



# Examiners' report

## P6 Advanced Taxation (IRL)

### June 2008

The examination consisted of 2 compulsory questions (Question 1 for 34 marks and Question 2 for 32 marks and two out of three further questions of 18 marks each) with an approximate 50:50 split requirement for computation and narrative respectively.

Most candidates attempted to answer four questions although there was some evidence of poor time management, particularly affecting Section A. Most candidates answered Section B first and did not allow themselves adequate time to provide a good response to Section A.

In general the performance of candidates was disappointing with a large number appearing to be unprepared for the examination.

The poor performance of many candidates was exacerbated by a failure to carefully read the content and requirements of questions. This contributed to the poor performance on narrative questions.

Workings were generally shown but were at times difficult to follow. Too many candidates display their answers poorly, with a lack of clear labelling to indicate which questions are being attempted.

#### **Question 1**

This 34-mark question tested candidates' ability to offer advice to a client in connection with planning for retirement.

In general this question was not well answered.

Common areas of error included:

- Not dealing with the computational aspects.
- Marginal relief for CGT purposes was ignored.
- Using an incorrect basis of assessment on cessation of trade/profession.

#### **Question 2**

This compulsory question required candidates to prepare a report on a proposed investment programme.

It was generally found that:

- Very few dealt with the possibility of applying Section 4A VAT Act 1972 in dealing with the VAT aspects.
- Many answers did not contain schedules or computations.

#### **Question 3**

This question was a computational one requiring candidates to prepare computations for a company and its shareholder.

This was by far the most popular question in Section B.

Many candidates obtained full marks for part (a) but had problems with parts (b) and (c).

Common areas of error in parts (b) and (c) included:

- Not showing the split of capital allowances between spouses.
- Having an incorrect amount of income taxable at the standard rate.
- Incorrectly calculating the PRSI liability or not attempting to calculate it at all.
- Not identifying the possibility of Mrs Smith taking additional income to utilise the standard rate band.

**Question 4**

This question tested the ability of candidates to offer advice to the directors of a company in relation to the issue of shares to an employee at a discount on market value.

It was the least popular question in Section B and those who did attempt it struggled with most of the question's requirements.

Few solutions made any reference to the value passing from the shares held by the existing shareholders. It would appear that this calculation had not been encountered previously.

No answer to part (b) dealt with the conditions attaching to the relief available under Section 479 TCA 1997.

**Question 5**

This question required calculations of income tax, capital gains tax and inheritance tax and was attempted by most candidates. However, in general the question was not well answered.

Areas of error were:

- Incorrectly calculating the BIK on the preferential loan.
- Not claiming a tax credit for the mortgage Interest.
- Ignoring the part disposal rule in the Capital Gains Tax computation.