

# ACCA Advanced Taxation (ATX) Practice Exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

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# Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

# How to Use This Guide

**This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:**

## 1. Start with a Diagnostic Review

**Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.**

## 2. Study in Short, Focused Sessions

**Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.**

## 3. Learn from the Explanations

**After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.**

## 4. Track Your Progress

**Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.**

## 5. Simulate the Real Exam

**Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.**

## 6. Repeat and Review

**Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.**

**There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!**

## **Questions**

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- 1. In which circumstances should VAT be charged on the sale of commercial buildings?**
  - A. Only if the building is older than three years**
  - B. Only if the building has not been used**
  - C. If the owner opts to tax or if the building is less than three years old**
  - D. Only if the buyer is a business**
- 2. Is the provision of a car parking space near an employee's workplace considered an exempt benefit for income tax and NIC?**
  - A. Yes, always**
  - B. No, not under any circumstances**
  - C. Yes, unless specified otherwise by the employer**
  - D. Only if provided on company premises**
- 3. How is the maximum SEIS exemption on SEIS reinvestment relief calculated?**
  - A.  $50\% \times$  Subscription cost of new SEIS shares**
  - B.  $50\% \times$  Amount of gain on old asset**
  - C.  $50\% \times$  Lower of: amount of gain on old asset or subscription cost of new SEIS shares on which IT relief is claimed**
  - D.  $100\% \times$  Total investment amount**
- 4. What is the maximum amount of medical treatment considered an exempt employment benefit?**
  - A. £250 per employee per tax year**
  - B. £500 per employee per tax year**
  - C. £1,000 per employee per tax year**
  - D. £2,000 per employee per tax year**
- 5. What is the turnover limit for a small business to use the cash basis?**
  - A. £100,000**
  - B. £150,000**
  - C. £200,000**
  - D. £300,000**

**6. What is true about purchasing non-depreciating assets concerning deferred gains?**

- A. Deferred gains must always be taxed**
- B. They can be rolled over against the base cost of non-depreciating assets**
- C. They are lost if purchases occur outside the reinvestment window**
- D. They can be avoided through proper accounting**

**7. What is the maximum investment amount per tax year for EIS to receive income tax relief?**

- A. £100,000**
- B. £200,000**
- C. £1,000,000**
- D. £300,000**

**8. Does fall in value relief apply to wasting chattels, non-wasting chattels, and plant and machinery?**

- A. True, applies to all**
- B. False, does not apply to all**
- C. True, applies only to wasting chattels**
- D. True, applies only to non-wasting chattels**

**9. Is it true that a charity or political party must include disposed property from the last five years as 'related property'?**

- A. True, it will always be considered related property**
- B. False, it depends on the current value of the asset**
- C. True, but only if the asset was worth more than £1,000**
- D. False, it is excluded regardless of time**

**10. Does a split year count as a tax year for the purposes of Relevant Business Capital (RBC)?**

- A. No, it is not counted**
- B. Yes, it is considered a tax year**
- C. It depends on the company's financial year**
- D. Only if it exceeds six months**

## **Answers**

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1. C
2. A
3. C
4. B
5. B
6. B
7. C
8. B
9. A
10. B

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## **Explanations**

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## 1. In which circumstances should VAT be charged on the sale of commercial buildings?

- A. Only if the building is older than three years
- B. Only if the building has not been used
- C. If the owner opts to tax or if the building is less than three years old**
- D. Only if the buyer is a business

VAT should be charged on the sale of commercial buildings if the owner opts to tax the sale or if the building is less than three years old. This aligns with the principles of VAT treatment for properties in many jurisdictions. When a commercial property is sold, the standard treatment under VAT law generally requires the seller to charge VAT unless an exemption applies. The option to tax allows the owner to charge VAT on the sale, making it beneficial for sellers who are VAT registered. This is particularly relevant if the seller has incurred VAT on costs and wants to recover that input VAT. Furthermore, if the building is less than three years old, it typically falls under the category where VAT is chargeable, as new properties are often exempt from zero-rating provisions that apply to older buildings. There are specific criteria and rules determining the VAT treatment based on the age of the property and whether the seller has opted to tax, which highlight the necessity of understanding these details in transaction planning and compliance. This understanding is crucial for businesses engaged in the acquisition or sale of commercial properties, as it impacts the cash flow and overall tax liability of the buyers and sellers involved.

## 2. Is the provision of a car parking space near an employee's workplace considered an exempt benefit for income tax and NIC?

- A. Yes, always**
- B. No, not under any circumstances
- C. Yes, unless specified otherwise by the employer
- D. Only if provided on company premises

The provision of a car parking space near an employee's workplace is classified as an exempt benefit for income tax and National Insurance contributions (NIC) under certain conditions. Specifically, the exemption applies when the parking space is provided for the convenience of the employer. This means that if an employer provides a parking space to help employees perform their duties effectively, the benefit is not subject to taxation. In the context of the options available, the correct answer indicates that such a parking benefit is always exempt. This reflects the principle that the benefit is seen as a necessary facility that supports employees in their work without creating a taxable advantage. In practice, it's essential to clarify the circumstances under which this exemption holds. While certain options suggest limitations or specific conditions, the broad interpretation aligns with the notion that providing a car parking space is considered beneficially aligned with the activities of the workplace, thereby qualifying for exemption. This understanding helps delineate the circumstances under which benefits are taxable versus non-taxable, which is crucial for both employers and employees in effectively managing and understanding their tax obligations.

### 3. How is the maximum SEIS exemption on SEIS reinvestment relief calculated?

- A. **50% × Subscription cost of new SEIS shares**
- B. **50% × Amount of gain on old asset**
- C. 50% × Lower of: amount of gain on old asset or subscription cost of new SEIS shares on which IT relief is claimed**
- D. **100% × Total investment amount**

The maximum SEIS (Seed Enterprise Investment Scheme) exemption on SEIS reinvestment relief is computed as 50% of the lower of the amount of gain on the old asset or the subscription cost of the new SEIS shares on which income tax relief is claimed. This calculation is designed to ensure that the relief is aligned with the gains made on the previous investment while limiting it to the actual amount re-invested into qualifying SEIS shares. This approach reflects the purpose of SEIS, which is to encourage investment in small, high-risk companies by providing tax relief. The reinvestment relief acts as an incentive, allowing investors to defer tax liabilities realized from previous gains when they reinvest into new qualifying businesses. For example, if an investor has a gain of £100,000 from an old asset and invests £30,000 in SEIS shares, the relief calculation would take the lower of these two amounts. The maximum exemption would thus be 50% of £30,000 (the subscription cost of new SEIS shares) since it is less than the gain realized. This method effectively controls the amount of tax relief available, ensuring it is proportional to the actual amount at risk in new investments, encouraging ongoing investment in new ventures while providing

### 4. What is the maximum amount of medical treatment considered an exempt employment benefit?

- A. **£250 per employee per tax year**
- B. £500 per employee per tax year**
- C. **£1,000 per employee per tax year**
- D. **£2,000 per employee per tax year**

The correct amount of exempt medical treatment considered an employment benefit is £500 per employee per tax year. This exemption allows employers to provide certain medical treatments without the benefits being subject to tax. This exemption applies to a range of medical treatments, including injuries sustained in the course of employment, as well as other health-related expenses that improve the overall well-being of employees. By staying within this limit, employers can ensure that they are offering valuable support to their employees while adhering to tax regulations. The lesser figures might represent lower thresholds that do not apply to the broad spectrum of medical expenses covered under this exemption, while larger amounts exceed the threshold set by tax authorities. Thus, understanding this limit is crucial for employers looking to implement a benefits scheme that maximizes employee welfare while managing tax liabilities effectively.

## 5. What is the turnover limit for a small business to use the cash basis?

- A. £100,000
- B. £150,000**
- C. £200,000
- D. £300,000

The turnover limit for a small business to use the cash basis is set at £150,000. This limit is significant as it allows small businesses to adopt a simpler method of accounting based on cash receipts and payments rather than on an accrual basis. The cash basis can be advantageous for businesses that may struggle with cash flow, as they only pay tax on income that has actually been received, rather than on what is owed. The cash basis accounting system is suitable for smaller enterprises, often making it easier for them to manage finances without the complexities of more detailed accounting requirements. The £150,000 threshold is established to ensure that only smaller businesses, with typically lower levels of turnover, can benefit from these simplified reporting provisions. The other options, which suggest turnover limits beyond £150,000, do not align with the regulations governing cash basis accounting, as businesses exceeding this threshold must transition to standard accounting methodologies to comply with tax requirements.

## 6. What is true about purchasing non-depreciating assets concerning deferred gains?

- A. Deferred gains must always be taxed
- B. They can be rolled over against the base cost of non-depreciating assets**
- C. They are lost if purchases occur outside the reinvestment window
- D. They can be avoided through proper accounting

The correct answer indicates that deferred gains can indeed be rolled over against the base cost of non-depreciating assets. This principle exists within tax regulations to support businesses that reinvest their gains in certain types of assets, allowing them to defer the taxation that would normally apply to those gains. When a business sells an asset and realizes a capital gain, rather than paying taxes immediately on that gain, it may have the option to reinvest the proceeds in qualifying non-depreciating assets. By doing so, the gains are essentially rolled into the new asset's purchase price, reducing the taxable amount at the time of reinvestment. This mechanism encourages investment by allowing businesses to defer tax liabilities until later, fostering growth and capital expenditure. In contrast, the other options illustrate different aspects of deferred gains that do not align with the principle of rolling over gains against asset costs. For instance, deferred gains being taxed at all times fails to acknowledge situations where reinvestment can defer those taxes. Similarly, stating that gains are lost when purchases occur outside a reinvestment window overlooks the possibility that businesses can still benefit from other tax treatments even if they miss specific timelines. Lastly, the notion that deferred gains can be avoided through proper accounting suggests a misleading understanding of tax obligations

**7. What is the maximum investment amount per tax year for EIS to receive income tax relief?**

- A. £100,000**
- B. £200,000**
- C. £1,000,000**
- D. £300,000**

The maximum investment amount per tax year for the Enterprise Investment Scheme (EIS) to qualify for income tax relief is set at £1,000,000. EIS is designed to encourage individuals to invest in small and high-risk companies by offering significant tax reliefs, including income tax relief. When a taxpayer invests in an EIS-qualifying company, they can claim up to 30% income tax relief on their investment. For a maximum investment of £1,000,000, this can potentially provide a tax relief of up to £300,000. This makes EIS an attractive option for investors looking to support small businesses while gaining some tax benefits. Understanding the limits of EIS investments is essential for taxpayers considering their investment strategy and tax planning, as investing beyond this threshold in EIS does not provide additional income tax relief, which can significantly affect an investor's financial planning and returns.

**8. Does fall in value relief apply to wasting chattels, non-wasting chattels, and plant and machinery?**

- A. True, applies to all**
- B. False, does not apply to all**
- C. True, applies only to wasting chattels**
- D. True, applies only to non-wasting chattels**

Fall in value relief is a tax relief that applies to certain types of assets when they are disposed of at a loss. The application of this relief is important for understanding how different types of assets are treated for tax purposes. Wasting chattels, such as a car, can benefit from fall in value relief because these assets are expected to have a finite lifespan, meaning that their value decreases over time as they are used. However, non-wasting chattels, such as art or antiques, do not typically qualify for this relief because they might appreciate in value instead of depreciating. Furthermore, plant and machinery are generally categorized as non-wasting assets under tax law, and they are subject to capital allowances rather than fall in value relief. They are considered to have a longer life and can be depreciated over time through capital allowances, which allows a business to recover the cost of the asset over its useful life. Thus, fall in value relief does not apply uniformly across all asset types, specifically excluding non-wasting chattels and plant and machinery, making it accurate that fall in value relief does not apply to all. This understanding is crucial for effectively navigating tax implications related to asset disposals in advanced taxation contexts.

**9. Is it true that a charity or political party must include disposed property from the last five years as 'related property'?**

- A. True, it will always be considered related property**
- B. False, it depends on the current value of the asset**
- C. True, but only if the asset was worth more than £1,000**
- D. False, it is excluded regardless of time**

A charity or political party must indeed consider disposed property from the last five years as 'related property'. This classification is significant because it affects how the charity or political party is treated for tax purposes. When disposed property is recognized as 'related property,' any gains or losses from the disposal can significantly impact the tax obligations of the entity, especially in relation to capital gains tax reliefs. The reasoning behind this requirement is rooted in preventing tax avoidance strategies that could arise from frequent trading of assets. By including disposed assets within a defined period, tax authorities can ensure that all relevant transactions are transparent and accounted for, fostering fairness and compliance in charitable and political activities. The other options provide distinctions that do not align with the fundamental principles governing 'related property' as defined in tax regulation, emphasizing the necessity for clarity in understanding the five-year disposal rule.

**10. Does a split year count as a tax year for the purposes of Relevant Business Capital (RBC)?**

- A. No, it is not counted**
- B. Yes, it is considered a tax year**
- C. It depends on the company's financial year**
- D. Only if it exceeds six months**

In the context of business taxation, a split year refers to a situation where a business has a financial year that does not align with the standard tax year, resulting in part of the business's income being accounted for in one tax year and the remainder in the following tax year. For the purposes of Relevant Business Capital (RBC), it is important to recognize that a split year is indeed treated as a complete tax year. This classification allows businesses that experience a change in their accounting periods or have international operations spanning different tax jurisdictions to adequately consider all periods of their income and capital when assessing their taxation obligations. By counting a split year as a full tax year, it enables businesses to maintain consistency in reporting and ensures that all relevant income and expenses are captured for tax purposes, thus simplifying compliance and aiding in accurate financial planning. The implication is that regardless of how the financial year aligns with the tax year, the entirety of the split year is considered when evaluating capital allowances, business structures, and any relevant deductions that might come into play under taxation laws. This principle is essential for businesses to ensure they do not miss potentially available reliefs and allowances. The alternatives essentially misinterpret the nature of what constitutes a tax year in relation to RBC, misunderstanding either the significance of

# Next Steps

**Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.**

**As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.**

**If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at [hello@examzify.com](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://accaadvancedtaxationcertification-atx.examzify.com>**

**We wish you the very best on your exam journey. You've got this!**

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