

Examiner's report

F6 Taxation (VNM)

December 2010

The ACCA logo is a black square with the letters "ACCA" in white, bold, sans-serif font.

General Comments

The exam consisted of five compulsory questions:

- Question 1 for 30 marks about Corporate Income Tax ("CIT")
- Question 2 for 25 marks about Personal Income Tax ("PIT")
- Question 3 for 20 marks about Foreign Contractor Tax ("FCT")
- Question 4 for 15 marks about Value Added Tax ("VAT")
- Question 5 for 10 marks about tax administration

The computational portion accounted for about 60% of the total marks.

Poor time management was a critical issue in this sitting. Many students could not attempt all 5 questions because they focused too much time on giving explanations for their treatments in Question 1, Question 2 and Question 4. A few candidates only completed some questions, and did not even try the others although it appeared that they still had time.

Workings were shown pretty clearly, but many candidates wasted their time giving unnecessary explanations which were not required. Many candidates provided correct answers, but crossed out and tried again, which costs them valuable time in the exam.

Credit was still given for all answers that are not in line with the standard answer, if the answer shows that the candidate has sufficient knowledge of the topic discussed.

Specific Comments

Question One

This question was generally well answered. Most adjustments were correctly made, especially traditional items such as depreciation for let-free equipment, expenses without invoices / vouchers, golf cards, fines etc.

Many candidates were still confused between adjustments for the tax return and preparation of financial statements. They started with the given Income Statement, made various adjustments to each category to derive at the profit before tax. It is not wrong, but it is not what was expected and it showed that the candidates did not pay attention to the answers in past year questions. Full credit was still awarded to these answers, but candidates should note that this approach is more difficult to follow when marking.

Some candidates answered in the form of an essay, explaining treatments for each item, which was unnecessary, time consuming and confusing.

Some candidates provided a comparison between "With" and "Without" Circular 177 for foreign exchange differences, which was not necessary because there is no difference between these approaches.

The most common mistakes were:

- Deductible depreciation for the car was not capped
- Performance bonuses not stated in labour contract treated as deductible
- Advertising and Promotion expenses exceed the 10% cap
- Accrued interest expenses are not deductible (Circular 130 only disallow accrued expenses which are not paid when due. In practice accrued interest expenses are still deductible)

Some other noted issues include:

- Some candidates tried to calculate the disposal gain / loss, which was not necessary because it was clearly stated that the disposal was correctly accounted for in Le Tran's book.
- Many candidates correctly recorded an adjustment for debt collection fee, but incorrectly adjusted for the net proceeds.

Marks were awarded to candidates who provided even simple workings or logical explanations for Advertising & Promotion expenses.

In general, very few candidates got full marks for this question, but the majority did well.

Question Two

Similar to Question 1, many candidates found this question convenient to answer. Although many answers failed to properly present the information in Part (a), performance on this question was fairly good.

For part (a), although the question requested that the calculation should list all items of income mentioned, many candidates only listed taxable employment income, and put 0 for non-taxable income. It would be much better if candidates provided a table with a taxable column and a non-taxable column.

Common mistake in this part include:

- Salary was multiplied by 12 months
- Life insurance premium treated as non-taxable
- Income in Singapore was not grossed up for Singapore tax
- Remittance from parent treated as taxable
- Interest on deposit was not calculated on the balance in her account

In part (b), many candidates still used the "table" approach for calculating PIT. Again, there is nothing wrong with it, except that it costs them precious exam time, while they can easily use the formula provided in the exam as a short-cut.

Most candidates failed to correctly account for the tax credit on tax paid in Singapore.

Question Three

Part (b) of this question was the most challenging part of the exam, and students appeared to struggle with it, as it had the most disappointing performance. No candidates got full marks for this part, and there are only few candidates who performed well in this part. It indicates that candidates did not prepare themselves well for the Hybrid method, despite that it is a "hot" topic in this year for FCT, and that Circular 197 about this method was clearly included in the regulations to be examined.

Many candidates grossed up both VAT and CIT of SMC and TLC in calculating taxable revenue, despite it being clearly stipulated in the question that the price was exclusive of VAT and inclusive of CIT. Also, for the hybrid method, no "grossing up" of VAT should be required for both SMC and TLC.

In opposite, Part (a) was very well answered.

Question Four

Given the unclear situation of the VAT rates under applicable regulations in the exam (cut-off date is in 2009 vs. the applicable regulations for 2010), both tax rates of 5% and 10% were accepted for all items which were neither exempt nor zero-rated.

Despite this, many candidates still failed to correctly account for:

- Invoices for cash payment over VND20 million
- Invoices declared more than 6 months after being issued
- Cap of input VAT for the car
- Grossing-up for input VAT of foreign contractor
- Zero-rating for sales to Export Processing Enterprises



In part (b), some candidates did not understand the requirements for apportionment of input VAT between taxable and exempt items this was intentionally stated in the question.

Question Five

In principle, candidates who had good time management skills and attempted this question provided fairly proper answers. It was not difficult and almost half of the question could be answered from common sense if candidates did not remember or know the regulations.

Part (b), accounted for only 3 marks, and was an award to candidates who have practical knowledge of the deadline for submission of tax return. It is the common practice known by almost all accountants, without any knowledge of the tax administration rule.