

# Examiner's report

F6 Taxation (POL)

June 2011



## General Comments

Many candidates did not have problems with achieving a pass rate showing good preparation and proper exam technique. Although time pressure was observed, candidates who practised a lot of examination standard questions prior to sitting the examination had no difficulties in scoring well. Practising was especially key for candidates who attempted the F6 exam as their first paper in ACCA.

## Specific Comments

### Question One

In part (a) candidates were required to calculate tax losses available for offset against taxable income in 2010. In part (b) candidates were required to compute taxable income or loss for the year ended 31 December 2010. In part (c) candidates had to explain high excess payment on account of CIT during 2010 and how a refund could have been obtained. Then in Part (d) candidates had to state the conditions which are needed for alternative method of payments of CIT in 2011 and continuation of this method in 2012.

This question was generally well answered, especially parts (a) and (b). In part (a), the main problems related to proper treatment of donation reliefs. There were no major problems with part (b) and there were many very good answers. In part (c), seasonality of tax profits was the main reason for excess advance payments of CIT, tax losses are part of calculation of CIT advances. Candidates should not assume that the accountant made errors. In part (d), while calculating monthly CIT payment using the alternative method, many candidates took the 2009 tax profit from part (a) of the question text instead of from their own answer, meaning without correcting it by losses from previous years and donation relief. A few candidates forgot to multiply 1/12 of taxable income by 19% to arrive to CIT monthly payments.

### Question Two

In part (a) candidates were required to compute total advances of ZUS, HSC and PIT from Romek's business activity. In part (b) candidates were required to compute total ZUS, HSC and PIT deducted from Romek's salary. Part (c) required candidates to compute final PIT payable/repayable in Romek's final tax declaration for 2010. Part (d) required candidates to advise Romek how he could minimise PIT advances in 2011.

This question was answered reasonably well; although a few candidates wasted time calculating PIT on a monthly/quarterly basis instead of calculating PIT for the whole period under question at once. In part (a), the most difficult part was the calculation of PIT on stock remaining on deregistration. Many candidates, although applying the proper 10% flat tax rate, calculated income to revenue ratio without taking into consideration revenue and profit on the fixed asset disposal. Part (b) was generally well answered, however a few candidates allowed for PLN 556.02 reduction, which in this scenario could not be granted as Romek had other income in the year. Part (c) was well answered by candidates who were familiar with joint taxation with child scheme. In part (d), many candidates mentioned correctly that Romek should inform his employer that he qualifies for treatment as a single parent but only a few stated additionally that this declaration can be lodged with his employer at any time and that the child must not have any income.

### Question Three

In part (a) candidates were required to calculate input and output VAT for November 2010. Then in part (b) candidates were required to state conditions needed to recover VAT on an outstanding receivable.

This question was generally not well answered, especially part (b). In part (a), the most difficult position was related with VAT on leased asset (item 6). Proper VAT treatment was to present input VAT of 22% on the value of the asset leased in November 2010 and no VAT on the lease payments. Treatment of small samples to the public (no VAT) and gifts to staff (output VAT of 22% as not related to business) was sometimes mixed up with each other. Part (b) was rarely attempted and a few candidates presented the conditions needed to treat the bad

debt cost as allowable for CIT purposes instead of conditions needed to recover VAT on an outstanding receivable.

#### **Question Four**

In part (a) candidates were required to compute Polish PIT liability for 2010. In part (b) candidates were required to explain how the computation from part (a) would differ if Poland have a double tax treaty with Bermuda. Then in part (c) candidates were required to state if Agata could deduct costs of the Lublin visit.

This question was reasonably well answered. In part (a), the most difficult part was to calculate the credit for Bermudan tax. Although there is no double tax treaty between Poland and Bermuda, credit for Bermudan tax was still available as actual tax withheld ( $20,000 \text{ PLN} \times 10\%$ ) restricted to the proportion of Polish tax on Bermudan income. Part (b) was rarely attempted. In the case of a double tax treaty between Poland and Bermuda, exclusion of foreign income with cumulation method would be applied. Part (c) was generally well answered, and there were easy marks to get.

#### **Question Five**

In part (a) candidates were required to (i) state how a related company is defined for the purpose of thin capitalisation rules, and (ii) compute disallowed interest on a long-term loan in 2010. Then in Part (b), candidates had to explain what is meant by country or territory applying harmful tax competition and what is required in respect of documentation. In part (c) candidates were required to (i) provide three examples of connected companies, and (ii) two arguments for the tax office to justify low margins earned in respect of the goods bought from its foreign connected company.

This question was reasonably well answered, but not as well as expected given its straightforward nature. Part (a) (i) was often mixed with part (c) (i) – related companies for thin capitalisation rules are defined differently to connected companies for transfer pricing purposes. In part (a) (ii) candidates often calculated the level of loan for which interest is allowed for tax purposes properly, but there were some difficulties in calculation of the disallowed interest. The answer to part (b) was rather simple and candidates showed a good understanding how to handle with tax havens. Candidates had no problems with gaining full marks from part (c) (ii) showing good examples of low margin justification for tax office.