



Examiners' report

F6 Taxation (IRL)
December 2008

Introduction

This examination paper consisted of five compulsory questions. The first two questions carried 25 and 30 marks respectively, question three carried 20 marks, question four 15 marks while question five carried ten marks. Most candidates attempted all five questions and did not seem to have a problem with time management.

The overall performance in this paper was good. The standard of answering across all questions was satisfactory although there were specific areas of weakness within individual questions, these are addressed below. Most students scored well in question two while question five was either well or very poorly answered.

Performance of candidates could improve if they could:

- Familiarise themselves with all topics covered in the syllabus
- Lay out their workings in a more comprehensive manner

Question 1

- a) This question tested candidates' ability to calculate the tax assessable for a short lived business. While most students scored well very few recognised that the business was a short lived business and should have been taxed accordingly.
- b) I was disappointed generally with the application of the Benefit in Kind (BIK) rules, these were straight forward but yet many students did not know how to calculate the BIK on the car or loan. Tax credits were not particularly well dealt with either, with very few students getting the PAYE tax credit correct. It would be better if students identified non refundable tax credits and refundable tax credits separately as they would then be more likely to calculate a tax refund correctly.
- c) Not very well answered with students getting mixed up on the rules for loss relief under income tax and corporation tax.

Question 2

This question tested candidates' corporation tax computational abilities, in particular, capital allowances, add-backs for disallowed expenses, and treatment of a capital gain in a company.

The standard of the answers to this question was good, with capital allowances perhaps causing most problems. Very few students dealt with the add-back for the capital expenditure in sundry items correctly. Having disallowed this item as it was capital expenditure very few went on to calculate the wear and tear allowance on four of the sale systems. Balancing charge was also poorly answered.

- b) dates for payment of tax and filing of returns well answered.
- c) (i) Who should pay dividend withholding tax (DWT) was well answered.
(ii) Date of payment of DWT generally well answered.

Question 3

This question tested candidates' capital gains tax (CGT) computational abilities with respect to principal private residence (PPR) reliefs, share disposal and the disposal of an asset that had been used partly for business and private use.

- (i) Layout of the answers was poor but most students did manage to calculate the qualifying period of residence correctly.
Many students used the price paid for the house rather than the market value as there was a connected persons transaction.
Many students did not recognise the house extension could not be indexed due to the development gain on disposal of house.

- (ii) Very few students got this right; they did not give the correct explanation as to why there was no relief available on the loss incurred on the car.
- (iii) While most students recognized that FIFO rules applied to the disposal of shares very few actually calculated the correct cost of the shares disposed.

Question 4.

Answers to this question were satisfactory. Students recognised that the cash basis of accounting applied and calculated the VAT on sales correctly. The VAT on purchases was not well dealt with, many students did not recognise that part of the VAT on electricity and stationery would not be deductible due to the exempt nature of part of the business.

Not many students seemed aware that VAT incurred on hotel accommodation in connection with a “qualifying conference” is allowable.

- b) Conditions well answered.
- c) Due date of VAT return was well answered but the consequences of not making a VAT return was inadequately answered.

Question 5

This question was either well answered or poorly answered. Those who performed poorly in this question did so because they discussed the implications of being an employee or self-employed individual rather than identifying and discussing the factors that would be considered in determining whether an individual in an employee or self employed.