

# Examiner's report

F6 Taxation (SGP)

December 2011

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## General Comments

The examination consisted of five compulsory questions (Question 1 for 30 marks, Question 2 for 25 marks and three other questions for 15 marks each). Approximately 70 percent of the marks were awarded for computational skills and the remaining 30 percent of the marks were awarded for written questions.

The time allotted for this paper appears sufficient as the majority of candidates were able to attempt all of the 5 questions. A handful left of candidates left out either the entire Question 4 or certain parts of it blank.

Candidates were generally more confident in dealing with the computational questions than the discursive-type questions. Hence, they were able to do well in the calculations for Questions 1, 2 and 3 as well as Question 5(a). On the other hand, many missed out on earning valuable points as they were not able to apply correctly the tax concepts tested in Questions 2(b), 4 and 5(b). Their strengths in coping with computational questions enabled many candidates to register marginal passes.

The overall performance was satisfactory.

## Specific Comments

### Question One

This question was divided into two parts. Question 1(a) for 27 marks, tested candidates on the taxability of income, deductibility of expenses and claim for capital allowances on fixed assets. Most candidates scored reasonably well by identifying the common tax adjustments and calculating correctly the capital allowances. The weaker candidates missed out on earning marks when they did not compute correctly the medical cap, the balancing charge for the sale of the industrial building; or wrongly adjusted expenses that are tax deductible (e.g. legal fees for trade matters, tax advisor fees for compliance work, hire purchase interest for the van and guarantee fees).

Quite a few candidates struggled with Question 1(b), which carried 3 marks. Instead of listing 3 common options for the company in the event that they cannot fully utilise the enhanced deduction or allowance under the Productivity and Innovation Credit (PIC) scheme, some listed the qualifying PIC activities instead.

All candidates attempted this question and the majority achieved valuable marks.

### Question Two

This was also a largely computational question and was divided into two parts. Question 2(a) for 18 marks, required candidates to calculate the taxable income for a couple and also the personal reliefs that could be claimed. Unlike Question 1(a), many did not do as well. Common mistakes made in the calculation of the taxable income included the wrong tax treatment of the performance bonus, omission of the car benefit and wrong apportionment of partnership income for the wife. Working mother child relief, earned income relief as well as foreign maid levy relief were wrongly attributed to the wife, when she had no earned income. Donations of computers are also not claimable by individual donors. Collectively, many valuable marks were not accumulated for this part of the question.

Part (b), which was worth 7 marks, was only well attempted by very few candidates when they correctly applied the application of the six badges of trade to the facts of the question. The majority either totally omitted the discussion of the six badges of trade or provided only brief answers without reference to the facts of the question.

### **Question Three**

This question for 15 marks had two independent parts.

Part (a), which carried 6 marks, tested candidates on the correct order of claim for utilisation of prior year loss items. Many got the order completely or substantially right. Only a handful of candidates were not aware of the correct order of the claim.

Part (b) carried 9 marks and candidates were expected to know the conditions for claiming group relief and the correct order of claim for group relief. There were a number of candidates who stated erroneously that companies must be tax resident and carry on the same trade before group relief can be claimed. As in part (a), some candidates were not aware of the order of claim for group relief, while others wrongly claimed group relief for prior years' loss items when strictly only current year loss items may be eligible for group relief.

Overall, results were good for this question.

### **Question Four**

This 15 mark question was divided into two parts, one part testing the withholding tax concepts and the other part on the topic of voluntary disclosure.

For part (a), which carried 9 marks, many candidates failed to describe clearly the circumstances that trigger withholding tax obligations and did not account for the withholding tax payable on a "re-grossed basis". Quite a number confused the withholding tax penalties with the general penalties for late payment of tax assessed.

For part (b), which carried 6 marks, only some candidates managed to display their good understanding of the tax principles and rules governing the concept of voluntary disclosure, whilst the majority answered this part out of context.

Overall, results were not satisfactory for this question.

### **Question Five**

This 15 mark question on goods and services tax (GST) was divided into three parts.

Part (a), which carried 9 marks, tested students on the correct GST treatment for the various GST taxable supplies. This did not pose a problem for almost all candidates who managed to score high marks.

Part (b) also registered good results as candidates were awarded marks regardless of whether they stated the new or old GST rules for time of supply. On the application part of this question, mixed results were registered as many did not identify the correct time of supply for both scenarios, especially the first one.

Overall, results were good for this question.