



Examiner's report

F6 Taxation (CYP)

December 2011

General Comments

The examination paper 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.

Overall the performance on this paper was good, with many candidates showing a good level of understanding of syllabus subjects. The majority of candidates presented their answers in a professional manner, using clearly referenced workings, labelled to show the different parts to which they related.

It continues to be important for candidates to practise writing well presented, concise answers, using clear handwriting, and that are relevant to the questions asked.

Candidates are reminded to read the question paper carefully, including the tax rates and allowances section, so as to pick up all important information and be able to answer the question set.

Question 1

Part (a) examined the payment of SDC tax. This part was well answered by most candidates. Some candidates treated the 2009 director fees which were deposited into a Cyprus bank account as subject to SDC, although Ms Yana was not a Cyprus tax resident during 2009.

Part (b) asked candidates to calculate the social insurance obligations of the employer and the employee. Candidates found this part challenging, and are reminded to refer to the tax rates and allowances section of the paper where useful information is given to them, for example the limit to the maximum annual insurable income of employees.

Part (c) required candidates to calculate the taxpayer's personal income tax liability. Candidates displayed good knowledge in calculating the income tax payable by an individual. A number of candidates misinterpreted the €20,000 fee Yana received as a non-executive director where the fee for the tax year 2010 was given in the question and did not need to be apportioned for the six months she held the post.

Question 2

This question examined the tax payable by a limited company. Very good answers were prepared by many candidates, who demonstrated good knowledge of the subjects under examination and of the adjustments required in order to arrive at the correct figure for the tax payable. It was also pleasing to see that candidates were well prepared to calculate the capital allowances correctly.

Question 3

Part (a) required candidates to prepare the balancing statement for the disposal of a building. A number of candidates are to be congratulated for answering this part of the question well. A common mistake made when preparing the balancing statement was for candidates to forget to remove the value of land and to use the selling price where the cost of €600,000 ($500,000 - 100,000 + 200,000$) was required.

Part (b) asked candidates to calculate the company's capital gains tax payment. This part was generally answered well. A number of candidates deducted the general lifetime exemption from the capital gain when the allowance is only available to individuals. A small number of candidates computed the capital gains tax payable on the sale of the building when this computation (unlike the balancing statement) did need to include the value of land.

Part (c) tested candidates' knowledge of the expenses that can be deducted in determining the capital gains tax liability. Most candidates knew that the commission paid on the sale of immovable property is allowed only if



paid to a licensed estate agent, and a few candidates are to be congratulated for knowing that loan interest can be deducted if no income or corporation tax deduction has been made.

Question 4

Part (a) examined the administrative aspects of VAT invoicing. Candidates found this theoretical part difficult to answer well.

Part (b) tested the VAT and penalties payable by a VAT registered trader. Candidates performed well on this practical part. A number of candidates answered the question assuming that the monthly sales figures excluded VAT although the question stated the VAT inclusive figures.

Question 5

Part (a) asked candidates to explain the difference between tax evasion and tax avoidance. Many candidates demonstrated that they were aware of both terms and the distinction between them.

Part (b) tested candidates' knowledge of the procedure to follow when a taxpayer does not agree with a final determination assessment issued by the Director of the Inland Revenue, and was well answered. The common mistake was to describe the procedure of the objection to the assessment prior to the final assessment.