



Examiner's report

F6 Taxation (IRL)
December 2009

General Comments

Candidates performed well at this sitting. In general candidates laid out their answers well and referenced their answers well to workings. Answers were well structured. There was evidence that candidates had prepared themselves for the exam.

The paper at December was slightly different from previous papers in that Question 1, the income tax questions carried 30 marks, for the past few sittings this has been 25 marks. Candidates appeared to be comfortable with the material examined in this question. Question 2, the corporation tax questions carried 25 marks, Candidates were more comfortable with part (a) than other parts of this question. Question 3 the capital gains tax question was similar to previous sittings and this time candidates seemed more comfortable in dealing with share disposal. Question 4 was a value added tax (VAT) question for 15 marks, and the standard of answer varied. Question 5 for 10 marks was perhaps the least well answered question on the paper.

- Candidates displayed good exam technique, with answers laid out well and there was no sign of candidates in general being under time pressure.
- The structured layout of the paper appears to allow candidates to study the different taxes examinable and to prepare well for the paper.

Specific Comments

Question One

- (a) This part of the question sought to examine the ascertainment of Case II income for a partnership, with two partners on the current year basis and a new partner being assessed on a commencement basis. Candidates performed very well, dealing with the apportionment of profits between partners and then applying the relevant basis of assessment.
- (b) Here I wished to examine the calculation of capital allowances. There was the annual wear and tear calculation as well as a balancing allowance on the disposal of an asset. In general the answers were good but a common mistake was that candidates did not recognise the sales proceeds as being zero, having been told that the software had been scrapped.
- (c) This part of the question dealt with the assessment of a married couple using joint assessment. One spouse had Case II income while the other had Schedule E income. The question included income from investment as well as earned sources. The spouse with the Schedule E income received benefits in kind that had to be assessed.

This part of the questions was reasonably well answered, sources of income were correctly included, with the exception of Commission, where commission received was often included instead of commission earned. With benefit in kind (BIK) on the car many failed to recognise that while high mileage relief was not available the "alternative relief" was, due to the hours worked away from the office. The pension paid by Kate's employer should have been included as BIK and then relief was available on the combined contribution having checked that the pension relief would not be restricted. Errors were commonly made on relief available for third level fees, some candidates not realising that there was an upper limit on the relief. Rent relief was also incorrectly granted by a large number of candidates.

It would be better if candidates analysed tax credits as between Non Refundable and Refundable.

Question Two

Part (a) of the question where the Case I adjusted income had to be calculated was generally well answered, with candidates dealing well with the addbacks and the deductions required. In fact the only two adjustments generally that caused problems were (i) the deduction necessary due to the pension prepaid and (ii) the restriction of the motor expenses lease charge.

In calculating capital allowances many failed to recognise the B category car costing less than €24,000 could be included in the calculation of capital allowances with a deemed qualifying cost of €24,000. The balancing allowance on the car disposed of during the year was reasonably well answered with candidates restricting the sales proceeds and realising that the tax written down value would be calculated using a restricted cost of the car of €22,000 as the car had been bought in June 2003.

(b) This part of the question sought to test the student on the most favourable way to take relief for a non trade charge, and also how to relieve a trade charge. While many candidates offset the trade charge correctly they also tended to ignore the non trade charge. Very few candidates recognised that you would have to have deducted income tax at the standard rate on the patent.

(c) The aim of this part was to see if candidates realised that you could only offset a capital loss against a capital gains in the current year and that any unrelieved loss would have to be carried forward. This part was not well answered.

(d) Sought to test how non trade charges are relieved in general, not just for this company. This part was frequently not attempted.

Question Three

(a) This question sought to examine the basic principles of capital gains tax dealing with (i) a loss where the proceeds were less than €2,540, (ii) a no gain/no loss type transaction, (iii) wasting chattel disposal by an individual, (iv) identifying the base cost of an asset acquired by gift and (v) share identification and disposal.

This part of the question was well answered with some showing that they understood the basic principles. There was evidence that share identification is being handled well, although it is important to remember that where shares are being disposed of from more than one lot of shares that you will have to carry out your calculations with separate lot disposal calculations.

(b) This part asked candidates to define the term specified asset, which is an important term as individuals not resident or domiciled in Ireland will have to pay Irish CGT where a gain arises on the disposal of such an asset. Many candidates did not manage to pick up the marks available here.

Question Four

(a) Here I intended to test a candidate's knowledge of deductible VAT. Many candidates performed well but many others failed to give explanations of the treatment they applied.

(b) Some candidates had no problem in discussing and applying the multiple supply and the composite supply rule, although there was evidence that others were unable to explain the difference and while

they may know an example of each, quoted by many candidates, they failed to apply it correctly in the question.

(c) Almost all candidates scored the three marks here by knowing the details that needed to be included on a valid VAT invoice.

Question Five

- (a) Sought to examine the basis on which preliminary tax is calculated and generally was well answered.
- (b) Many candidates were unsure of when a penalty for late filing of in income tax return applied and how that penalty was calculated. They were mixed up as to when interest was charged.
- (c) Similar to (b) above, some candidates were not very clear on the implications of late payment of income tax.