



Examiners' report

F6 Taxation (CHN)

June 2008

The examination consisted of five compulsory questions. Nearly all candidates attempted all five questions and the poorest performance was in question 5. The performance of candidates overall, however, was disappointing with a large number appearing to be lacking the basic knowledge that is needed at the foundation level. All candidates must thoroughly study the text book recommended at the end of the syllabus.

Candidates must present their answers in a good layout and organised format. Candidates should pay attention to the layout format in the suggested answers, particularly for question 1. Each question should be started on a new page.

Question 1

Part (a) tested candidates' ability to do a standard enterprise income tax computation. A few candidates displayed their answers poorly, with a lack of clear indication of items that were not requiring any tax adjustment in (a) (ii). Candidates should indicate what items do not require any tax adjustment in a good layout, such as that presented in the suggested answers.

In part (b), many candidates knew that the sharing of administrative costs is generally non-tax deductible. However few students knew the exception rules.

The results of (c) (i) and (c) (ii) were satisfactory but (c) (iii) was not well answered. Very few candidates fully understand the transitional rules for the new Enterprise Income Tax effective from 1 January 2008. Candidates should study the new rules and laws for subsequent examinations carefully.

Question 2

This question involved an individual income tax (IIT) calculation, along with reporting and payment requirements.

The results of parts (a) and (b) were satisfying.

In part (c) some candidates did not mention the reporting requirement for annual income over RMB120,000.

Question 3

In part (a) some students did not know the correct formula for the composite value for the purpose of business tax.

In part (b) since it is the second sitting to have Consumption Tax in the syllabus and this may be the reason why the students' performance is very very disappointed. Students should study and practice more in this area for the future examination sitting.

In part (c), the result is satisfying.

Question 4

This question included calculations of business tax, customs tariff, consumption tax and value added tax, and tested knowledge of reporting deadlines.

In part (a) many candidates did not present their answers in a good layout. Candidates should give one figure for one activity in the question.

In part (b) the examiner was very disappointed to find only a few candidates gaining full marks for this part, even though it was the second time this area was tested. This part is very common in practice. The general provision is not tax allowable while the write-back may not be taxable accordingly.



Question 5

The question tested the basic knowledge of tax administration. The results were very disappointing. Candidates should be warned that this knowledge is fundamental to be a professional accountant.