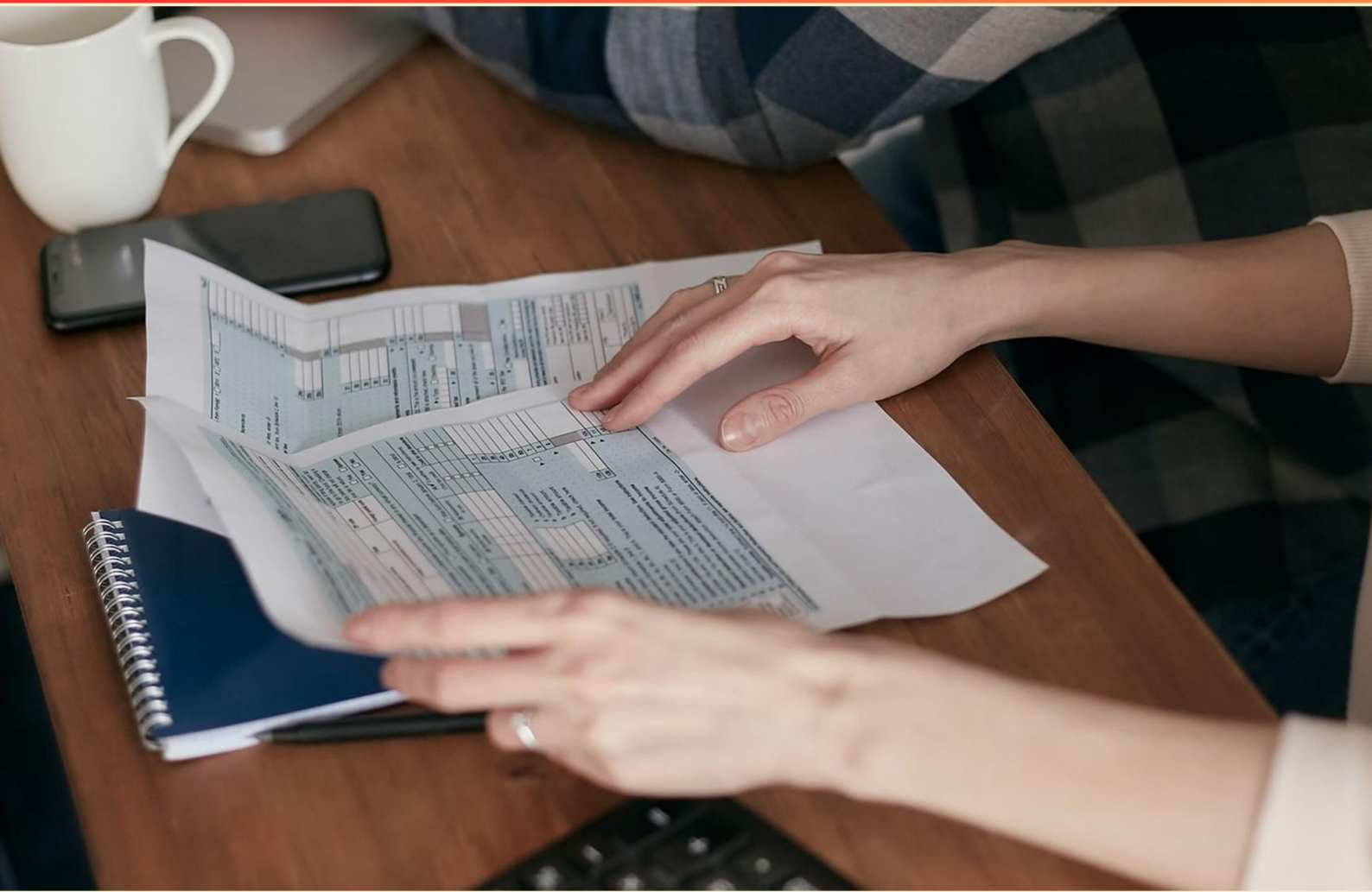


ACCA ADVANCED TAXATION (ATX) PRACTICE EXAM (SAMPLE)

STUDY GUIDE



Prepare with structure. Pass with confidence



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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. What is a key tax liability for employers offering tax or non-tax advantage share schemes?**
 - A. An allowable deduction from trading profits in CT computation
 - B. A fixed percentage charge on employee salaries
 - C. A specific tax rate applied to total profits
 - D. A comprehensive tax filing requirement for all employees
- 2. What is the restriction on the annual allowance for high-income individuals?**
 - A. It remains the same regardless of income
 - B. Reduced if adjusted income exceeds £240,000
 - C. No reduction if income is below £200,000
 - D. Cannot exceed £10,000
- 3. What are the quarterly instalment dates for a large company under corporation tax?**
 - A. 14th day of months 6, 9, 12, and 15
 - B. 14th day of months 5, 8, 11, and 14
 - C. 14th day of months 7, 10, 13, and 16
 - D. 15th day of months 6, 9, 12, and 15
- 4. When dealing with rollover relief, how should proceeds be apportioned if the disposed asset was not fully used for trading?**
 - A. By market value and market share
 - B. By business use to determine reinvestment
 - C. By original purchase and selling price
 - D. Equally among all beneficiaries
- 5. Is the leasing of land and buildings automatically exempt from VAT?**
 - A. Yes, it always is
 - B. No, unless opted to tax
 - C. Only for residential properties
 - D. Only for commercial properties

- 6. What happens if the gross annual rents exceed £150,000 for individuals and partnerships?**
- A. An automatic transition to cash basis occurs.
 - B. They must use the accruals basis of assessment.
 - C. The tax authority will impose higher rates of taxation.
 - D. No change; both methods remain accessible.
- 7. When withdrawing from a SIP due to retirement, what is the tax implication regardless of shareholding duration?**
- A. A tax charge applies regardless of the reason
 - B. No tax charge is applicable
 - C. Only partial tax applies
 - D. A reduced tax rate is applicable
- 8. Which of the following describes a key aspect of capital allowances when a business ceases to trade?**
- A. Only a portion of the allowance can be used
 - B. No WDAs, FYAs, or AIA in the closing year
 - C. Closing year allows for full write-off
 - D. They are fully transferable to other businesses
- 9. How is exemption from input tax defined in the context of partial exemption?**
- A. Slightly under 50% of all supplies
 - B. A maximum of 75% of all supplies
 - C. Less than 50% of exempt supplies
 - D. More than 50% of exempt supplies
- 10. Which formula is used for property valuation for inheritance tax purposes?**
- A. $(A + B) \times \text{total assets}$
 - B. $A / (B + \text{total assets}) \times \text{value of A}$
 - C. $A / (A + B) \times \text{value of total combined assets}$
 - D. $A + B \times \text{total combined value}$

Answers

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

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Explanations

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1. What is a key tax liability for employers offering tax or non-tax advantage share schemes?

A. An allowable deduction from trading profits in CT computation

B. A fixed percentage charge on employee salaries

C. A specific tax rate applied to total profits

D. A comprehensive tax filing requirement for all employees

When employers provide tax or non-tax advantage share schemes, one of the key tax liabilities they face is the treatment of these share schemes in the context of corporation tax (CT) computations. Specifically, allowable deductions for expenses related to employee share schemes can reduce trading profits, thus impacting the overall corporation tax liability. Under certain circumstances, the costs incurred by the employer in providing these shares can be recognized as a deduction from their trading profits. This is particularly relevant in terms of share-based payments, where the fair value of the equity instruments granted to employees is generally expensed over the period in which the employees are required to perform services. Allowable deductions appropriately match expenses with revenues, which ensures that the company's tax liability is accurately calculated based on its true economic performance. In contrast, the other options do not accurately reflect the primary tax obligation linked to share schemes. For example, a fixed percentage charge on salaries does not directly relate to the tax implications of share schemes, as the taxation is based on profits rather than fixed percentages on wages. Similarly, a specific tax rate applied to total profits is a general characteristic of corporation tax but does not specifically pertain to the tax implications of share schemes. Lastly, while employers may have filing obligations regarding their employees,

2. What is the restriction on the annual allowance for high-income individuals?

A. It remains the same regardless of income

B. Reduced if adjusted income exceeds £240,000

C. No reduction if income is below £200,000

D. Cannot exceed £10,000

The restriction on the annual allowance for high-income individuals is indeed related to their adjusted income surpassing a specific threshold. When an individual's adjusted income exceeds £240,000, their annual allowance starts to reduce. This reduction occurs on a sliding scale, which means that the higher the adjusted income, the less annual allowance the individual is eligible for, potentially down to a minimum allowance of £4,000 when adjusted income reaches £312,000 or higher. This system is designed to limit the tax advantages of pension contributions for higher earners, maintaining some level of equity in the taxation environment. The other options do not accurately reflect the mechanics of how the annual allowance restriction is applied or suggest incorrect stability regarding income levels and annual allowance, which doesn't account for the complexities of individual taxation based on earnings. Thus, option B accurately describes the reduction mechanism for high-income individuals.

3. What are the quarterly instalment dates for a large company under corporation tax?

- A. 14th day of months 6, 9, 12, and 15
- B. 14th day of months 5, 8, 11, and 14
- C. 14th day of months 7, 10, 13, and 16**
- D. 15th day of months 6, 9, 12, and 15

For large companies under corporation tax, the regulations specify the quarterly instalment payments that need to be made to ensure timely compliance with their tax obligations. The correct instalment dates are aligned with the company's accounting period and are set to occur four times throughout the year at specific intervals. The correct answer indicates that the quarterly instalment dates are on the 14th day of the seventh, tenth, thirteenth, and sixteenth months following the end of the accounting period. These dates are intended to assist large companies in spreading their tax liabilities evenly throughout the year and facilitating better cash flow management. It is important to recognize that these specific dates influence when companies must calculate and submit their payments, ensuring that they meet their tax obligations without incurring penalties for late payment. The positioning of these dates is designed to harmonize with the financial year commonly used by large corporations. In contrast, the other answer options provide incorrect months that do not align with the established corporate tax calendar for large companies. Each option suggests either the wrong sequence of months or incorrect days for payment, deviating from the statutory requirements. Understanding the correct instalment dates is essential for large companies to comply with corporation tax regulations effectively.

4. When dealing with rollover relief, how should proceeds be apportioned if the disposed asset was not fully used for trading?

- A. By market value and market share
- B. By business use to determine reinvestment**
- C. By original purchase and selling price
- D. Equally among all beneficiaries

Rollover relief allows taxpayers to defer the tax on gains when they dispose of an asset used in their trade, provided they reinvest the proceeds in a new qualifying asset. When the disposed asset was not fully used for trading purposes, it is essential to determine the portion of the proceeds that can be reinvested in a new asset that will qualify for rollover relief. By utilizing a methodology based on business use, it becomes possible to calculate what percentage of the asset was used for trading as opposed to any other personal or non-business use. This enables a clear understanding of how much of the proceeds can be legitimately apportioned for reinvestment into a new qualifying asset, allowing the taxpayer to effectively maximize their rollover relief benefits. The other options do not appropriately focus on the specifics of business usage and its impact on the qualifying portion for rollover relief, which is why they do not suit this context as effectively.

5. Is the leasing of land and buildings automatically exempt from VAT?

- A. Yes, it always is
- B. No, unless opted to tax**
- C. Only for residential properties
- D. Only for commercial properties

The leasing of land and buildings is subject to specific VAT regulations, and the correct understanding is that it is not automatically exempt from VAT unless the lessor opts to tax. In the UK, for example, most land and building leases are exempt from VAT unless the landlord has chosen to apply VAT to the rental income by making a specific election. This option to 'opt to tax' allows landlords to charge VAT on their supplies, which can be beneficial if the landlord is VAT registered, as it enables them to reclaim VAT on related expenses. If the option to tax is not taken, the rental income remains VAT exempt, which also means that the landlord cannot reclaim any VAT on purchases related to the exempt supplies. The other options present misunderstandings about the applicability of VAT to leasing arrangements. Some might suggest that all leases are exempt or that certain types of properties are subjected differently, but without opting to tax, the general treatment of leases does not change. The distinct choice of applying VAT on leasing land and buildings is critical to understanding VAT's implications in property taxation.

6. What happens if the gross annual rents exceed £150,000 for individuals and partnerships?

- A. An automatic transition to cash basis occurs.
- B. They must use the accruals basis of assessment.**
- C. The tax authority will impose higher rates of taxation.
- D. No change; both methods remain accessible.

Individuals and partnerships that earn gross annual rents exceeding £150,000 are required to use the accruals basis of assessment for income tax purposes. The accruals basis considers all incomes and expenses as they are incurred, regardless of when the cash is actually received or paid. This approach provides a more accurate reflection of the financial position over a period, allowing for better assessment of tax liabilities based on the actual economic activity rather than merely cash transactions. Choosing the accruals basis over the cash basis when gross rental income exceeds the threshold ensures that income is reported in the period it is earned, granting a clearer view of a taxpayer's rental profitability. This is crucial for larger operations, as it helps avoid distortions that could arise from fluctuations in cash flow, especially with the timing of rent payments and maintenance expenses. While other options suggest alternative assessments or tax implications, they do not align with the regulatory requirements that dictate the use of the accruals basis once the income surpasses the specified level. Thus, option B is accurately reflective of the legal obligations imposed on higher levels of rent income.

7. When withdrawing from a SIP due to retirement, what is the tax implication regardless of shareholding duration?

- A. A tax charge applies regardless of the reason
- B. No tax charge is applicable**
- C. Only partial tax applies
- D. A reduced tax rate is applicable

When withdrawing from a Systematic Investment Plan (SIP) due to retirement, the correct understanding is that no tax charge is applicable. This means that individuals withdrawing funds from their SIP specifically for retirement purposes may benefit from tax exemptions, as many jurisdictions provide favorable tax treatment for retirement withdrawals. This is particularly relevant in the context of tax laws that often allow individuals to access their accumulated retirement funds without incurring immediate tax liabilities, promoting the financial security of retirees. Consequently, individuals may withdraw the funds they have accumulated in their SIP without facing additional taxes, which aligns with goals of encouraging retirement savings. It's noteworthy that tax regulations can vary based on specific circumstances and local legislation, but in the context of general retirement planning and SIP withdrawals, no tax charge fundamentally simplifies the financial picture for retirees, allowing them to utilize their savings effectively in their retirement years.

8. Which of the following describes a key aspect of capital allowances when a business ceases to trade?

- A. Only a portion of the allowance can be used
- B. No WDAs, FYAs, or AIA in the closing year**
- C. Closing year allows for full write-off
- D. They are fully transferable to other businesses

When a business ceases trading, the rules around capital allowances emphasize that there are no write-down allowances (WDAs), first-year allowances (FYAs), or annual investment allowances (AIAs) available in the final accounting period of the trade. This means that during the year in which the business ceases its operations, there will be no new claims for capital allowances against profits. This is a significant aspect because it affects how the tax liabilities are managed in that final year. Without the opportunity to claim these allowances, the business cannot reduce its taxable income through depreciation on capital assets, potentially resulting in a larger tax burden when winding up the business. Capital allowances are effectively intended to incentivize investment during the operating period, but the cessation of trade alters how these allowances can be utilized. In contrast, the other options suggest various scenarios regarding the use of capital allowances that do not accurately reflect the legislative framework. For instance, the notion of using only a portion of the allowance or that the closing year allows for full write-off is misleading since the rules clearly state that no allowances can be claimed in that conclusive year of trading. Lastly, the idea of allowances being transferable to other businesses does not reflect the general principles governing capital allowances, as they typically remain

9. How is exemption from input tax defined in the context of partial exemption?

- A. Slightly under 50% of all supplies
- B. A maximum of 75% of all supplies
- C. Less than 50% of exempt supplies**
- D. More than 50% of exempt supplies

In the context of partial exemption, exemption from input tax refers to the situation where a business incurs input tax that cannot be fully recovered due to the nature of its supplies. A business with exempt supplies is only able to recover input tax related to their taxable supplies and must proportionately allocate input tax between these taxable and exempt supplies. The correct answer indicates that "less than 50% of exempt supplies" is the threshold for being classified as a partial exemption. In practice, if the value of exempt supplies is under 50% of total supplies, a business is still able to recover a specific proportion of the input tax related to its taxable supplies. This is important because it aligns with the principles of how VAT works in most tax systems, which require businesses to effectively manage their input tax recovery based on their exempt and taxable supply proportions. The context helps in understanding the rationale behind the partial exemption – when exempt supplies are kept below a certain threshold, it allows businesses to maintain a level of efficiency in recovering input taxes, thereby promoting business operation viability even with exempt items.

10. Which formula is used for property valuation for inheritance tax purposes?

- A. $(A + B) \times \text{total assets}$
- B. $A / (B + \text{total assets}) \times \text{value of A}$
- C. $A / (A + B) \times \text{value of total combined assets}$**
- D. $A + B \times \text{total combined value}$

The correct choice involves using the formula $A / (A + B) \times \text{value of total combined assets}$ for property valuation in the context of inheritance tax. This formula is grounded in the principle of proportionality when assessing the value of an individual's estate for tax purposes. In this formula, "A" represents the component of the property or asset that is subject to inheritance tax, while "B" denotes any liabilities or deductions that might reduce the taxable estate's overall value. By calculating $A / (A + B)$, you establish the proportion of the total assets that is attributable to the taxable portion "A". Multiplying this proportion by the total combined assets gives a precise valuation for tax assessment. This ensures that the property is taxed in a manner that accurately reflects its share of the estate rather than applying a flat value that does not take into account the specific details of the asset and the associated liabilities. Understanding this formula is essential for accurately determining the tax liability of an estate, which can involve complex considerations around shared properties, debts, and valuations. This highlights the importance of calculating the correct taxable value rather than simply applying an arbitrary method.

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.

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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