

Examiner's report

F6 Taxation (CYP)
June 2010



General Comments

The examination paper consisted of five compulsory questions (question 1 for 30 marks, question 2 for 25 marks, question 3 for 20 marks, question 4 for 15 marks and question 5 for 10 marks)

Excellent answers were handed by many candidates for questions 1, 2 and 3.

A limited number of candidates continue to display their answers poorly.

Specific Comments

Question One

This was a 30-mark question tested candidates' ability to cope with the computation of the taxable income and the defence contribution payable by two self employed individuals as well as explaining to a self employed individual his obligations to keep books and records under the Collection and Assessment Law.

This question was well attempted by many candidates.

Part (a) for 23 marks

This part was well answered, and a lot of candidates demonstrate knowledge in the tax treatment of the first time employment exemption. A number of candidates did not have the ability to do the correct calculations for the Social Insurance Contributions as far as the months that were applicable.

Part (b) for 7 marks

Candidates did not perform satisfactory in this part of the question. Although it was a straight forward question, candidates wasted time and gained no marks by writing irrelevant and general obligations of a taxpayer, such as when provisional tax is due, probably because they were not aware of the specific provisions of the Law, to keep books and records. Most of the answers were irrelevant with the question.

Question Two

This was a 25- mark question on corporation and defence tax as well as testing the candidate's basic knowledge on Group loss relief.

Part (a) for 17 marks tested candidates' ability to calculate the taxable profit/ (loss) of a company.

This part was well attempted and candidates displayed a good understanding about calculating taxable income, but only few applied the interest restriction correctly.

Part (b) for 3 marks tested candidate's knowledge of the defence deemed distribution provisions. A very limited number of candidates calculated correctly the profit subject to defense deemed distribution provisions, while many ignored that accounting profit and not taxable profit is the basis for computing the deemed distribution. Furthermore, most of the candidates did not include in their answers the impairment charge adjustment.

Part (c) for 5 marks tested candidate's basic knowledge on Group loss relief.

Although an easy mark question candidates did not do very well. Besides the 75% ownership, candidates seemed not to be aware of the provisions that define a tax group. Also, many candidates showed lack of understanding of the full definition of the group.

Question Three

This was a 20 mark question and tested candidates' ability to calculate the capital gains and tax payable resulting from the exchange of properties.



Part (a)

Candidates displayed a good understanding on calculating the capital gains tax, but many did not calculate the profit reinvested. Generally, most of the candidate's answers were well attempted.

Q3 (b)

This part was well answered by most candidates.

Q3(c)

Only few candidates were able to calculate the restate value of Lemesiana's immovable properties.

Question Four

This was a 15 mark question on value added tax (VAT).

Parts (a), (b) & (c)

Candidates demonstrated the basic vat knowledge to answer these 3 parts of the question and candidates attempted satisfactorily these 3 parts of the question.

Part (d)

Candidates did not understand the requirement as many candidates wrote the categories of products and services under the different vat rates. Most of the answers were irrelevant to the question.

Question Five

This was a 10 mark question tested candidate's knowledge on corporation and defence tax taking into consideration the effect of foreign taxes.

Part (a)

Candidates computed correctly the taxable profit, but they displayed poor knowledge on how to calculate tax credit.

Part (b)

This part in general was satisfactory answered, but only a few candidates demonstrated the knowledge that dividends paid from and received by a Cypriot company are exempted from defense tax. Also, the tax credits were not answered correctly by a number of candidates.