

Ireland Examiner's meeting – P6 IRL

This document summarises the P6 (IRL) Question and Answer discussion which took place in the examiner's meeting in Dublin on 9 March 2016

Income tax

- **Is the tax treatment of married couples in the year of separation examinable?**

The taxation of married couples in the year of separation is not within the scope of the P6 (IRL) 2016 syllabus, although this may change in future years.

- **Could the examiner provide guidance on whether the tax treatment of a married person in the year of death would be examined by way of a practical or mainly a theory question**

The topic of married couples in the year of death is within the scope of the P6 (IRL) syllabus and thus could be examinable. However, it is not possible for us to specify whether, if examined, it would be in a knowledge (theory) or application (practical) way.

- **Could the examiner please clarify what could be examined in terms of the calculation of double tax relief for individuals and also for companies?**

Whilst only the corporation tax section of the syllabus lists the detailed computational aspects of double tax relief as an excluded topic, it is not our intention to examine detailed calculations of DTR for either income tax or corporation tax purposes. The syllabus will be updated accordingly in 2017.

- **Can we study either the UK/Ireland double tax treaty or the OECD model tax treaty for both income tax purposes?**

P6 candidates are required to be aware of the relevance of the OECD model double tax treaty to given situations in terms of syllabus objective A1 (b) (v).

They are also required to have brought-forward knowledge under the terms of the F6 (IRL) syllabus of the taxation of an Irish resident in relation to UK trading income, interest, dividends, rent, royalties, salary and pensions (B1 (b) of the F6 (IRL) syllabus).

Other than the knowledge required of the treatment of the specific items of UK income as listed in the F6 (IRL) syllabus, reference to either the OECD model tax treaty or the UK/Ireland double tax treaty will lead to the same answer in the exam. This is because the UK/Ireland double tax treaty is an example of a treaty based on the OECD model.

- **Farmers' averaging is excluded from the scope of the P6 syllabus but are farming losses and stock relief examinable?**

It is not intended that these topics will be examinable at the P6 level and these will be expressly excluded from the scope of the syllabus from 2017.

- **Do students need to learn the full list of countries for the purposes of the Foreign Earnings Deduction?**

It is likely that an exam question would focus on the original BRICS countries rather than later additions to the list.

- **Are candidates expected to know the detailed list of qualifying assets specific to the farming sector for the purposes of retirement relief?**

No, candidates are not expected to know this detailed list of items.

- **There are some very complicated aspects in relation to companies leaving groups. Can you confirm what the main focus of exam questions will be?**

The main focus on questions in relation to companies leaving groups is likely to be:

- *Loss relief – notional end to an accounting period when a company leaves a group*
- *Degrouping charges on assets transferred within the previous 10 years*
- *Clawback of stamp duty relief*

- **Double tax relief on capital acquisitions tax is an extremely complex subject – would the examining team consider removing this from the syllabus?**

We agree that this is a valid point and will consider deleting this from the syllabus in 2017.

Capital Taxes

- **A share for undertaking and a division of trades into two separate companies is a complicated area which has not been examined recently. Can the examining team provide any guidance on the knowledge required by P6 candidates? Also, would this area ever feature in Section A or could the examining team confirm that – if examined – it would only be in Section B?**

This topic is covered in the BPP 2015 study manual and the depth of coverage in this text is sufficient for the purposes of the P6 (IRL) exam.

Whilst we cannot guarantee that this area would only ever be examined in Section B, we would suggest that, the first time this topic is examined, it would be most likely to be in a Section B question.

- **Could the examining team please confirm what is examinable with regards to the disposal of leases? I cover the sale of a long lease and the sale of a short lease – is any additional material required? In addition, the tax table information does not give the relevant**

factors for wasting the cost price of a short lease. Would these be given in an exam question, if required?

We can confirm that the material you cover appears sufficient. The syllabus confirms that the grant of a lease or a sub-lease out of a freehold, long lease or short lease are excluded from the scope of the syllabus.

With regards to the relevant factors for a short lease, these would be provided in the relevant exam question rather than given in the tax table information.

- **Could the examining team give some guidance on the type of scenario's that could be tested if the transfer of an asset which is trading stock for one company and a fixed asset for another company were to be examined?**

Such a syllabus objective could be examined in either a theoretical or a scenario (application) context. If it was examined in a scenario, it would make clear that the relevant asset was transferred between capital gains group members and that the asset was treated as a fixed asset in one group company and trading stock in the other group company and candidates would be required to demonstrate knowledge of the tax implications.

- **The advance termination of a limited interest is a complex area and guidance from the examining team on the depth of knowledge required in this area would be welcomed.**

We understand that this refers to the syllabus outcome A5 (e) (iv). We understand that the relevant BPP study text deals with the gift of a life interest to a person who has the remainder interest and given an example. This level of knowledge is sufficient for the P6 (IRL) exam.

- **Is knowledge of the payment of CAT by instalment required at P6 (IRL), especially the rule with regard to a life tenant?**

This area is examinable under syllabus objective A5 (g) (ii).

- **Are gift splitting and the free use of property examinable?**

Yes, both are examinable under the syllabus objective A5 (d). The Revenue website contains sufficient information in its CAT guide on both gift splitting and the free use of property.

<http://www.revenue.ie/en/tax/cat/guide/gift-splitting.html>

<http://www.revenue.ie/en/tax/cat/guide/free-property-loans.html>

Corporation Tax

- **Guidance on the depth of knowledge required on investment companies would be appreciated.**

Knowledge of the definition of an investment company and the ability to deal with computations of an investment company including the treatment of management expenses

and other expenses (such as bank interest) and the utilisation of excess management expenses is required.

- **Do P6 students require knowledge of the calculation rules in a situation where a company has trade and non trade charges and losses?**

Yes, this is brought forward knowledge from the F6 level.

- **Are students required to understand the principle of stateless companies in the context of the residence of companies?**

Yes. Candidates are expected to understand the provisions introduced by Finance (No 2) Act 2013 to crack down on “stateless” companies through stricter rules of residence for companies incorporated in Ireland. This is covered in the BPP manual.

VAT

- **Can the examining team explain what needs to be covered under the syllabus heading “G4 – the effect of special schemes”?**

This is referring to brought-forward knowledge from the F6 syllabus as follows –

- (a) Explain the circumstances in which a taxable person can account for VAT on a cash basis, and identify the advantage(s) of this*
- (b) Describe the annual accounting scheme, and recognise when it will be advantageous to use the scheme*

- **The concept of waiver of exemption from VAT on lettings only applies in relation to transitional properties and is very complex. Is this really examinable at P6?**

This waiver will automatically be phased out on 30 June 2018 at the latest and is – as noted – fairly complex. We do not intend to examine this area and will clarify its removal in the 2017 syllabus.

- **What is meant by the disaggregation rules referred to in the syllabus?**

This refers to a fairly minor piece of anti-avoidance whereby the taxable turnover of two businesses may be aggregated in determining if the registration threshold is breached. Given the relative insignificance of this rule, we will remove this from the syllabus in 2017.

PRSI

- **At F6, the only sub-class of Class A which is examinable is Class A1 and there is no additional knowledge examinable at P6. This renders some more interesting planning issues outside the scope of the syllabus. Have the P6 examining team considered widening the scope of the P6 syllabus in relation to PRSI?**

Whilst we agree that there are interesting aspects here, there are no plans to widen the syllabus in respect of this area. Therefore, the knowledge examinable at the P6 level in respect of PRSI and USC will remain the brought-forward F6 level knowledge.