



Examiner's report

F6 Taxation (CYP)
December 2009

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, with a lack of clear labelling to indicate which questions are being attempted.

Certain candidates did not tick the appropriate box in the cover page for each question attempted.

Specific Comments

Question One

This was a 30 mark question which tested candidates' ability to cope with the preparation of a capital statement of a self employed individual.

This question was well attempted by many candidates.

Common errors made by most of the candidates were the following:

- (i) The value of the bonus shares was added to the value of investments as at 31 December 2008.
- (ii) The business rent was treated as an expense.
- (iii) The majority of candidates calculated correctly the capital gain on the disposal of the plot which was included in the capital statement, but did not take into account the interest on the late payment of the capital gains tax.
- (iv) Only a few candidates deducted the correct amount of €200.000 for the capital disposal, while many deducted the proceeds of €300.000 or the taxable capital gain.

Question Two

This was a 25 mark question on corporation tax.

Part (a) for 15 marks tested candidates' ability to calculate the taxable profit/ (loss) of a company.

This part was answered satisfactorily. Only a few candidates treated the profit and loss from the permanent establishment correctly. Most candidates assumed that the profit and loss from the permanent establishment does not affect the taxable profit/loss in Cyprus, so the only adjustment made was to add the loss and deduct the profit.

Many candidates calculated the capital allowances claimed by Fredi Ltd and the unexhausted balance but they did not connect these to the calculations for the capital allowances claimed by Pulpo Ltd, and thus calculated capital allowances on the purchase price paid by Pulpo Ltd. Others considered that the cost of the shop building as at 1 January 2000 for Pulpo Ltd was the amount paid by Fredi Ltd to purchase the building.

Part (b) for 10 marks tested candidate's knowledge and practical application by computing the interest and penalties resulted from the non timely payment of taxes due by a company.

Many candidates answered this part satisfactorily up to the calculation of the 10% additional tax. Many did not apply the 5% additional tax altogether or on the correct amount. Also many candidates

did not apply the interest for late payment of tax and for 5% additional tax for the appropriate period of time, e.g. calculated interest from 31/12 of the following year.

Some candidates applied accounting principles to apportion the taxable income, which had, as a result, “tax years” that were more than 12 months long.

Question Three

This was a 20 mark question and tested candidates’ ability to calculate the taxable capital gains and tax payable for various disposals.

Overall this question was well answered.

However, there were some common errors. Some candidates did not treat the disposals individually but added the taxable capital gain of the three disposals. This wrong treatment was mentioned in examiner’s report for the June 2009 exam, where it was noted that disposal of immovable property in the context of the Capital Gains Tax Law exist on every one individual disposal and the tax obligations arise on every single disposal. Some candidates assumed that the unexhausted balance of the exemption for the primary dwelling house can be carried forward. Others did not allow for the whole amount of agriculture exemption but decreased it by the amount of lifetime exemption used for the disposal of the private residence.

Question Four

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

Part (a) for 12 marks tested candidates’ ability to describe the circumstances in which relief for bad debts may be given.

Candidates performance was not satisfactory this part. Most candidates were aware of the conditions that must be satisfied, but they displayed a lack of knowledge on the procedure by which relief is obtained.

Some candidates described the circumstances in which a trader may make a voluntary correction of an error, which was the VAT topic of June 2009 exam, gaining no marks.

Part (b) for 3 marks tested candidates’ ability to calculate the default surcharges and interest resulting from the late submission of a VAT return.

The performance of most candidates in this part was satisfactory, but certain candidates performed the wrong calculation on the interest.

Question Five

This was a 10 mark question tested candidate’s knowledge on certain provisions of the Assessment and Collection law and in particular

Part (a) for 3 marks tested candidates’ knowledge on the powers of the Director of the Inland Revenue in relation to stocktaking.

Many candidates did not give the appropriate answer and were confused, stating the powers of the director in relation to audit and the books of accounts.

Part (b) for 7 marks tested candidates’ knowledge on the powers of the Director of the Inland Revenue to require information on receipt of a notice of objection by a taxpayer.



Candidate's performance on this part was satisfactory. However, many candidates did not answer the requirement which was about the power of the Director to require information and instead spent their time discussing the taxpayer's rights as well as the provisions of articles 20A and 21 of the Assessment and Collection of Taxes Law.