

Examiner's report

F6 (UK) Taxation

March 2017

The ACCA logo consists of the letters 'ACCA' in a bold, white, sans-serif font, centered within a solid black square.

Introduction

The performance at the March 2017 diet was good and there were some excellent individual performances.

General Comments

There were three sections to the examination paper and all of the questions were compulsory. Section A consisted of 15 multiple choice questions (two marks each) which covered a broad range of syllabus topics. Section B consisted of three 10-mark case questions (each comprising five two-mark multiple choice questions). Section C had one question worth 10 marks and two longer questions worth 15 marks, each testing the candidates' understanding and application of taxation in more depth. The following paragraphs report on each section and focus on some of the key learning points.

Specific Comments

It was very pleasing to see that once again almost all candidates attempted most of the questions. Candidates preparing for the next examination of F6 (UK) are advised to work through the specimen paper, past exam papers and sample questions discussed here and to carefully review how each of the correct answers were derived.

Section A

Section A questions aim to provide a broad coverage of the syllabus, and future candidates should aim to revise all areas of the F6 (UK) syllabus, rather than attempting to question spot. The following two questions are reviewed with the aim of giving future candidates an indication of the types of questions asked, guidance on dealing with exam questions and to provide a technical debrief on the topics covered by the specific questions selected.

Example 1

Daljit received a notice from HM Revenue and Customs (HMRC) to submit his self-assessment tax return for the tax year 2015-16. He did not submit the return by the due date.

What can HMRC do to collect any tax owing in respect of Daljit's unfiled return?

- A Start a compliance check enquiry into the return
- B Make a determination
- C Raise a discovery assessment
- D Offer an internal review

This question tested candidates' knowledge of how HMRC can make a determination of the amount of tax that a taxpayer is liable to. Perhaps not surprisingly, more than 40% of candidates opted for answer A – possibly because a compliance check was the most well-known of the options. However, the correct answer (a determination) was the second most popular choice.

Although this style of question can be answered very quickly, it does not mean that it doesn't warrant any thought. Realising that a compliance check by its very nature involves a submitted return, could have easily ruled this option out.

Example 2

Based on her income tax liability of £15,600 for the tax year 2014-15, Sarah was liable to make two payments on account for the tax year 2015-16 of £7,800 each.

In May 2016, Sarah made a claim to reduce her second payment on account to £6,000. This reduced payment was made on 30 September 2016.

Sarah's actual income tax liability for the tax year 2015-16 was £16,000, and she paid the full balance outstanding on 31 January 2017.

How much interest is payable by Sarah to HM Revenue and Customs (HMRC) in respect of her second payment on account for the tax year 2015-16?

- A £57
- B £39
- C £27
- D £30

This question tested candidates' ability to calculate late payment interest where an excessive claim has been made to reduce a payment on account. Answers were spread fairly evenly over the four choices, indicating that many candidates simply made an educated guess. Although not an easy question, taking a careful approach with amounts and dates would probably have achieved the correct answer. The most important point was the £6,000 payment on 30 September 2016, which was two months late. The final payment was made on time. Therefore, £7,800 was late for two months (31 July to 30 September 2016) and £1,800 (£7,800 - £6,000) was late for four months (1 October 2016 to 31 January 2017). The interest amounts at 3% are £39 and £18, making a total of £57.

An alternative working would have been £6,000 late for two months (£30) and £1,800 late for six months (£27).

This question demonstrates just how much care needs to be taken with dates when calculating interest payable on late tax payments.

Section C

Candidates were presented with questions drawn mainly from the areas of:

- Basic income tax computations
- Basic inheritance tax (IHT) computation with a planning aspect
- Basic capital gains tax (CGT) computation with a planning aspect
- Badges of trade
- Trading profit computation for a partnership

- Self-assessment balancing payment and payments on account
- Corporation tax for a large company
- Expenditure qualifying as plant and machinery
- Short-life asset election
- Property business income

Basic income tax computations

A lot of time could be saved if candidates appreciated when calculations can be done by working at the margin, rather than preparing full computations of the before and after position.

Basic IHT computation with a planning aspect

Remember that where the first spouse to die transfers their entire estate to the surviving spouse, then no IHT will be payable and the surviving spouse will be able to make use of the transferred nil rate band of £325,000.

Given this situation, no IHT saving is possible if the first spouse changes the terms of their will in order to utilise their nil rate band.

Basic CGT computation with a planning aspect

Care needs to be taken with rates of CGT, especially where the relevant information is provided in another section of the question.

Badges of trade

If the badges of trade are stated, then an answer should explain how the badges are applied – not what the wording means. With just a half-mark per badge, the answer should be just one sentence per badge.

Trading profit computation for a partnership

Remember that a loan is neither a deductible expense nor income – only the loan interest is relevant.

Capital allowances for motor cars owned and used by individual partners are claimed in the partnership's capital allowances computation.

Self-assessment balancing payment and payments on account

If the requirement says to ignore class 2 and class 4 national insurance contributions, then there is obviously no need to compute them – and no marks for doing so. The available marks should have been a good indication that no further calculations (apart from dividing the tax liability by two to get the payments on account figure) were required.

Corporation tax for a large company

Rather than just stating that instalments are quarterly, these should be calculated. Dividing the corporation tax figure by four should have been the easiest half-mark available on the examination.

Expenditure qualifying as plant and machinery

Where a requirement is to 'list', it means that neither explanations nor computations are required.

With this style of question, candidates should make it very clear whether an item qualifies or not – especially those items which do not qualify.

Short-life asset election

If the requirement asks for why making an election will be beneficial, candidates should not spend time explaining how the election itself works. The relevant points to make were:

- When an asset is disposed of for less than its tax written down value
- Within eight years of the accounting period in which it was purchased
- No benefit where the 100% annual investment allowance can be claimed

Property business income

When asked to calculate property business income, then taxable total profits are not relevant – although candidates were not penalised for including them.

Guidance and Learning Support resources to help be successful in the examination

Preparing for the F6 UK exam may appear daunting but there are many resources available to help you. You should refer to these throughout your studies.

You should make sure you have made use of all of the resources found under [technical articles](#) for F6 UK – these include technical articles, study support videos and exam technique resources – all developed with you in mind.

It is essential to practise as many exam standard questions as you can in the lead up to your exam. We strongly recommend that you use an up to date question and answer bank from one of our [Approved Content Providers](#) but if this is not possible then work through the most recent past exams on our website. However, please note if you are using the past exams that these are **not** updated for syllabus changes or changes to the exam format and so should be used with caution – so check the latest [syllabus and study guide](#) for changes.

It is essential that you have a good understanding of the verbs typically used in ACCA exam questions. Take a look at the article [What is the examiner asking?](#) which sets out some of the most commonly used verbs, and ensure that you understand how these are used in the F6 UK questions.

Work through the F6 UK resource *A guide to using the examiner's report* if you are sitting the exam for the first time or *A guide to reflection* if you are retaking your exam. Both of these interactive tools can be found under the [technical articles page](#) for F6 UK. These have been developed to sit alongside the self-study guide and the retake guide respectively, and provide you with further pointers for using the examiner's reports for previous sittings.