

# Examiners' report

F6 Taxation (CYP)  
December 2008

ACCA

The examination paper consisted of five (5) 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).

Candidates produced excellent answers for questions 1, 2 and 4.

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

Certain candidates are using only one side of the sheet. Questions divided in sections must be answered separately by section and not answered as a single part question so the marker can give appropriate credit.

## Question 1

This is a 30-mark question. 12 marks for the preparation of a capital statement for a self employed individual, 8 marks for computing the tax payable by the same self employed individual and 10 marks on the self assessment system of a self employed individual .

All three parts of the question were attempted well.

Part A tested candidate's ability to prepare a capital statement for a self employed individual and the answers prepared were satisfactory. Many students provided their answers for business goodwill as the total proceeds of 100,000 and not 50,000 since the question specified that 50,000 relates to the equipment sold. (See published answers)

Part B tested candidate's ability of computing the tax payable by a self employed individual. This section was also answered well. Most of the candidates computed correctly the balancing deduction but only few deducted it from the taxable income. (See published answers)

Part C examined candidate's knowledge on the self assessment system of a self employed individual. Also this part was satisfactory attempted by most of the candidates.

Certain candidates mentioned the Social Insurance obligations which were NOT required by the question.

## Question 2

This 25 mark question comprised of 7 marks on the utilisation of the group losses, 14 marks on computing the taxable income of a company and 4 on computing the capital gain on the sale of shares of a company owing immovable property.

Part A was very well attempted by all candidates. Students should avoid writing all group relief requirements as per section 13 of the Income Tax Law in their answers since no marks are awarded for these details.

Part B tested candidate's ability to compute the taxable income of a company after applying certain tax adjustments; this section was answered well.

Part C was also answered satisfactorily by the majority of the candidates.

There was confusion on the Indexation allowance since the paper did not provide the appropriate date, however, this was noted during the marking and full marks were awarded irrespective of the indexation allowance rate used.

**Question 3**

This question on the subject of Capital Gains Tax.

Part A for 15 marks was examining the concept of exchange of properties and was attempted satisfactorily by most of the candidates.

Part B for 5 marks was examining the tax considerations that should have been taken into account when deciding whether to sell or exchange a property. This part was attempted very poorly by the majority of the candidates.

**Question 4**

This was a 15 mark question which tested candidates ability to compute income and defence tax payable or refundable for a company having various sources of income such as dividends, royalties, interest and trading income from Cyprus and abroad.

Both parts were attempted very well.

**Question 5**

This was a 10 mark question on V.A.T.

Part A was well attempted

Part B was poorly attempted since a very limited number of candidates could correctly write the definition of a connected person when it relates to companies

Part C was well attempted.