporation tax offices can be found on the HMRC website; visit http://digbig.com/4wpwg
[Accessed 29 April 2008]
Value added tax (VAT)

VAT is charged on most business transactions made in the UK which involve the supply of goods or services. A business must be registered for VAT if its taxable turnover exceeds a certain limit. If it fails to register, it may be fined. Businesses with lower turnovers can register voluntarily – there are advantages and disadvantages to this. See Voluntary VAT registration on the Business Link website [http://digbig.com/4wpwx](http://digbig.com/4wpwx) [Accessed 29 April 2008]

In the UK there are currently three rates of VAT:

- standard rate
- reduced rate
- zero rate.

In addition some services are exempt from VAT, for example, insurance, loans and certain types of training or education. The difference between zero rated and exempt transactions is explained on Business Link; visit [http://digbig.com/4wpwh](http://digbig.com/4wpwh) [Accessed 29 April 2008]

See also HMRC; visit [http://digbig.com/4wpwj](http://digbig.com/4wpwj) [Accessed 29 April 2008]

Further introductory information on VAT is available on Business Link; visit [http://digbig.com/4wpwk](http://digbig.com/4wpwk) [Accessed 29 April 2008]

This includes information on how to complete VAT returns and avoid mistakes, submitting VAT returns online, keeping VAT records and the different VAT payment schemes available. There is also a section on VAT and international trade visit [http://digbig.com/4wpwy](http://digbig.com/4wpwy) [Accessed 29 April 2008]

HMRC offers both introductory information and more extensive guidance including specialised information sheets; visit [http://digbig.com/4wpwm](http://digbig.com/4wpwm) [Accessed 29 April 2008]

There is a comprehensive Frequently Asked Questions section; visit [http://digbig.com/4wpwn](http://digbig.com/4wpwn) [Accessed 29 April 2008]
Details of the VAT Online Registration Service; see http://digbig.com/4wpwp
[Accessed 29 April 2008]

**Further sources of information**

[Accessed 29 April 2008]

[Accessed 29 April 2008]

_VAT Digest, VAT Planning_ and _Tax Annual: Value Added Tax_ available from Tottel www.tottelpublishing.com
[Accessed 29 April 2008]

**Further help**

HMRC’s national enquiries helpline for questions on VAT and other taxes or duties previously administered by the old HM Customs and Excise department; visit http://digbig.com/4wpxhr
[Accessed 29 April 2008]

**National Insurance**

Most employees and self employed persons must pay National Insurance Contributions (NICs). The amount paid will depend on whether a person is employed or self employed, and the amount that they earn. There are several distinct types of NIC including:

- class 1 - paid by employees and their employers
- classes 2 and 4 - paid by the self-employed
- class 3 - voluntary contributions (paid by those who have not paid enough NICs to qualify for a full state pension).

Introductory information is available on Business Link; visit http://digbig.com/4wpxj
[Accessed 29 April 2008]
The section on *How to manage National Insurance* covers payment methods, late payment penalties and tips on avoiding mistakes; visit [http://digbig.com/4wpwk](http://digbig.com/4wpwk) [Accessed 29 April 2008]

There is extensive guidance on the HMRC website [http://digbig.com/4wpxm](http://digbig.com/4wpxm) [Accessed 29 April 2008]

(Click on the links in the table to view detailed guidance on each class of NIC)

For further HMRC guidance, including links to leaflets and booklets, and frequently asked questions, see also National Insurance contributions. [http://digbig.com/4wpxn](http://digbig.com/4wpxn) [Accessed 29 April 2008]

Company directors’ NICs are calculated on an ‘annual cumulative basis’, rather than on their monthly wage or salary. NICs must be paid on directors’ fees and bonuses, as well as on other earnings. For brief details and links to HMRC guidance, see Business Link; visit [http://digbig.com/4wpxp](http://digbig.com/4wpxp) [Accessed 29 April 2008]

**Further sources of information**


**Further help**


**Income tax**

Most taxpayers pay income tax through ‘deduction at source’, namely deduction from income before it is received. Examples of deduction at source include Pay As You Earn (PAYE), and bank and building society interest.
If income tax cannot be paid by deduction at source, it may have to be paid through Self Assessment. Examples of Self Assessment include income from self employment, income from property rental and income from overseas. A tax return form is completed and the income tax due is then calculated either by HMRC or by the taxpayer. Company directors must complete tax returns even if they already pay tax via PAYE.


There is a Self Assessment guidance section of the HMRC website which includes information on the Self Assessment Online service; visit [http://www.hmrc.gov.uk/sa](http://www.hmrc.gov.uk/sa) [Accessed 29 April 2008]

**Further sources of information**


**Further help**

HMRC’s Self Assessment helpline; visit [http://digbig.com/4wpyp](http://digbig.com/4wpyp) [Accessed 29 April 2008]

**Capital taxes**

Capital taxes include:

- Capital gains tax (CGT) – a tax on gains from the sale or disposal of assets. CGT includes the gains made on the sale or transfer of a business
- Stamp duty land tax – a tax on purchases of property or land. It also applies to certain leases
Stamp duty reserve tax – may have to be paid when purchasing shares or securities.

Further information is available in the Business rates and other taxes section of Business Link; visit http://digbig.com/4wpyg
[Accessed 29 April 2008]

See also capital gains tax; visit http://www.hmrc.gov.uk/cgt
[Accessed 29 April 2008]

See also stamp taxes; visit http://www.hmrc.gov.uk/so
[Accessed 29 April 2008]

For details of stamp taxes see the stamp taxes helpline on the HMRC website; visit http://digbig.com/4wpwr
[Accessed 29 April 2008]

Books on capital gains tax and stamp taxes can be obtained from LexisNexis Butterworths; visit http://www.tottelpublishing.com
[Accessed 29 April 2008]

IR35

The IR35 regulations prevent avoidance of tax and National Insurance contributions where an individual provides their services through an intermediary. The intermediary could be that individual’s own company or partnership. The regulations usually apply where the relationship would be one of direct employment if the intermediary did not exist.

An introduction to IR35 can be found on Business Link; visit http://digbig.com/4wpwr
[Accessed 29 April 2008]

For more detailed guidance, see the HMRC website which includes an extensive FAQ section; visit www.hmrc.gov.uk/ir35/index.htm
[Accessed 29 April 2008]

Further assistance can be obtained by contacting the HMRC’s IR35 Unit http://digbig.com/4wpyk
[Accessed 29 April 2008]
Import/export

Businesses involved in importing or exporting may have to pay import duty, import VAT or excise duty. Business Link offers more information on these taxes and the documentation involved; visit http://digbig.com/4wtsc
[Accessed 29 April 2008]

HMRC’s Guide to importing and exporting: Breaking down the barriers can be downloaded from the HMRC website; visit http://digbig.com/4wpyn
[Accessed 29 April 2008]

International

The following two sources offer information on taxes in other countries:

- The Chartered Institute of Taxation’s website includes a list of links to the tax departments of overseas governments, and overseas tax institutes; visit http://digbig.com/4wpyp
  [Accessed 29 April 2008]

- Tottel publish an International Tax Handbook; visit http://digbig.com/4wpyq
  [Accessed 29 April 2008]

- Information on international tax planning is included in Tax Planning: International and Specialist, available from CCH; visit http://digbig.com/4wpxg
  [Accessed 29 April 2008]

HMRC inspections

HMRC can inspect a business if it suspects tax evasion. However, inspections can be purely routine, particularly VAT inspections. Inspections can also be at random, to ensure that the system is working correctly and to discourage evaders.

Further information can be found on Business Link; visit http://digbig.com/4wpys
[Accessed 29 April 2008]

Various HMRC codes of practice leaflets covering tax inspections can be viewed on the HMRC website; visit www.hmrc.gov.uk/leaflets/c11.htm
[Accessed 29 April 2008]
There is also a section on Visits by VAT Officers; visit http://digbig.com/4wpyt [Accessed 29 April 2008]

**Tax Relief on CIMA Subscriptions**

The fees of recognised professional bodies (including CIMA) and learned societies are an allowable expense on tax returns. Further details can be found on the HMRC website http://digbig.com/4wqec (the entry for CIMA can be found under ‘M’ in the table). [Accessed 29 April 2008]

If you require further information or help you should contact HMRC direct; visit http://digbig.com/4wqed [Accessed 29 April 2008]

**References**


Further information

General sources of tax information and guidance

Books and online reference materials

LexisNexis Butterworths
This offers a range of books and online resources covering business and personal
taxes, including Tolley’s publications and the Tax Tutor series
http://digbig.com/4wpwr
[Accessed 29 April 2008]

CCH
Offers books and online tax resources.
www.cch.co.uk
[Accessed 29 April 2008]

Tottel
Publishes tax annuals and a range of specialist publications.
www.tottelpublishing.com
[Accessed 29 April 2008]

CIMA Certificate in Business Taxation

CIMA’s Professional Development Certificate in Business Taxation covers UK
business taxes, focusing on taxable trading profit, taxation of limited companies,
taxation of employment and value added tax. See the CIMA Professional
Development Centre. Available from: http://digbig.com4wwhh
[Accessed 29 April 2008]

Journals

Taxation magazine
www.taxation.co.uk
[Accessed 29 April 2008]

The Tax Journal and Tolley’s Tax Digest are both available from LexisNexis
[Accessed 29 April 2008]
CIMA Mastercourses

Mastercourses on tax include:

VAT for accountants in industry and commerce. To book via www.cimamastercourses.com please go to Find and key in the course code VAIC.

VAT implications of residential property transactions. To book via www.cimamastercourses.com please go to Find and key in the course code VIRP.

VAT implications of commercial property transactions. To book via www.cimamastercourses.com please go to Find and key in the course code VICP.

Corporation tax update. To book via www.cimamastercourse.com please go to Find and key in the course code COTX.

Green taxes. To book via www.cimamastercourses.com please go to Find and key in the course code GRTA.

Websites

Business Link
Business Link is managed by the Department of Business, Enterprise and Regulatory Reform (formerly the Department of Trade and Industry). It provides introductory information on business related taxes.

www.businesslink.gov.uk
[Accessed 29 April 2008]

HM Revenue and Customs (HMRC)
Offers detailed information on both business related taxes and personal taxes.

www.hmrc.gov.uk
[Accessed 29 April 2008]

It includes an A-Z directory of the HMRC website; visit http://digbig.com/4wqee
[Accessed 29 April 2008]

The Tax Zone section of Accounting Web offers news and articles. (You may need to register to gain access to this website, but registration is free).

www.accountingweb.co.uk
[Accessed 29 April 2008]
Many CIMA Members in Practice specialise in tax. Their contact details can be found in the Practicing Certificate Holders’ Database. Available from: [http://digbig.com/4wtsf](http://digbig.com/4wtsf) [Accessed 29 April 2008]

The Chartered Institute of Taxation (CIOT), the UK professional organisation for Chartered Tax Advisers. Articles can be accessed by non-members. [www.tax.org.uk](http://www.tax.org.uk) [Accessed 29 April 2008]


The *UK pocket tax book 2007/08* can be downloaded from [www.pwc.com/uk](http://www.pwc.com/uk) [Accessed 29 April 2008]

Legal Advice Line, available to UK CIMA members only, is provided by LAW Express and offers low cost telephone legal advice. Details can be found in Ethics Support. Available from: [http://digbig.com/4wtsd](http://digbig.com/4wtsd) [Accessed 29 April 2008]