



Examiners' report

F6 Taxation (CYP)

December 2007

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 given by many candidates to questions 1, 2 and 3.

A limited number of candidates displayed their answers poorly, with a lack of clear labelling to indicate which questions are being attempted. Students continue to ignore my previous remarks that each answer should be started on a new page.

Certain candidates did not tick the appropriate box in the cover page for each question attempted. A few candidates are still using pencil, which is difficult to read. A limited number of candidates write within the lines or write below the margins of the paper. Finally, a question having sections must be answered separately by section.

Question 1

This is a 30-mark question, 20 marks on income tax and 10 marks on VAT.

Part (a) tested candidates' ability to prepare a capital statement for a self-employed individual (sole trader). This part was satisfactorily attempted by the majority of the candidates.

Part (b)(i) tested candidates' ability to state the circumstances in which a refund of VAT paid may be claimed. This part was not attempted satisfactorily since candidates confused the requirement with the conditions which must be met for input VAT to be deductible.

Part (b)(ii) tested candidates' ability to state and explain the circumstances in which the VAT Commissioner may postpone or refuse the refund of VAT paid. This part was also poorly attempted since candidates displayed a lack of knowledge of the specific topic.

As there will always be a minimum of 10 marks for VAT on every exam paper, it is important that students practise questions on this topic.

Question 2

This is a 25-mark question on corporation tax.

Candidates do not use the appropriate heading in their answers i.e. adjustments on income or adjustments on expenditure leading them to wrong classification of adjustments.

Part (a) tested candidates' ability to cope with various aspects of corporation tax computation, adjustments on income and expenditures including the computation of the balancing statement. This part was satisfactorily attempted by all candidates.

Part (b) tested candidates' ability to calculate the group tax position, including losses. Candidates were able to write the conditions which must be met in order group relief to be obtained but were generally unable to compute the group tax position.

Question 3

This is a 20 mark question and tested the basic knowledge of candidates in relation to capital gains tax.

Part (a) was answered satisfactorily by all candidates, demonstrating the ability to compute the capital gains tax payable on the sale of shares.

Part (b) examined the definition of the term person under the capital gains tax law and was attempted satisfactorily.

Part (c) examined the condition which must be met in order the principal dwelling house and agricultural land exemptions to apply were also attempted satisfactorily.

Question 4

This is a 15 mark question and examined the submission of Income Tax returns.

The overall performance was average.

Part (a) of this question examined the circumstances in which returns of income must be submitted. This part was attempted satisfactorily.

Part (b) was asking the submission dates for these returns of income.

The performance in this part was not satisfactory since students ignore the issue that the accounts prepared by a sole trader with income of £40,000 must be audited.

Part (c) examined candidates knowledge on the methods by which returns of income may be submitted. The performance of all students attempting this part was satisfactory.

Question 5

This is a 10 mark question and tested candidates' knowledge on the taxation of dividend when there is an actual payment and when the deemed distribution provisions apply.

This question was attempted by all candidates but only a limited number of candidates managed to answer correctly. The majority of the candidates showed very poor knowledge of the subjects under examination.

In particular, candidates failed to understand the computation of Special Contribution for the Defence tax imposed on undistributed profit after the completion of the second year from the year in which they arise, and were not able to make the necessary adjustments on the accounting profit in order to arrive at the profit which is subject to Special Contribution for the Defence.