



Examiner's report

F6 Taxation (IRL)

June 2009

General Comments

The examination consisted of five compulsory questions (Question 1 for 25 marks, Question 2 for 30 marks, Question 3 for 20 marks, Question 4 for 15 marks and Question 5 for 10 marks. Questions 1, 2, 3, and 5 were mainly computation and question 4 was narrative.

Almost all candidates attempted all five questions and managing time does not appear to have caused any problems.

Students appear to have been well prepared for the exam with many students scoring very well.

Workings were generally shown but were at times difficult to follow, particularly in the application of the loss in Question 2. Most candidates display their answers very well; however it should be remembered that it is very important to start each question on a new page and to keep the answers and workings for each question together ie not to add a part of question 1 six pages on after question 3.

Specific Comments

Question One

This 25-mark question tested candidates' ability to compute Case V rental income, and to prepare a general income tax computation for a single parent. The question was generally well answered, but I would like to draw your attention to the following:

Common errors in Part (a) included:

- An inability to calculate the taxable amount of the short term premium
- Incorrect calculation of the allowable interest for Property A and B
- Not realising that Property C was Case III and so the loss could only be relieved by carrying it forward against Case III income of future years

Common errors in Part (b) included:

- Calculating the Case 1 income assessable incorrectly
- Not calculating correctly the relief available for the retirement annuities
- Giving relief on medical expenses as non refundable tax credit rather than as a relief

Answered well in this question:

- Pre-trading expenses were identified and relief given
- Allowable rental expenses (other than interest)
- The capital allowances were dealt with well, with the adjustment for Value Added Tax (VAT) and the short time period being made
- Single parent tax credit being given

Overall question was answered well, although would like to see students distinguish between tax credits that are refundable and non refundable, as in practice this is important.

Question Two

This question was worth 30 marks, with Part (a) on the Case I adjusted corporation tax computation for a company and Part (b) dealing with loss relief within the company and then group loss relief.

Part (a) was straightforward and well answered although many students did not apply correctly, the new rules for the restriction of motor expenses.

Students should remember that Irish source dividend income received by an Irish resident company, referred to as franked investment income is not taxable.

Part (b) caused difficulty for students who having done their adjustments to calculate Case I income had computed a profit.

Most students dealt with the loss allocation satisfactorily. It was difficult to follow student workings in many instances and a loss memo (which was prepared by some students) would have been useful to all. In future where I examine losses I will require students to prepare a loss memo showing the order and amount of the loss relief.

Part (c) asking students to show the implications of late filing on loss relief was not well answered.

Question Three

This question was on Capital Gains Tax and worth 20 marks. Students had four different transactions to deal with and generally the question was well answered. Part (c) dealing with the compensation proceeds of the warehouse was the least well answered part of the question. Students did well with treating the wasting asset correctly. However quite a number of students did not apply marginal relief to transaction (4).

Students should ensure they know the rules regarding the allowability of capital losses for relief purposes and also that loss relief is given before the annual exemption.

Part (b) was satisfactorily answered and students should make sure they know the territoriality rules for gains or losses.

Question Four

This question focused VAT, for 15 marks. Part (a) was answered best of all parts. Many students made the mistake with part (b) of listing items on which VAT cannot be reclaimed due to legislation, the question asked for circumstances in which VAT paid could not be deducted and circumstances due to legislation form one item only. Also many students stated VAT charged by an exempt business, as an exempt business is exempt it could (or in any case, should) not have charged you VAT.

Part (c) was well answered but in some cases examples given by students did not support their narrative. Students should be careful of this as it begs the question does the student understand the concept they are explaining at all.

Question Five

This question sought to examine the basis of assessment and accounting periods for companies. Students who recognised this did well. However a large number of students applied the income tax commencement rules and where this happened they were generally unable to score few if any marks.