

Tutor conference February 2024



Business Planning: Taxation

Debrief document

Skills based

The team discussed that the syllabus weightings are the direct opposite of Tax Compliance with 75% of the syllabus being focused on skills and 25% on knowledge. BP:T sets multi tax scenario questions which reflect issues that practitioners would deal with.

In addition whilst the syllabus weightings are split between corporation tax, owner managed business and personal tax, the balance of weightings is achieved “over a period of time”. So in any one exam session there will not be exactly 45 marks on corporation tax for example. Furthermore, there are some topics which fall within more than one area. Close companies have income tax elements, corporate tax elements and are also owner managed businesses. Company purchase of own shares can also be part of all three areas.

Learning outcomes

There have been no changes to the syllabus since 2023 but there have been changes to the way the learning materials are structured.

Learning materials

BP:T is a fully open book exam, so students can take in a range of resources with them. When the team refer to learning materials we mean the workbook, question bank, mock exams, EQB and the tax rates and tables.

All topics which are revision from Tax Compliance are up front in every chapter and at the end of the workbook there is now a summary of changes for FA2023 which helps any students who are resitting and studied FA22.

In addition we have added some new material. Technology is extremely important and so the rules on disposal of cryptocurrency for both individuals and companies has been added into the workbooks. There have also been updates on the exempt dividend rules and full expensing for plant and machinery in line with the FA updates. In the VAT chapter, it has also been flagged that TOGC is new at BP:T. Students do not cover this area at Tax Compliance and as most of the VAT chapter is revision from Tax Compliance, some students were not studying the chapter at all, leading to a lack of knowledge on a key area for BP:T when a business is transformed or transferred.

How to pass BP:T

The team understands that BP:T is a challenging paper and is sat by general practitioners who are not tax specialists. The team sets balanced, realistic questions to try to help students to pass.

There are common themes every session;

The weaker students seem to completely forget the fundamentals from TC and make really basic errors such as mixing up personal and corporate tax and thinking that BADR and IHT apply for companies. BP:T is a planning paper and whilst the computational aspects from Tax Compliance will not feature in as much detail, the basic knowledge really is needed to be able to pass BP:T. It is really frustrating as examiners to see corporate and personal taxes getting mixed up. However, in December 2023, more than one student attained 100%. This proves that full marks are achievable.

Students do not manage their time well. Whilst BP:T does not give a specific marks breakdown per requirement, part of the skill tested is that students should review the information presented and be able to work out which parts of the question require the most detail. As an examining team, we try to make the questions straightforward to navigate. So information in parts of the question and exhibits are directly linked to certain requirements.

It is often the case that students do not use the information in the scenario. In question 1 from the December 2023 exam for example, students listed the conditions and operation of every single share option scheme, without looking at the facts in the scenario to decipher which one may be relevant. This shows a lack of application and poor exam technique as it then wastes time.

Likewise in question 1 of December 2023, students were required to advise an individual on the difference in tax implications between buying shares or loaning money to a company. The poorer students failed to understand the scenario and instead produced long answers on close company loans.

Questions in BP:T are multi tax so a student should think about all relevant taxes in the scenario, any reliefs / claims, any further information they need and then make a recommendation in as far as the information in the scenario enables them to.

The confusion between unincorporated businesses and corporate entities is a recurring theme. In question 2 of September 2023 for example, an unincorporated trader was selling their business to a company and so incorporation relief was in point. A high number of students explained the share for share exchange rules and tried to make them "fit to the scenario". Students really need to try to compartmentalise taxes and reliefs for individuals and companies.

Whilst BP:T is open book, we expect application. Copying long lists from the materials does not score highly.

Recent examples of areas of confusion

The team discussed each issue highlighted in the slides. It is extremely surprising the amount of answers where students write about what they wanted the scenario to be about and not what it actually was. It was explicitly stated in question 1 in September 2023 that the company was a large company for R&D, yet large chunks on SME's and surrenderable loss were copied from the materials.

In question 3 from September 2023, it should have been immediately obvious that the company was a close company given how the question started by listing the shareholders and their status. This is the approach that has been adopted in past questions and the learning materials, yet a significant amount of students missed it and looked at the question only from a benefits for employees viewpoint.

In question 1 from December 2023, the point on the lack of brought forward knowledge was also discussed in the context of a spousal transfer on death then subsequently qualifying for QSR. In question 3, from December 2023, students ignored the requirements. The requirement clearly stated that students were required to consider the tax implications if Noor operated via a limited company. The question had been carefully drafted so that students were signposted towards discussing IR35 and OPW arrangements. Instead, students adopted the approach of discussing the taxation of unincorporated traders compare to companies. We try to be as clear as we can with the requirements whilst maintaining the skills requirement within the paper so students should carefully read the requirement and the scenario!

Suggestions to improve the learning materials

These have been captured in the minutes of the meeting.

Answers to pre conference questions

- IFA's – This was discussed in detail and we agreed to ensure the learning materials are clear and that there is no pre 2002 or older rules in. The topic was put back in after tutor request and the rationale is that it would be unrealistic to test acquisition a company without any IFA's.
- Leases of land and buildings – This is not examinable. We will review the Advanced Stage style questions in the question banks so there is no confusion.
- Transitional rules on basis periods – The detailed calculations are a Tax Compliance topic and we would not test them at this level within BP:T. However, it is a planning paper and so there is a possibility that we would test planning with losses but we would make it as straightforward as possible.
- Restating rules – Credit is only given where the rules are applied. The model answers use the rules as a learning tool for students and we would not expect answers in this level of detail in an exam.
- No breakdown of marks – This has always been the case and this will not be changed.
- CT focus on some papers – The syllabus weightings will be met “over a period of time”. Whilst there may be some questions which students perceive to be very heavily CT focussed, we do try to balance this with different areas as BP:T is a multi tax paper. For example in question 1 of September 2023 whilst there was some challenging areas of CT within the question there was also straightforward topics with the difference between debt and equity finance and an ethical scenario on income v capital.

- Presentation marks – There are no marks available for reports or emails. We do not penalise for any spelling mistakes or poor English.
- Ethics & Law – There have been occasions where we have tested ethics across more than one question. This is because some of the corporate anti-avoidance provisions, which we would test in the context of CT, are within the ethics chapter. In terms of law, we expect students to have an understanding of the basic legal framework but we would never test in detail anything that they have not seen since Certificate level.
- Bullet points – These are acceptable as long as there is sufficient detail and application.
- New technical areas – If these are within the learning materials then there should be an expectation that they will be tested. The team does try to “ease students in gently” and will introduce new areas gradually in a straightforward manner.

Further points

The team confirmed that markers mark a full script. They are not just allocated specific questions to mark. Second marking takes place on scripts in the range from 52.5 to 55.

Review of scripts

Script 1 – Question 1

This was an excellent script. The candidate set out the answer really well, used the information of the scenario and did not waste time explaining irrelevant rules.

Script 2 – Question 2

This script was quite muddled. It started off by treating the hive down as a sale by Jim personally of the assets, which showed a lack of basic understanding in both law and tax of the difference between individuals and companies. The candidate did then discuss some relevant points but it was clear they were confused with their taxes.

Script 2 – Question 3

The first part was generally well done with the candidate using the scenario to apply the employment status indicators. The answer to the second requirement was poor, with the candidate ignoring the question asked entirely and approaching the question from an unincorporated v corporate point of view.

Script 1 – Question 3

The difference in standard and approach from script 2 is clear. The candidate actually answered the question set and showed an excellent level of knowledge and application skills.

Further questions

Please contact ICAEW if there are any further questions for the team.

