



# Examiner's report

## F6 Taxation (MYS)

June 2011

### General Comments

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. The most well answered question was question 4. All other questions were poorly answered.

The overall performance was not satisfactory though well prepared students performed well throughout the paper. A good understanding of fundamental tax principles seems to be lacking. For standard computational questions, candidates had difficulty in explaining why expenses are specifically deductible or not deductible. Standard memorised phrases as "it is not in the production of income" or "it is not deductible" were offered as explanations for deductibility in every case. For a better performance, a study of the suggested answers on the ACCA website is recommended.

A better understanding of tax principles on all topics in the syllabus is also recommended.

### Specific Comments

#### Question One

This 30 mark question was designed to test candidates understanding of deductibility principles. The areas of difficulty were as follows:

##### Part (a)

Instructions to the question stated to begin with profit before tax and show treatment of items in the notes 1 to 7. Many candidates did not understand the instructions and listed all the expenses in the profit and loss account. This should not be done, and would waste valuable time.

##### Part (b)

This section required a brief explanation of the tax treatment of each of the items in note 1 to 7 that were already treated as deductible or non deductible in the computation in part (a)

Candidates offered inappropriate explanations such as "it is not in the production of income" or "it is not deductible". Clear understanding of the underlying principles must be demonstrated in the explanations of the treatment of each specific expense. A study of the suggested answers to ACCA's past year questions is recommended to improve performance.

##### Part (c)

Following through with part (a) and (b), part (c) asked which tests candidates would apply in determining if the expense is capital or revenue in nature.

Most candidates did not know the tests and in their confusion applied the principles of the "badges of trade".

#### Question Two

The question was a test of the understanding of employment income and the scope of its taxability. It was also designed to test personal reliefs. An article comprehensively covering personal reliefs was published in the October 2010 issue of the Student Accountant magazine. This article would be a beneficial guide to all candidates pursuing the F6 (MYS) paper.

The main areas of difficulty were as follows:

Part (a)

Candidates had difficulty ascertaining if consultancy fee for work done overseas by an individual employee, for his employer, is taxable as employment income. They were uncertain on the basis of determining if it was employment income.

Part (b)

Here candidates had to ascertain the basis for claiming personal reliefs in a variety of situations. Candidates seemed to lack knowledge on specific requirements that must be fulfilled to claim spouse and child reliefs. They were also unclear as to how the rates of relief on EPF, insurance and deferred annuities coordinated.

**Question Three**

The main areas where candidates had difficulty were as follows:

Part (a)

The question was to test candidates knowledge on the scope of taxability of employment income from employment exercised outside of Malaysia.

Responses were either accurately given or confused with residence.

Part (b)

Most candidates stated that the income earned in the scenario presented was business income but did not apply the principles of “badges of trade” which is fundamental in determining if an income is business income or not.

**Question Four**

This question was set to test an understanding of the costs to be included in arriving at the acquisition and disposal price for RPGT. Most candidates did well in this question. However most candidates did not pick up marks on how and when the tax liability was to be paid in section (c), which was worth 2 marks.

**Question Five**

Part (a)(i)

This question asked candidates to determine “sale” for sales tax purposes. Many candidates’ responses were not satisfactory and gave answers determining when “sales tax” will be imposed.

Part (a)(ii)

This question tested the requirements for licensing and exemptions.

All candidates knew that there were exemptions but were not certain of the details. Well prepared candidates were precise in their answers.

Part (b)

This section required a computation of sales tax. Most candidates had difficulty identifying the costs that should be taken into account for the computation.