

RELEVANT TO ACCA QUALIFICATION PAPER P6 (IRL)

Examiner's approach to P6 (IRL)

The aim of Paper P6 (IRL), *Advanced Taxation* is to ensure that candidates can provide clients with the information that they require regarding the impact that the major Irish taxes may have on their financial decisions and situations.

This paper builds on the knowledge and skills acquired at the Paper F6 level, and introduces new taxes such as capital acquisitions tax and VAT on property. It is essential that candidates have a good working knowledge of the taxes examined at Paper F6 prior to sitting Paper P6. Previous examiners have noted that many students sitting Paper P6 do not have this knowledge. However, with Paper P6, the emphasis will be on the practical application of tax rules to client scenarios rather than simply stating the rules.

Candidates will be expected to be able to identify issues and questions may require candidates to address 'the tax consequences' of a given situation without indicating which particular taxes to consider. It will be up to candidates to identify the relevant taxes and the issues in respect of these taxes before beginning their answers.

Candidates will also be expected to identify standard tax planning measures in order to minimise and/or defer tax liabilities. Not all tax planning involves complicated structures and plans. The student should also be thoroughly familiar with the basic 'bread and butter' tax planning measures such as maximising the use of tax bands, and adequate pension planning. Sometimes changing the timing of a transaction can have a big effect on the tax payable.

In preparing for the exam, candidates should practise a range of basic questions in the individual tax areas prior to attempting the more complicated past examination questions which involve a combination of taxes.

THE STRUCTURE OF THE PAPER

From December 2012, the paper will have the following format:

Section A is compulsory and consists of:

- Question 1 (35 marks). This question will address a number of different taxes and is likely to require a report, letter, memorandum or meeting notes as part of the answer. Four professional marks are awarded to students who demonstrate that they have planned their answers in order to provide logical, coherent advice, using terminology appropriate to the end-user and who have prepared the documents requested in the correct format with the appropriate introductory and concluding paragraphs.

EXAMINER'S APPROACH

OCTOBER 2012

- Question 2 (25 marks). This question will obviously be shorter than Question 1, but will also address a number of different taxes. Candidates will not be required to write reports or letters and there are no professional marks available in Question 2 or in the remainder of the paper.

Section B contains three questions of 20 marks each and candidates will be required to answer two of these questions only. These questions will contain concise, structured information, including sub-headings to make them easier to assimilate and navigate. This will enable students to read them quickly when deciding which two to answer. Questions in section B will mainly be focused on one taxation area.

Candidates' approach in the exam

The new format of the paper (whereby each question has a predetermined number of marks) allows the student to calculate the time to be spent on each question in advance of the exam. Careful time management will be important, particularly in Section A.

The level of detail to be given in the answer is often suggested by the verb used in the question (eg explain, outline) and should reflect the marks available for that part of the question. Where a question includes a number of sub-requirements, it is important that candidates address all of the requirements rather than just a few in great detail.

It is important that candidates think before they start to write an answer in order to identify the relevant issues and calculations necessary, to support their advice. In addition, they should consider whether the necessary calculations can be carried out in a particularly efficient way. For example, in many cases a client will be a higher rate taxpayer regardless of the strategy chosen. Depending on the requirements of the question either the marginal rate of income tax or a combined marginal rate of tax (to include income tax, PRSI and universal social charge (USC)) can be used, without the need to prepare full income tax computations. This is what would happen in practice.

The pilot question

The pilot question is a 'Question 1' type question for 35 marks can be found at www.accaglobal.com/content/dam/acca/global/PDF-students/acca/p6/exampapers/IRL/p6-irl-pilot-paper.pdf

A client is disposing of his business. Prior to the disposal an accounting problem has been identified which resulted in an underpayment of tax for prior years. The following points are relevant:

- A thorough knowledge of both the revenue audit legislation and its practical application is required here. Candidates are required to identify

EXAMINER'S APPROACH

OCTOBER 2012

the category of tax default taking account of the materiality of the underpayment, to apply the appropriate reductions in relation to the voluntary disclosure and cooperation and to calculate the expected penalties payable.

- In this case, there is only one tax underpaid (corporation tax), and this simplifies the calculations. In many revenue audit scenarios, where a problem is identified it results in underpayments of more than one tax.
- At this level candidates will not be required to prepare detailed daily calculations regarding the late payment of tax. In addition candidates are not required to remember the table of rates for tax-geared penalties. This table is given at the end of the question.
- The new Revenue Audit Code of Practice 2010 was the subject of a [technical article](#) written by Louise Langan in *Student Accountant* in October 2011.

The remainder of the question mainly involves calculating the various tax consequences of two options:

- (i) the sale of the shares in the business and
- (ii) the sale of assets (followed by a liquidation)

and recommending the better option. It would be expected that students who have practised the computational techniques associated with the above and have a good working knowledge of CGT and stamp duty, would score well here.

This pilot question contains a high proportion of calculation marks (63% of this question), whereas it is normal for Paper P6 exams to include around 35–40% computational marks. While the pilot question may be more computational, this does not mean that the overall balance of the paper will change. Future questions could have this many numerical marks, but could also be mainly discursive.

Recommended text

An extensive study text and practice and revision kit is currently being finalised by BPP Professional Education. I recommend the use of these manuals and understand that the study text will be available in time for students preparing for the December 2012 session. The revision kit for December 2012 will not be updated in time to contain any of my recommendations.

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