

Personal Tax

Learning Area Overview



Welcome to this learning area overview for Personal Tax, prepared by AAT.

In this overview we'll explain what Personal Tax is all about, and how it fits into the bigger picture of the AAT Accounting Qualification.

We'll explore the main topics you can expect to cover, and how the knowledge and skills you'll pick up will be of practical use to you in the workplace.

Finally, we'll explain how this learning area relates to the others you've already studied, and those you'll study in the future.

What you'll learn in Personal Tax

In simple terms, Personal Tax covers the tax implications of a number of common types of income for individuals. They include income from employment, savings and investment income, property income and capital gains. You'll come across all of these in this learning area.

You'll also learn the steps you need to follow to complete the relevant reporting documentation for Her Majesty's Revenue & Customs.

There are six main areas in Personal Tax. Let's take a quick look at each of them in turn.

The first area covers legislation and procedures. You'll learn about the legislative framework for the taxation of individuals, and the various sources of taxation information. You'll also cover the roles and responsibilities of the taxation practitioner and the individual taxpayer, along with the consequences of non compliance.

The second area looks at income from employment. Here you'll become familiar with the sources of income for an individual from employment – otherwise referred to as emoluments – including benefits in kind and pension contributions. You'll study the relevant tax implications from legislation, including allowable expenses.

You'll also develop the practical skills necessary to complete accurate taxation computations involving income from a variety of sources.

The next area in Personal Tax is concerned with income from savings, non-savings and dividends.

Here you'll need to understand the rules relating to income from each of these, which you'll then have to use to complete accurate tax computations from a variety of sources. You'll also have to explain the taxation treatment of the different parts that make up the computation.

As you'll need to know how to complete taxation computations, the fourth part of this learning area shows you how to do just that. While different sources of income will be subject to different taxation rules, you'll learn how to bring together income from a variety of sources and a range of allowable expenditures into one taxation computation. From this, you'll then be able to see how to calculate the tax payable by an individual.

You'll also deal with what you need to do to complete the relevant parts of self assessment tax returns, and when and how this information should be submitted.

Next, you'll meet the rules relating to income from property, including unfurnished and furnished rented property, the "rent a room" scheme, holiday lets and buy-to-let investments. The key forms of relief available on property income are also covered in this section – they include various allowances such as wear and tear, renewals and loss relief.

In addition to having to pay Income Tax, individuals can also be caught by the Capital Gains Tax system and have to pay tax on chargeable gains arising from the disposal of chargeable assets. So, in the final part of Personal Tax you'll learn the difference between chargeable assets and exempt assets, and how to calculate chargeable gains and allowable losses.

You'll also see how individuals can reduce the impact of allowable losses using loss relief.



How Personal Tax will help you in the workplace

Everyone pays tax in some form or another, so even if you have no day-to-day involvement with personal tax matters at work, the content of this learning area will still be relevant to you from a personal perspective. Plus, of course, nobody wants to pay too much tax – so you'll be able to keep an informed eye on your own tax affairs.

If you work in an accounting practice, as opposed to in industry or the public sector, there's a very good chance that the knowledge you gain from this learning area will be incredibly useful.

Completing tax returns and advising clients on tax matters is one of the main sources of work for most firms of accountants and, since tax is one of life's few certainties, it probably always will be.

How Personal Tax relates to other learning areas

Personal Tax is one of the four optional learning areas at level 4. You'll need to take a total of two of these, with the other optional learning areas being:

- External Auditing
- Credit Management and Control
- Business Tax.

There are also four compulsory learning areas at level 4. These are:

- Financial Statements
- Budgeting
- Financial Performance
- Internal Control and Accounting Systems.

There's a direct relationship between Personal Tax and Business Tax, in that the legislative principles underlying both learning areas are common even though the focus of the taxation knowledge and skills are different.

As this is the first time that Personal Tax will be studied in the AAT Accounting Qualification, it doesn't build on knowledge from any of the learning areas from previous levels.

However, you'll be aware of the existence of Her Majesty's Revenue and Customs as the main regulator of taxes from studying Indirect Tax at level 3, and you'll also know that there's a framework of legislation which underpins the taxation system in operation. Beyond the underlying principles of VAT, there's very little overlap with learning areas from previous levels.