ACCA Taxation (F6) Practice Exam (Sample)

Study Guide

BY EXAMZIFY

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

1. **Which of the following best describes a balancing charge?**
   A. Adjustment to previous claims
   B. Loss on sale of assets
   C. Profit resulting from the sale of an asset, leading to a negative capital allowance
   D. Payment to write off losses

2. **What are UK residents liable to pay capital gains tax on?**
   A. The disposal of chargeable assets in the UK only
   B. The disposal of chargeable assets worldwide
   C. Only on properties within the UK
   D. Only on sales exceeding £50,000

3. **What is the time limit for electing to de-pool short life assets?**
   A. 31 January - 18 months after relevant tax year ends
   B. 31 January - 22 months after relevant tax year ends
   C. 31 January - 24 months after relevant tax year ends
   D. 31 January - 20 months after relevant tax year ends

4. **How does rollover relief affect the cost of a new asset?**
   A. It increases the deemed cost of the new asset
   B. It sets the rollover gain against the cost of the new asset, decreasing "Deemed Cost"
   C. It has no effect on the new asset's cost
   D. It requires the new asset to be immediately sold

5. **What is included in the calculation of adjusted income for pensions?**
   A. Net income alone
   B. Net income plus employer contributions
   C. Net income plus employee contributions
   D. Net income plus both employee and employer contributions

6. What is the primary difference between a tax year and a financial year in the UK?

A. A tax year runs from 6 April to 5 April; a financial year runs from 1 April to 31 March

B. A tax year is based on the calendar year; a financial year is based on fiscal assessments

C. A tax year includes all business income; a financial year includes only taxable income

D. A tax year is for individuals; a financial year is for businesses only

7. What methodology dictates the second year basis period if accounting periods do not coincide with the tax year?

A. Estimated profits from the previous year

B. Actual basis for profits throughout the tax year

C. Half the average of the prior year's profits

D. A fixed amount based on business size

8. Under the Gift Aid scheme, what tax relief can basic rate taxpayers claim on charitable donations?

A. 20% of the donation amount

B. 25% of the donation amount

C. 50% of the donation amount

D. No tax relief is available

9. Which of the following is a correct statement about capital gains tax?

A. It is only applicable to corporations

B. Capital gains tax only applies to residential properties

C. It is assessed on the net gains from all chargeable assets

D. It has a fixed percentage rate regardless of the asset

10. What is the immediate chargeable gain when not all proceeds are used for a new asset under rollover relief?

A. Actual gain on asset

B. Cash retained after investment

C. The higher of actual gain or cash retained

D. The lower of actual gain or cash retained

Answers

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

Explanations

1. Which of the following best describes a balancing charge?

A. Adjustment to previous claims

B. Loss on sale of assets

C. Profit resulting from the sale of an asset, leading to a negative capital allowance

D. Payment to write off losses

A balancing charge refers to a situation where the proceeds from the sale of an asset exceed its tax written down value, resulting in a charge to the taxable income. This occurs when an asset, which has been previously eligible for capital allowances, is sold at a profit. The amount that reflects this profit serves to reduce the overall capital allowances claimed in prior periods, aligning the tax treatment of the asset with its economic reality. In essence, when the asset is sold for more than its value on the balance sheet for tax purposes, it creates a scenario where a balancing charge is applied, leading to a negative adjustment in the capital allowances. This ultimately means that the profit from the sale is taxed, thereby re-establishing balance in the tax relief that was previously claimed. The other options do not fully capture the essence of what a balancing charge entails. Adjustments to previous claims generally refer to other types of tax adjustments, rather than specifically addressing the impact of asset sales. A loss on sale of assets would result in a different tax implication altogether, typically not leading to a balancing charge. Payments to write off losses pertain to different financial contexts, primarily related to writing off bad debts rather than the mechanics of capital allowances.

2. What are UK residents liable to pay capital gains tax on?

A. The disposal of chargeable assets in the UK only

B. The disposal of chargeable assets worldwide

C. Only on properties within the UK

D. Only on sales exceeding £50,000

UK residents are liable to pay capital gains tax on the disposal of chargeable assets worldwide. This means that any gains realized from the sale of assets, regardless of where those assets are situated, will be subject to capital gains tax. This principle aligns with the UK's tax regulations, which consider residency status as a key factor in determining tax obligations. Thus, a UK resident who sells an asset located outside the UK will still be liable for capital gains tax if that sale results in a gain. In contrast, the other options incorrectly limit the scope of capital gains tax liability. For instance, only considering disposals within the UK would ignore potential gains made from overseas assets. Similarly, restricting liability to specific types of properties or imposing a threshold on sales undermines the comprehensive nature of the capital gains tax system, which applies uniformly to all chargeable assets owned by UK residents.

3. What is the time limit for electing to de-pool short life assets?

A. 31 January - 18 months after relevant tax year ends

B. 31 January - 22 months after relevant tax year ends

C. 31 January - 24 months after relevant tax year ends

D. 31 January - 20 months after relevant tax year ends

The correct answer indicates that the time limit for electing to de-pool short life assets is 31 January - 22 months after the relevant tax year ends. This timeline is significant for businesses that hold short life assets, as it allows them to make decisions regarding the treatment of these assets for tax purposes within a specified period. Short life assets are assets that have a relatively rapid depreciation, and the ability to de-pool them allows taxpayers to simplify their capital allowances claims. The deadline of 31 January - 22 months following the end of the relevant tax year provides a window of opportunity for businesses to assess their capital assets' performance and make necessary elections in their tax returns without facing penalties or complications. In the context of the options provided, the other timeframes do not align with the current regulations regarding short life asset elections. Each alternative suggests differing time limits, indicating misunderstanding of the current rules governed by tax law. Thus, the established deadline of 31 January - 22 months remains crucial for compliance and effective tax planning for entities dealing with short life assets.

4. How does rollover relief affect the cost of a new asset?

A. It increases the deemed cost of the new asset

B. It sets the rollover gain against the cost of the new asset, decreasing "Deemed Cost"

C. It has no effect on the new asset's cost

D. It requires the new asset to be immediately sold

In the context of rollover relief, when a business disposes of an asset and reinvests the proceeds in a new asset, rollover relief allows for the deferral of any capital gains tax that would typically arise from the disposal. The gain that is rolled over is effectively deducted from the cost of the new asset. Therefore, when considering how rollover relief affects the cost of a new asset, it is correct to state that it sets the rollover gain against the cost of the new asset. This means that the amount of gain that was not taxed is subtracted from the purchase price (or deemed cost) of the new asset. As a result, this reduces the "deemed cost" of the new asset and postpones the tax liability until a later date, when the new asset may be disposed of. This treatment encourages investment as it alleviates the immediate tax impact of selling an existing asset. Other options do not accurately describe the function of rollover relief. For example, the notion that it increases the deemed cost does not align with the principle of deferring gains against the new investment's cost. Additionally, the idea that it has no effect on the cost of the new asset overlooks the fundamental mechanics of how rollover relief works, which explicitly reduces the

5. What is included in the calculation of adjusted income for pensions?

A. Net income alone

B. Net income plus employer contributions

C. Net income plus employee contributions

D. Net income plus both employee and employer contributions

Adjusted income for pensions is a crucial term used in the context of determining how much can be contributed to a pension scheme without incurring tax penalties. The calculation of adjusted income includes net income along with both employee and employer contributions to pension schemes. Net income represents the individual's total earnings after tax, but to accurately ascertain adjusted income for pension purposes, it's essential to include all contributions made towards pension plans. By incorporating both employer and employee contributions, this calculation reflects the total resources that can potentially impact the pension savings available and any associated tax reliefs. Employer contributions are particularly significant as they are often substantial and can influence the overall pension inputs. Similarly, employee contributions indicate the dedication of the individual towards retirement planning and also have implications for tax relief. Thus, adjusting income by summing both types of contributions provides a comprehensive picture of the individual's commitment to their pension savings and helps in assessing the pension contribution limits effectively. This is why the option that incorporates both employee and employer contributions, along with net income, is the correct choice for calculating adjusted income for pensions.

6. What is the primary difference between a tax year and a financial year in the UK?

A. A tax year runs from 6 April to 5 April; a financial year runs from 1 April to 31 March

B. A tax year is based on the calendar year; a financial year is based on fiscal assessments

C. A tax year includes all business income; a financial year includes only taxable income

D. A tax year is for individuals; a financial year is for businesses only

The primary difference between a tax year and a financial year in the UK is that the tax year runs from 6 April to 5 April, while the financial year, which is often referred to by the government and public sector, runs from 1 April to 31 March. This distinction is significant because it affects how individuals and businesses report their income and expenses for tax purposes. The UK's tax year is specifically designed for income tax purposes for individuals and is a unique period that does not align with the standard calendar year. This system originated from historical calendar adjustments, and it remains in place for the assessment of income tax. On the other hand, a financial year refers to the accounting period used by many businesses and public sector entities for their financial reporting and budgeting. This period is commonly chosen for its practical alignment with fiscal planning, providing a clear framework for monitoring financial performance and preparing annual accounts. Understanding these distinct periods is crucial for compliance with tax regulations and for accurate financial planning and reporting.

7. What methodology dictates the second year basis period if accounting periods do not coincide with the tax year?

A. Estimated profits from the previous year

B. Actual basis for profits throughout the tax year

C. Half the average of the prior year's profits

D. A fixed amount based on business size

When it comes to determining the basis period for taxation in a situation where the accounting periods do not align with the tax year, the methodology for the second year typically involves using the actual profits generated throughout the tax year. This approach is grounded in the principle that taxpayers should be taxed on their actual income, thus ensuring that the income reported for tax purposes accurately reflects the business's performance during that period. The use of actual profits allows for more precise measurement and taxation, as it takes into account the genuine economic activity of the business over the specific tax year in question. This contrasts with estimating profits or applying arbitrary figures, which might not accurately represent the financial reality of the business. In contrast, using estimated profits from the previous year can lead to discrepancies if the business's income varies significantly from one year to the next. Additionally, calculating half the average of the prior year's profits or setting a fixed amount based on business size lacks the responsiveness to the actual performance during the tax year, which is critical for fair taxation. Thus, basing the second year's basis period on actual profits provides a more equitable and accurate reflection of a business's earnings, aligning taxation with genuine economic performance.

8. Under the Gift Aid scheme, what tax relief can basic rate taxpayers claim on charitable donations?

A. 20% of the donation amount

B. 25% of the donation amount

C. 50% of the donation amount

D. No tax relief is available

Under the Gift Aid scheme, basic rate taxpayers can claim tax relief equivalent to 25% of the amount donated to charity. This is because when a charity receives a donation under Gift Aid, they can reclaim the basic rate tax that the donor has already paid on that amount. For instance, if a basic rate taxpayer donates £100 to a charity under the Gift Aid scheme, the effective value of the donation to the charity becomes £125 because the charity can claim back £25 in tax from HMRC. The taxpayer, in turn, benefits from the relief as they can offset this amount against their tax liability, highlighting the additional value brought by Gift Aid contributions. This is a significant advantage for both the donor and the charity, ultimately encouraging charitable giving while also allowing the donor to optimize their tax position. This context clarifies why other options are not applicable in this scenario; the percentages provided in those choices either exceed the actual tax relief amount recognized by the scheme or suggest there is no relief available, which contradicts the key benefits of Gift Aid for basic rate taxpayers.

9. Which of the following is a correct statement about capital gains tax?

A. It is only applicable to corporations

B. Capital gains tax only applies to residential properties

C. It is assessed on the net gains from all chargeable assets

D. It has a fixed percentage rate regardless of the asset

Capital gains tax is assessed on the net gains from all chargeable assets, making this statement accurate. When an individual or entity sells an asset for more than its purchase price, the profit, known as the capital gain, is subject to taxation. This includes various types of assets such as stocks, bonds, real estate, and collectibles, not just residential properties or those owned by corporations. The chargeable assets encompass a wide variety of items, illustrating that capital gains tax is not limited to any single class of assets, such as residential property or corporate holdings. This broad application is crucial for understanding how capital gains tax operates in practice. Other options do not reflect the comprehensive nature of capital gains tax. For instance, the statement about it being applicable only to corporations ignores the fact that individuals and partnerships are also liable for capital gains tax on their disposals of chargeable assets. Additionally, limiting capital gains tax solely to residential properties does not consider all the other qualifying assets that could incur capital gains tax. Lastly, capital gains tax typically does not have a fixed rate, as rates can vary depending on the type of asset and the individual's overall income bracket.

10. What is the immediate chargeable gain when not all proceeds are used for a new asset under rollover relief?

A. Actual gain on asset

B. Cash retained after investment

C. The higher of actual gain or cash retained

D. The lower of actual gain or cash retained

Under rollover relief, when a taxpayer disposes of an asset and reinvests the proceeds in a new asset, any chargeable gain can be deferred. However, if not all of the proceeds are reinvested, there may be an immediate chargeable gain. In this context, the immediate chargeable gain when not all proceeds are used for a new asset is determined by the lower of the actual gain or the cash retained after investment. This is because the taxpayer is allowed to roll over only the part of the gain that corresponds to the reinvested amount. If cash is retained, it represents a realized gain to the extent that it exceeds the reinvestment. Therefore, the chargeable gain is limited to the lesser amount, ensuring that the portion of the gain that is deferred corresponds only to the investment in the new asset. The lower of the actual gain or cash retained is appropriate because it reflects the principle of not allowing a complete deferment of gains when not all proceeds are reinvested, ensuring that taxation aligns with the actual economic benefit received in cash.

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://accataxationcertification-f6.examzify.com

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