

SQA Advanced Unit specification

General information for centres

Unit title: Income Tax

Unit code: HP15 48

Unit purpose: This Unit is designed to introduce candidates 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 those who are employed. The Unit addresses the tax implications of those who are in receipt of benefits in kind and focuses upon the final tax liability of an individual who is in receipt of income from a variety of sources.

This Unit is intended to prepare candidates for the workplace and professional qualifications by making them aware of the basic concepts of Income Tax.

On completion of the Unit the candidate should be able to:

- 1 Provide an overview of the UK Income Tax system.
- 2 Explain the administration of the Pay As you Earn (PAYE) system.
- 3 Calculate the taxable income of an employed individual.
- 4 Calculate the Income Tax due on the income of an employed individual with other sources of income.

Credit points and level: 1 SQA Credit at SCQF level 8: (8 SCQF credit points at SCQF level 8*)

**SCQF credit points are used to allocate credit to qualifications in the Scottish Credit and Qualifications Framework (SCQF). Each qualification in the Framework is allocated a number of SCQF credit points at an SCQF level. There are 12 SCQF levels, ranging from National 1 to Doctorates.*

Recommended prior knowledge and skills: Access to this Unit is at the discretion of the centre. However, candidates would normally be expected to be competent in communication and numeracy at SCQF level 5 or have similar qualifications or experience. It would be beneficial if candidates had completed the SQA Advanced Unit *Business Taxation* (HR1J 48) prior to undertaking this Unit.

Core Skills: There are opportunities to develop the Using Number component of the Core Skill of *Numeracy* at SCQF level 5, and aspects of the Written Communication component of the Core Skill of *Communication* at SCQF level 5 in this Unit, although there is no automatic certification of Core Skills or Core Skills components.

SQA Advanced Unit Specification

Context for delivery: If this Unit is delivered as part of a Group Award it is recommended that it should be taught and assessed within the subject area of the Group Award to which it contributes. The delivery and assessment of this Unit should be updated annually to reflect current taxation rates.

Assessment: This Unit could be assessed by four separate assessments. Alternatively, it could be assessed by combining the assessment of Outcomes.

An Exemplar instrument of assessment and marking guidelines has been produced to indicate the national standard of achievement at SCQF level 8.

SQA Advanced Unit specification: statement of standards

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The sections of the Unit stating the Outcomes, Knowledge and/or Skills, and Evidence Requirements are mandatory.

Outcome 1

Provide an overview of the UK Income Tax system.

Knowledge and/or Skills

- ◆ Taxable persons
- ◆ Tax year
- ◆ Self-assessment procedures
- ◆ Income Tax payment dates
- ◆ Surcharges, interest and penalties

Evidence Requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by providing an overview of the UK Income Tax system making reference to:

- ◆ Taxable person
- ◆ Tax year
- ◆ Procedures involved in self-assessment, including completion and submission of tax returns
- ◆ Income Tax payment dates
- ◆ Procedures involved in the application of surcharges, interest and penalties

The evidence should be generated under open book conditions.

Assessment Guidelines

The assessment of this Outcome may be combined with Outcome 2.

A case study could be used to assess the candidate's knowledge of the UK Income Tax system including the PAYE system. This could be presented as a scenario of an individual who has been self-employed for many years and who has worked really for only one customer. The individual is looking for advice as to whether or not they could be considered an employee of that customer and as to how the PAYE system operates. The individual would also require clarification of the items listed in the Evidence Requirements of Outcome 2.

Outcome 2

Explain the administration of the Pay As You Earn (PAYE) system.

Knowledge and/or Skills

- ◆ Employment and self-employment
- ◆ PAYE system

Evidence Requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can:

- ◆ Distinguish between employment and self-employment making reference to control, financial risk, equipment, work performance and correction, holidays, sickness and exclusivity
- ◆ Explain the administration of the PAYE system. The explanation should cover: basis of assessment, tax codes, the operation of the PAYE system and PAYE forms. e evidence should be generated under open book conditions.

Assessment Guidelines

The assessment of this Outcome may be combined with Outcome 1.

A case study could be used to assess the candidate's knowledge of the UK Income Tax system including the PAYE system. This could be presented as a scenario of an individual who has been self-employed for many years and who has worked really for only one customer. The individual is looking for advice as to whether or not they could be considered an employee of that customer and as to how the PAYE system operates. The individual would also require clarification of the items listed in the Evidence Requirements of Outcome 1.

Outcome 3

Calculate the taxable income of an employed individual

Knowledge and/or Skills

- ◆ Taxable and non-taxable emoluments
- ◆ Allowable expenses
- ◆ Benefits in kind
- ◆ Pension schemes
- ◆ Class 1 and 1A National Insurance Contributions (NIC).

Evidence Requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can calculate the taxable income of an employed individual. The calculation to include:

- ◆ Two types of non-taxable income
- ◆ Allowable expenses
- ◆ Three generally accepted benefits in kind
- ◆ Allowable pension scheme contributions (occupational and/or personal pension scheme)
- ◆ Class 1 and 1A National Insurance Contributions (NIC)

The evidence should be generated under open book supervised conditions.

Figures must be accurate within a tolerance of five arithmetic or computational errors, with a maximum of two errors of principle.

Assessment Guidelines

The assessment of this Outcome may be combined with Outcome 4.

It is recommended that the assessment of this Outcome, if combined with Outcome 4, be completed within one and a half hours.

Outcome 4

Calculate the Income Tax due on the income of an employed individual with other sources of income

Knowledge and/or Skills

- ◆ Taxable versus non-taxable income
- ◆ Income by source
- ◆ Allowable interest payments
- ◆ Personal allowances
- ◆ Income Tax calculation

Evidence Requirements

Candidates will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can:

- ◆ Identify and allocate income into taxable and non-taxable income, savings and non-savings income, and dividend income
- ◆ Allocate income to the correct category (dealing appropriately with tax at source); and treat allowable interest and/or payments that are tax reducers correctly (dealing appropriately with any tax withheld)
- ◆ Apply the correct personal allowance in one of the following circumstances: basic personal allowance; those allowances applicable to older tax payers; and the blind person's allowance
- ◆ Calculate the Income Tax liability

The evidence should be generated under open book supervised conditions and presented so that items such as statutory total income, personal allowances and taxable income are clearly identified.

Figures must be accurate within a tolerance of five arithmetic or computational errors, with a maximum of two errors of principle.

Assessment Guidelines:

The assessment of this Outcome may be combined with Outcome 3.

It is recommended that the assessment of this Outcome, if combined with Outcome 3, be completed within one and a half hours.

Candidates should not be expected to calculate taxable income for different types of income other than that of employment income, as the calculation of Trading Profits and Property Income are assessed in the Unit *Business Taxation* (HR1J 48). Candidates may be presented with these types of taxable income and to deal with them appropriately.

Administrative Information

Unit code: HP15 48
Unit title: Income Tax
Superclass category: AK
Original date of publication: August 2017
Version: 02

History of changes:

Version	Description of change	Date
02	Update to guidance on Scottish and UK legislation and removal of age related personal allowances.	June 2018

Source: SQA

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SQA acknowledges the valuable contribution that Scotland's colleges have made to the development of SQA Advanced Qualifications.

FURTHER INFORMATION: Call SQA's Customer Contact Centre on 44 (0) 141 500 5030 or 0345 279 1000. Alternatively, complete our [Centre Feedback Form](#).

SQA Advanced Unit specification: support notes

Unit title: Income Tax

This part of the Unit specification is offered as guidance. The support notes are not mandatory.

While the exact time allocated to this Unit is at the discretion of the centre, the notional design length is 40 hours.

Guidance on the content and context for this Unit

This Unit is primarily intended for candidates who expect to take up a career or further study in accounting and/or taxation. It is also relevant to those with appropriate work experience and who wish to formalise their accounting skills.

It is designed to introduce candidates to the basic concepts of Income Tax by exploring the tax implications of different sources of income of individuals and examines specifically the tax due on both income from employment and self-employment.

For those candidates who complete this Unit as part of the SQA Advanced Diploma Accounting Group Award there may be opportunities to gain exemptions from a number of professional accounting bodies. Centres should contact the relevant professional bodies to ascertain their current exemption policies.

Outcome 1 provides an overview on the UK Income Tax system

- ◆ Definition of taxable person
- ◆ Tax year
- ◆ Self-assessment procedures
- ◆ Income Tax payment days
- ◆ Application of surcharges, interest and penalties

Outcome 2 covers the administration of the PAYE system

- ◆ Distinction between employment and self-employment
- ◆ Administration of the PAYE system

Outcome 3 involves the calculation of taxable income

- ◆ Taxable and non-taxable income
- ◆ Allowable expenses — professional fees, etc
- ◆ Benefits in kind — for P11D and non-P11D employees
- ◆ Pension schemes — occupational and personal
- ◆ NIC contributions — Class 1 and 1A

Outcome 4 involves the calculation of the Income tax liability

- ◆ Taxable and non-taxable income
- ◆ Income by category
- ◆ Allowable interest
- ◆ Personal allowances

SQA Advanced Unit Specification

Candidates should be made aware that the Scotland Act 2016 provides the Scottish Parliament with the power to set all income tax rates and bands (except the personal allowance, which remains reserved) that will apply to Scottish taxpayers' non-savings, non-dividend income (i.e. employment salary, income from pensions, profits from self-employment and rental profits).

While the Scottish Parliament has the power to set Scottish income tax rates and bands, HMRC will continue to be responsible for its collection and management. Receipts from Scottish income tax will be collected by HMRC and paid to the Scottish Government (via HM Treasury). As such Scottish income tax remains part of the existing UK income tax system and is not a devolved tax.

Centres should update content annually to reflect legislative changes.

Guidance on the delivery and assessment of this Unit

This Unit is likely to form part of a Group Award designed to provide candidates with knowledge and skills for further study or employment within an accounting or taxation environment.

Where the Unit is being delivered as part of the SQA Advanced Diploma Accounting Group Award, it is recommended that the Unit be delivered in year 2 of the Group Award.

The structure of this Unit should not dictate or constrain its delivery. Although the order of the Outcomes indicates how it might be delivered, delivery is more likely to be guided by the recommended text-book or the preferences of individual lecturers. For example, some might prefer to teach employment income prior to the calculation of the income tax liability — they should feel free to do so. Where centres feel that it is relevant to incorporate tax software into the teaching of this Unit then this initiative should be encouraged. However, candidates should recognise that the use of software is not a substitute for understanding the basic principles of income tax.

The Outcomes may be assessed separately. Alternatively, the assessment of the Outcomes could be combined through the use of an open book case study for Outcomes 1 and 2 and an open book supervised assessment for Outcomes 3 and 4. Where a case study is used it is recommended that this be distributed at the beginning of the Unit to allow candidates sufficient time to complete and submit within agreed timelines.

Opportunities for developing Core Skills

The delivery and assessment of this Unit may contribute towards the Using Number component of the Core Skill *Numeracy* at SCQF level 5. Throughout Outcomes 3 and 4 of the Unit candidates apply a wide range of numeric skills to solve work related problems.

The delivery and assessment of this Unit may contribute towards the Written Communication component of the Core Skills *Communication* at SCQF level 5. In Outcomes 1 and 2 the candidates may provide written evidence about the UK Income Tax system and the administration of the PAYE system.

Open learning

This Unit could be delivered by distance learning. However, it would require planning by the centre to ensure the authenticity of candidate evidence. Arrangements would have to be made to ensure that the evidence is generated under the assessment conditions specified for each Outcome.

Further advice can be found on SQA's website: <http://www.sqa.org.uk/>

Equality and inclusion

This unit specification has been designed to ensure that there are no unnecessary barriers to learning or assessment. The individual needs of learners should be taken into account when planning learning experiences, selecting assessment methods or considering alternative evidence.

Further advice can be found on our website www.sqa.org.uk/assessmentarrangements.

General information for candidates

Unit title: Income Tax

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 those who are employed. It also addresses the tax implications of those who are in receipt of benefits in kind and focuses upon the final tax liability of an individual who is in receipt of income from a variety of sources.

It is intended to prepare you for the workplace and professional qualifications by making you aware of the basic concepts of Income Tax. Employers may expect employees, who hold an SQA Advanced Diploma in Accounting, to be aware of these issues. Similarly, if you decide to sit exams set by professional accounting bodies, the transition into this higher level of study should be made easier given that you will have already encountered some of the Income Tax material.

This Unit covers only the calculation of the Income Tax liability based on given sources of taxable income. It focuses on the Income Tax liability of employed individuals. The Unit *Business Taxation* (HR1J 48) covers the business aspects of Income Tax.

This Unit has four Outcomes covering:

- ◆ The UK Income Tax system
- ◆ The PAYE system
- ◆ The calculation of taxable income for an employed individual
- ◆ Calculation of Income Tax liability for an employed individual with other sources of income

Each Outcome may be assessed separately. Alternatively, the assessment of Outcomes may be combined.

You will have opportunities to develop components within the Core Skills of *Numeracy* and *Communication* in this Unit.