

Think Ahead 

# F6 (CZE) Taxation

August 2017

## Agenda

- Examiner's approach to F6 (CZE)
- F6 (CZE) syllabus
- The exam format
- Examinable legislation
- Section A - MCQs
- Learning materials
- Preparation for the exam
- Feedback on past exams
- Questions

Hello!

The aim of this presentation is to give you an overview of the main things that will help you prepare candidates for success at F6 (CZE).

The presentation will begin with an overview of my approach to F6 (CZE) and the F6 Taxation (CZE) syllabus. I will then move on to recapping the current exam format which has been in place since the December 2015 sitting. We will then go on to discuss in more detail the examinable legislation in light of the new CIT and VAT legislation valid from 1 July 2017 to make sure we are consistent with what is expected.

I will then go on to provide some examples from Section A of the June 2017 exam to provide guidance on how candidates should be preparing for multiple choice questions (MCQs), to illustrate how precise knowledge is required for candidates to be able to answer MCQs and also why question practice is so important.

This will lead into some discussion on how essential is to use up-to-date learning materials that contain relevant practice questions in the format of the real F6 (CZE) exam.

Lastly, I will speak about the typical areas where candidates struggle and also where they perform well based on my experience of candidate performance in the F6 Taxation (CZE) exam in June 2017. I will also provide useful tips on how to prepare effectively for the exams.

There will then be an opportunity for those in attendance to ask questions. However, should you feel the need to ask a specific question during the presentation, please do not hesitate to ask.

## Examiner's approach to F6 (CZE)

Place within ACCA Qualification	Aim of F6 (CZE)
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Fundamentals Knowledge	To develop knowledge and skills relating to the tax system of the Czech Republic as applicable to individuals and companies.
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Fundamentals Skills
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• F6 (CZE)
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Professional Essentials
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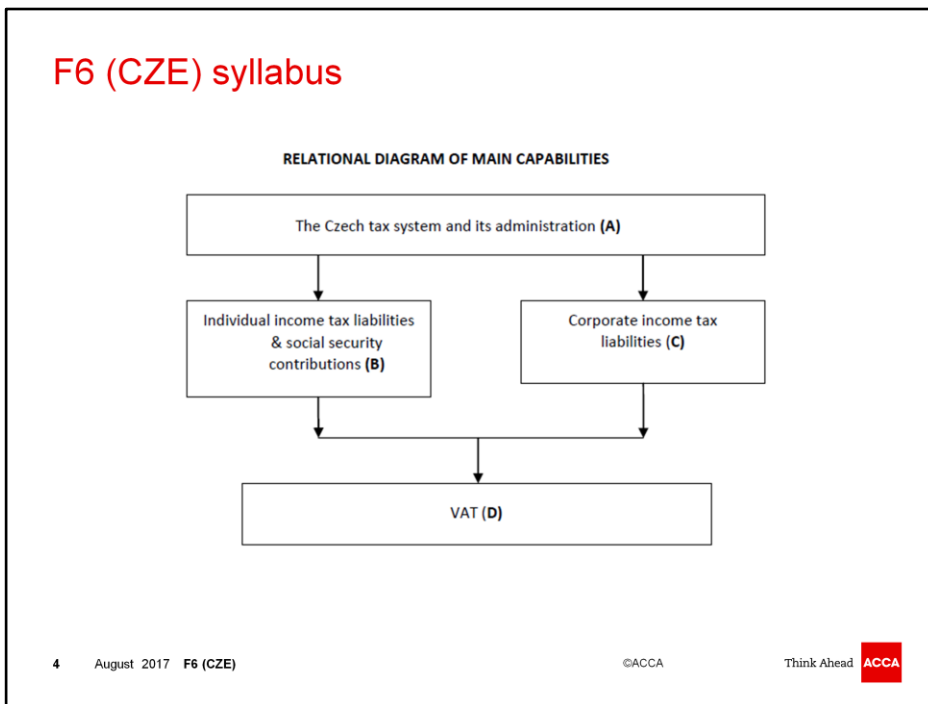
Professional Options
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F6 (CZE) is part of the Skills module subjects of the Fundamentals level of the ACCA Qualification.

Skills module subjects comprehensively cover the main technical areas that any accountant, regardless of their future career aspirations, is expected to have mastered. The level of tax knowledge expected by the paper is that of a professional accountant who must necessarily understand the financial impact that tax will have on a business. Thus, candidates are expected to possess a solid knowledge of the major technical areas that affect individuals and companies, such as income tax on employment, self-employment and investments; the corporate income tax liability of companies; the social security and health care contributions of both employed and self-employed persons; and the value added tax (VAT) liabilities of businesses.

After having studied the syllabus, candidates should be able to calculate tax liabilities and explain the basis of their calculations as well as apply tax planning techniques and identify compliance issues.

## F6 (CZE) syllabus



The above image gives an overview of the taxes covered by the F6 Taxation (CZE) syllabus in a diagrammatical format.

The December 2017 and June 2018 syllabus and study guide for F6 Taxation (CZE) and also the 2017 tax rates and allowances tables for F6 Taxation (CZE) are published on the ACCA global website at the following link:

<http://www.accaglobal.com/uk/en/student/exam-support-resources/fundamentals-exams-study-resources/f6/syllabus-study-guide/f6-syllabus-study-guide-czech-republic-cze.html>

Syllabus area A requires candidates to explain the operation and scope of the Czech tax system and the obligations of taxpayers and/or their agents and the implications of non-compliance.

Syllabus area B requires candidates to explain and compute the income tax liabilities of individuals and to also explain and compute the effect of social security and healthcare contributions on employees, employers and the self-employed.

Syllabus area C requires candidates to explain and compute the corporate income tax liabilities of companies.

Syllabus area D requires candidates to explain and compute the effects of value added tax on incorporated and unincorporated businesses.

## The exam format

- The paper will be predominantly computational
- All questions are compulsory
- Time available - 3 hours 15 minutes

The F6 Taxation (CZE) paper is predominantly computational. However, there still will be narrative elements in every paper where candidates will be required to state the tax rule, explain or discuss tax issues.

There is no longer reading requirement of 15 minutes time at the beginning of the exam. ACCA has removed the restriction relating to reading and planning time, so that while the time considered necessary to complete these exams remains at 3 hours and 15 minutes, candidates may use the 15 minutes as they choose. Once the exam has started, candidates may start writing in their answer books. The total time available is 3 hours and 15 minutes.

## The exam format

- No changes to exam format in December 2017/June 2018

### Section A

- 15 multiple choice questions (MCQ) of 2 marks each

### Section B

- 4 x 10 mark questions
- 2 x 15 mark questions
  - The two 15 mark questions will focus on personal income tax and corporate income tax liabilities

Whilst the 2 x 15 mark questions will focus on personal income tax (syllabus area B) and corporate income tax (syllabus area C), the 15 multiple choice questions (MCQs) and the 4 x 10 mark questions may cover any areas of the syllabus.

## Examinable legislation – Cut off date

### CUT-OFF DATE:

31 May 2017  
for  
December 2017 & June  
2018 sittings

The June and December examinations will generally be based on legislation passed before the previous 31 May.

Laws passed **after** 31 May in a year shall **not** be examined in the following exam year.

New amendments to direct tax and VAT legislation effective from 1 July 2017 **will** be examinable.

Normally the cut-off day for examinable legislation is 31 May.

The December 2017 and June 2018 examination will be, however, based on the tax legislation and amendments to the tax Acts signed by the Czech president on 28 April 2017 and effective from 1 July 2017.

The December 2017 and June 2018 syllabus and study guide for F6 Taxation (CZE) are published on the ACCA global website at the following link:

<http://www.accaglobal.com/uk/en/student/exam-support-resources/fundamentals-exams-study-resources/f6/syllabus-study-guide/f6-syllabus-study-guide-czech-republic-cze.html>

## Examinable legislation – Tax rates and allowances

### CUT-OFF DATE:

31 May 2017  
for  
December 2017 & June  
2018 sittings

Tax rates and allowances published on the ACCA global website once a year.

Candidates should always apply the tax rates given in the examinable documents (at the front of each exam paper).

The tax rates and allowances tables provide details of the tax rates which candidates should use in a given exam year (e.g. December 2017 – March 2018). This same information will be produced at the front of each exam paper.

When available, the tax rates and allowances, which should be used in the exam, are published on the ACCA global website once a year. The 2017-2018 tax rates and allowances table for F6 (CZE) will be available on the ACCA website here:

<http://www.accaglobal.com/africa/en/student/exam-support-resources/fundamentals-exams-study-resources/f6/examinable-documents/czech.html#>

As this information will be produced at the front of each exam paper, candidates are advised to use these when practising questions, so as to ensure they are familiar with the information. As noted above, these tax rates and allowances should always be used in answering questions in the exam.



## Section A – Multiple choice questions (MCQs)

- 4 possible answers
- Only 1 answer is correct
- Each MCQ is worth 2 marks
- No negative marking for wrong answers
- Marking is all or nothing - no partial marks

### Note:

-All distracter answers are plausible and contain an element that “makes sense”

-The MCQs should be treated as mini-questions rather than as test questions to be memorised

Useful article on the ACCA global website:

**MULTIPLE-CHOICE QUESTIONS IN PAPER-BASED EXAMS**

-MCQ answering techniques

- this is recommended reading

MCQs should be taken seriously by candidates as they can be a challenging form of question type.

Unlike the rest of the exam, there can be no partial credit – either a candidate selects the correct answer to be awarded the 2 marks or doesn't.

In addition, the 3 incorrect “distracter” answers will all be plausible answers. Therefore, candidates' knowledge must be precise to be certain of arriving at the 1 correct answer for each MCQ.

There is a useful article on the ACCA global website at the following link:  
<http://www.accaglobal.com/gb/en/student/acca-qual-student-journey/qual-resource/acca-qualification/f4/technical-articles/mcq-dec14.html>

This gives candidates important information on answering multiple choice questions, so you should encourage them to read it.

## Examples from the June 2017 exam – Q1

BVI Aircrafts, Ltd (BVIAL), which has its seat in the British Virgin Islands (BVI), provided aircraft navigation software to Airport, s.r.o., which is seated in the Czech Republic. On 19 July 2016, BVIAL charged to Airport, s.r.o. licence fees of CZK 1,460,000. The BVI does not have any internationally recognised agreement on the exchange of information in the area of taxes as defined in the Czech tax legislation, nor is there a double tax treaty between the BVI and the Czech Republic.

**Which of the following statements correctly describes the Czech tax position of BVI Aircrafts, Ltd (BVIAL) with respect to the licence fees?**

- A** Airport, s.r.o. will pay BVIAL gross licence fees of CZK 1,460,000. BVIAL will be responsible for paying withholding tax of 35% of the licence fees received to the Czech tax authority
- B** BVIAL will need to register for corporate income tax in the Czech Republic and pay tax of 19% on the licence fees, Airport, s.r.o. will be guarantor of submission of the tax return and of the tax liability paid by BVIAL
- C** BVIAL will not pay any tax on the licence fees in the Czech Republic. BVIAL will pay tax on the licence fee in the British Virgin Islands, which will then refund the tax paid to the Czech tax authority
- D** Airport, s.r.o. will deduct withholding tax at 35% from the licence fees and pay the tax withheld to the Czech tax authority. BVIAL will receive net licence fees of CZK 949,000 from Airport, s.r.o.

This was MCQ 12 from the June 2017 exam, which was generally answered well in the real exam. It follows the format of all of the F6 MCQs. There are four possible answers, of which only one is correct. I have selected this MCQ to demonstrate the logic of tax principles applicable, to show how distracters might work and also to demonstrate how the question sentence is structured.

As well as computational questions in section A, MCQs can be narrative as well, as can be seen here.

## Examples from the June 2017 exam – Q1

### CORRECT ANSWER – OPTION D

Licence fees paid by a Czech tax resident company to a corporate non-resident are subject to withholding tax of 35% unless there is an internationally recognised agreement on the exchange of information in the area of taxes as defined in the Czech tax legislation, or there is double tax treaty between the country of residence of the recipient and the Czech Republic. The obligation to withhold the tax and to pay it to the tax authority is with the Czech tax resident company paying over the licence fees.

Candidates must be able to apply knowledge correctly to the question information in order to arrive at the correct answer.

## Examples from the June 2017 exam – Q1

### Distracter A:

The withheld tax will be paid to the tax authority by the Czech tax non-resident corporation, the recipient of the licence fees, which is incorrect.

### Distracter B:

The Czech tax non-resident corporation, the recipient of the licence fees will need to register for Czech corporate tax, which is incorrect. Airport, s.r.o. will be guarantor of the tax return submission and paid tax, which is also incorrect.

### Distracter C:

The Czech tax non-resident corporation, the recipient of the licence fees will tax the licence fees sourced in the Czech Republic within its corporate income tax in the country of its tax residency, which is incorrect as the licence fees were sourced in the Czech Republic.

The distracters are based on the wrong application of the principles, so candidates must be aware of the correct treatment of licence fees and related WHT implications.

Some candidates put a wrong rule as stated in distracter A and also distracter C. This is important to acquire the correct tax knowledge of the licence fees rules when paid to the non-tax treaty country. Students should be aware of the international taxation principles within the F6 syllabus as this is frequently examined area.

## Examples from the June 2017 exam – Q2

Lesa, v.o.s. is a partnership of two partners, Mr Janský who has a 30% share and company Koudala, s.r.o. which has a 70% share. Koudala, s.r.o. is 100% owned by Mr Koudala. The partners have agreed to share profits or losses according to their shares. In 2016 Lesa, v.o.s. reported a loss of CZK 84,000.

**Which of the following statements correctly describes the tax position of Lesa, v.o.s.'s two partners?**

- A** Mr Janský will include a loss of CZK 42,000 in his 2016 personal income tax return and deduct it against his business income. Mr Koudala will include a loss of CZK 42,000 in his 2016 personal income tax return and deduct it against his business income
- B** Mr Janský will include a loss of CZK 42,000 in his 2016 personal income tax return and deduct it against his business income. Koudala, s.r.o. will include a loss of CZK 42,000 in its 2016 corporate income tax return
- C** Mr Janský will include a loss of CZK 25,200 in his 2016 personal income tax return and deduct it against his business income. Koudala, s.r.o. will include a loss of CZK 58,800 in its 2016 corporate income tax return
- D** Mr Janský will include a loss of CZK 25,200 in his 2016 personal income tax return and deduct it against his business income. Mr Koudala will include a loss of CZK 58,800 in his 2016 personal income tax return and deduct it against his business income

My second example from June 2017 is an MCQ on partnership and its profit/loss sharing principles.

Like all the MCQs in the F6 Taxation (CZE) exam, this MCQ is worth 2 marks. Candidates must select the correct answer from 4 options.

MCQs can be narrative as well, as can be seen here.

## Examples from the June 2017 exam – Q2

### CORRECT ANSWER – OPTION C

Unlimited partnerships (v.o.s.) do not submit corporate income tax returns. Each partner includes their part of the tax loss in their business income. If the partner is a corporation such as Koudala, s.r.o., the attributable part of the tax loss is included in its corporate income tax base. If agreed the tax loss/tax profit is shared as agreed, otherwise equally.

## Examples from the June 2017 exam – Q2

### Distracter A:

The tax loss has been incorrectly divided equally and the part of the Koudala, s.r.o. tax loss has been attributed to Mr Koudala who is the shareholder individual at Koudala, s.r.o. which is incorrect.

### Distracter B:

The tax loss has been incorrectly divided equally. As the partners agreed the split of the share they must follow the share split agreed.

### Distracter D:

The tax loss part will be incorrectly allocated to Mr Koudala as individual which is incorrect.

This MCQ shows how more complex tax rules can be examined within the MCQs. It is essential that students understand the basic principles of taxation of partnerships and also the rules of tax loss split as well as the individual/legal entity that is subject to taxation.

In practicing MCQs it is essential that students should predominantly focus on acquiring the knowledge of the tax rules and principles which is then easier for them to correctly apply within the MCQs. Only student with deep and detailed tax knowledge can pick up the correct answers as the destructors include slight modification of the basic ruled, however are incorrect.

This particular question despite its complexity was quite well answered which shows candidates were well prepared in this area which was pleased to see.

## Learning materials

- ACCA does not have approved material for F6 Taxation (CZE)
- It is recommended that tuition providers prepare study materials that can be used by candidates

### **From December 2015:**

- Change in format from previous exam sittings
- Adapting past exam questions: past exam questions can be converted into new style questions.

It is recommended that tuition providers prepare study materials that can be used by candidates for both the taught phase of their studies (covering the core knowledge required for the exam) and the revision phase of their studies (including exam-standard questions in the style and format that was presented to them).

It is also recommended besides study text and revision kits to study also valid Czech tax legislation.



## Preparation for the exam

- It is important that candidates have sufficient time to prepare for the F6 Taxation (CZE) exam – both in terms of time to learn the new knowledge and time to practice questions
- The message should be enforced that attendance at a tuition course is not enough to pass the exam – question practice and revision at home is vital!



Candidates that attend courses at tuition providers certainly have the advantage of covering the material from expert tutors. It is not enough, though, to participate on a course like that. Self-study and regular practice of questions are of key importance.

Candidates should be reminded that, in order to be successful in the exam, study and question practice at home will be necessary!

## Feedback on past exams

### Key weaknesses/areas for improvement

- Not reading the question requirement carefully and therefore providing irrelevant answers
- Illegible handwriting and poor layout of answers
- Lack of technical knowledge on certain areas
- Not planning their answers
- Writing general statements with no application to the scenario

### Typical areas of strength

- Good knowledge of the core areas of personal and corporate income tax.

### Typical areas where candidates struggle:


- Not reading the question requirement carefully and therefore providing irrelevant answers – candidates should answer the question set and not the question they would like to see. Sometimes candidates write down everything they know about a given tax examined – this is clearly not required and will not lead to marks where it is not relevant to the requirement.
- Illegible handwriting and poor layout of answers – every candidate should try to provide answers in a legible way. Also every working must be shown separately.
- Lack of technical knowledge on certain areas.
- Plan answer before actually starting to answer the question.
- Writing general statements with no application to the scenario.

### Typical areas where candidates perform well:

- Most of the time candidates perform well on the basic concepts of personal and corporate income tax as well.
- Tax depreciation calculation.
- Thin capitalisation rules application.
- Tax deductibility of costs.

### Weak areas:

- Value added tax concept, VAT expressions and their precise meaning.
- Missing implication of the tax knowledge to the question scenario. Statement of tax knowledge is not sufficient if not applied to the scenario.
- Not attempting all parts of the questions.
- Weak knowledge of tax deadlines in corporate and personal taxes, as well as in tax administration.
- Lack of knowledge in more complex tax deductible costs areas.
- Some aspects of international taxation.



Thank you  
Questions?

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Q – Could the cut-off date for F6 CZE be amended from 31 May annually to 1 January?

A – The cut-off date of 31 May for the exams in the December of that same year and the following June was selected for F6 CZE due to timing of legislation in Czech Republic, and this allows exams to examine to most relevant legislation. Any change to the cut-off date to examine June and December of the same year on the same legislation would mean that one of these sessions would be examining legislation that was already out of date in the real world.

Q – Why are the MCQ past questions not published?

A - Since December 2014, the F5-F9 exams have included a Multiple Choice Question (MCQ) section. ACCA policy is not to publish any MCQ sections, except after the first session of a new exam structure. This in line with what we do for exams with MCQ content at earlier levels of the qualification. This is why we published the past exams in full in December 2014, and why F6 was published in full after the June 2015 session.

However, as we had not communicated our policy clearly, and in response to the demand from students to see more examples of the MCQs, we have now decided to publish these June 2015 exams in full. We will then revert to our policy of publishing only section B. Since MCQs were introduced to F6 CZE in December 15, the MCQs were published for December 15 and June 16, but not since then, other than the 2 MCQs which get published in the examiner's report each session.