

Examiner's report

F6 Taxation (CYP)

June 2012



General Comments

The examinations consisted of five compulsory questions: question 1 for 25 marks, question 2 for 30 marks, question 3 for 20 marks, question 4 for 15 marks, and question 5 for 10 marks.

The vast majority of candidates attempted all five questions and there was no evidence of time pressure. Where questions were left unanswered that seemed to be due to a lack of knowledge.

Candidates performed particularly well on questions 2(a), 3 and 4(b), and found questions 1(b), 4(a) and 5 the most challenging.

The most successful candidates:

- read the question requirement clearly so as to provide relevant answers
- wrote the appropriate amount in response to the question set so as to have time to attempt all parts of each question

Question One

This 30mark question required the preparation of a capital statement and the description of certain amendments of the Collection and Assessment Law.

Part (a), for 17 marks tested candidates' knowledge on preparing a capital statement and was well answered. Candidates are reminded of the need to practise preparing these essential statements, where expenditure is added back to and declared income deducted from the capital increase for the period to derive the taxable income for the period.

Part (b), for 8 marks, required the description of certain amendments of the Collection and Assessment Law giving specific guidance as to which provisions of the Law should be described. These amendments are considered to be an enhancement to the prevention of tax avoidance and candidates need to be aware of them, so it is to be expected that changes to legislation of this type will be tested.

Question Two

This 30 mark question was based on a company, Paradisos Ltd, and tested candidates' knowledge in calculating the corporate income tax payable and the special defence contribution for deemed dividend distribution.

Part (a), for 23 marks, required the calculation of corporate income tax by making the necessary adjustments to the net profit in order to reach the corporate tax payable. This part was very well answered and candidates displayed a good understanding of how to calculate taxable income. Common mistakes were made with the treatment of goodwill, the interest restriction on the private saloon vehicle although there was no cost for Paradisos Ltd, and the set off of the loss from Ouranos Ltd.

Part (b), for 7 marks, required the calculation of the special defence contribution for deemed dividend distribution purposes. A few candidates did well to calculate correctly the profit subject to SDC deemed distribution. A relatively common mistake was to use the taxable profit in calculating the SDC due, when it is the accounting profit that is subject to SDC.

Question Three

This 20 mark question that required the calculation of capital gains tax payable was well answered. Candidates displayed a good understanding of how to calculate capital gains tax and indexation of costs.



A few candidates are to be congratulated for applying the correct amount of roll over relief when the indexed value of the property is less than the value with which it is exchanged, which was the case in part (iv), and for correctly allowing Alexandros half of the lifetime exemption of €85.430, and then allowing another €17.086 for the next disposal.

Question Four

This 15 mark question contained a theoretical and a practical question on VAT.

Part (a), for 5 marks, required a list of conditions that must be satisfied before input VAT will be recoverable. Most candidates were able to provide a number of relevant points.

Part (b), for 10 marks, tested the candidates' knowledge on the calculation of VAT payable and their answers were excellent.

Question Five

This 10 mark question required a description of the main features of the self assessment system as applicable to a self employed individual, with respect to temporary tax and final tax.

Part (a), for 7 marks tested candidates on the subject of temporary tax. Most candidates attempted the question, providing the dates that the three instalments of the temporary tax are due, and the strongest candidates went on to describe the procedure further.

Part (b), for 3 marks, required a description of the main features of the self assessment system with respect to final tax and the filing of the return. Although the requirement referred to the main features and offered just 3 marks, many candidates provided an unnecessarily extended answer.

Candidates are reminded of the need to know the due dates for the final tax payment and the filling of the return as applicable to a self employed individual with an obligation to prepare unaudited accounts.