



Examiners' report

F6 Taxation (MWI)

December 2008

Excellent answers were expressed this session in good English. However a majority of the students fared badly, resulting in poor overall performance. Candidates who fared badly showed a lack of knowledge of the subject matter. Others lacked understanding of the concepts and principles tested.

The examination 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).

Most candidates attempted all five questions. Questions 4 and 5 or parts thereof were most frequently omitted among candidates who did not attempt all five questions.

Candidates are reminded that they must follow the requirements of questions. For example, in Question 1(a), candidates were required to present their tax computation in two columns. Some candidates presented their answers in four columns, thus did not gain many marks.

Candidates were also required to show workings to gain further marks.

Candidates are required to state the years of assessment when computing capital allowances, agriculture allowances and charges. Without such indications markers would not be able to ascertain the correct answers. It is the candidates' responsibility to show evidence of his/her knowledge and understanding of the subject examined in order to gain marks.

Question 1

This 30-mark question tested candidates' understanding of the concept of joint assessment and the ability to prepare a tax computation of individuals.

In this question candidates had difficulty in identifying which spouse was the taxpayer when one spouse made an election. The spouse who made the election would not be the taxpayer because in making the election, he/she chose to have his/her income aggregated with the income of the other spouse. Many candidates treated the spouse who made the election as the taxpayer.

Another difficulty was aggregating spouses' income at the wrong stage. For example, many candidates aggregated spouses' salaries and deducted travelling expenses and donations against the combined salaries of spouses. Such difficulties demonstrated a lack of understanding of the concept of joint assessment.

Candidates fared better in personal reliefs where such reliefs also apply to separate assessment.

Common errors included:

- restricting the amount of the travelling expenses to the travelling allowance
- failing to restrict the donations to 7% of the aggregate income of the husband
- giving personal relief in respect of medical expenses of the spouse's parent where the spouse was not the taxpayer
- restricting the personal relief in respect of basic supporting equipment to the spouse who incurred the expense.

In part (b) most candidates failed to give satisfactory explanations on items which contributed to tax savings.

A few candidates scored almost full marks for this question. On the whole, performance was satisfactory among those who achieved a pass.

Question 2

This 25-mark question required candidates to show his/her knowledge and skill in preparing tax computation of a company and the ability to explain the tax treatment accorded to certain items in the tax computation.

Common errors found in tax computation (part (a)) included:

- failing to calculate the correct amount of the approved schemes restricted for tax
- deduction in respect of entertainment allowance. Most candidates did not pick up full marks.
- failing to show workings for royalty
- failing to deduct bad debt recovery
- omitting to state the years of assessment when computing capital allowances for van

Common errors in explaining the tax treatment accorded in the tax computation part (b) included:

- treating Beauty Sdn Bhd scheme as unapproved scheme despite the fact that it was clearly stated in the question that it was an approved scheme
- inadequate explanations on the restriction imposed on entertainment allowance
- unaware that office renovations carried out for the purposes of providing a safe workplace for disabled workers was specifically allowed as deduction. The frequent answer was giving double deduction to this item.
- computing capital allowances for lease rentals

This was the best answered question for many centres.

Question 3

This question was a test on agriculture allowance, agriculture charge and capital allowance. The entire question focused on computation. Candidates could easily have achieved high marks in this question. Surprisingly most candidates did not achieve this.. A large number seemed to be unprepared for this question. In answering this question many candidates did not deduct replanting expenses in the tax computation. A number omitted to show the rates and years of assessment which are part of the workings.

Most candidates failed to pick up marks for part (c) which required them to compute agriculture charge.

Generally most answers were unsatisfactory.

Question 4

In this 15-mark question two issues were examined, namely, payment of income tax and penalty, and employee's choice of option for purposes of minimising tax payable.

Part (a) (i) gave a scenario where a taxpayer had three sources of income. Candidates were required to explain the tax compliance provisions pertaining to methods of payment of tax. Most candidates gave irrelevant answers focusing on different classes of income to be assessed.

In part (a) (ii) candidates were given a scenario where a taxpayer who possessed two sources of income had requested for a variation of instalments. The test was to compute the penalty arising from such request. Candidates failed to isolate the employment source when comparing the tax payable against the tax instalments amount requested by the taxpayer.

In part (b) the common omission was the failure to mention the effect of s.13(1)(a) on living accommodation under s. 13(1)(c).

Most candidates managed to gain good marks in part (b). However, the question as a whole did not pick up many marks.

Question 5

This question comprised two parts. Part (a) was a test on sales tax where candidates were required to show the particulars in the sales tax return Form CJP No. 1. Candidates who were not up to date in the tax law had difficulties in scoring a pass. The majority of the candidates were not aware of amended provisions.

Part (b) was a test on service tax where candidates were required to identify the amounts of service tax (where the invoice was partly paid by the client) and the due dates of payment of service tax to the Customs Department. This was followed by the requirement to compute the amount of the service tax which the taxable person could recover from the Customs Department in respect of bad debt. A majority of the candidates could compute the service tax payable for the entire taxable service but could not identify the amount of service tax in respect of the unpaid sum. Most candidates were not aware of the formula to apply in computing bad debt recovery.