



Examiners' report

F6 Taxation (CHN)

December 2007

Nearly all students attempted five questions and the worst performance was question 3. The performance of students overall was disappointing with a large number appearing to lack the basic knowledge that is required to pass this level.

Students should pay more attention to overall layout particularly where suggested for an answer, for example question 1. Answers should be well organized and laid out. Each question should be started on a new page. Candidates would do well to bear in mind that good presentation is one of the basic requirements for our profession.

The examiner would like to emphasise the importance of reading questions carefully before a question is answered to prevent the type of problem that arose in responses to question 2 (a) (ii)

Question 1

This question tested student's ability to do a standard tax computation.

In part (a) most students identified the major mistakes made by the accountant but a few did not appear to be aware that writing off a creditor is treated as income not an expense.

In part (b) the examiner was disappointed to find that few candidates recognized that a general provision is not allowable as deduction against tax and that any associated provision write-back is not taxable.. The examiner would expect that students should fully understand the treatment of provisions (including bad debt and inventory provisions).

In part (c) few candidates fully understood the re-investment refund point.

Students should ensure that they know the new Enterprise Income Tax regime, effective January 1, 2008 as when it comes into force there may be significant changes to any answers to the above questions.

Question 2

In part (a) (i) results were good

In part (a) (ii) many students did not fully understand the question and gave the wrong answer in 'When' rather than 'Where' should the filing be.

In part (b) the examiner was disappointed with the quality of candidates answers.

Question 3

This was the first time that Consumption Tax has been included in the syllabus for this exam. This may explain the poor quality of student responses to this question. Students should be encouraged to make themselves more familiar with this legislation and to work through more practice questions by way of revision.

Question 4

Candidates performed well in both parts (a) and (b)

Question 5

(a) This question tested the knowledge of Individual Income Tax for dividend income from listed/unlisted investments to local Chinese/foreigner. Many students knew the tax implication for local Chinese, but were less well aware of the impact on the non-Chinese taxpayer.



(b) The question tested the knowledge of tax administration of withholding duty to an agent. The result was very disappointing. This situation is very common in normal professional life and it is essential that candidates understand that this knowledge is fundamental to the professional tax advisor.