

Examiner's report

F6 Taxation (IRL)

December 2012

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General Comments

The examination 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. Questions are mainly computational but questions/parts 2 (c) (i), 3(b), 4 and 5 (c) (ii) were theory – a total of 24 marks were awarded to these parts.

Almost all candidates attempted all five questions and managing time did not appear to have caused any problems.

Candidates appear to have been very well prepared for the exam, many students scored very well.

Workings were generally shown, but were sometimes difficult to follow. This tends to happen when a candidate shows a lot of calculations in their workings but no text description opposite the figures; in these situations a marker is often left unable to follow the candidates' logic. Most candidates display their answers very well; however it should be remembered that it is very important to start each question on a new page and to keep the answers and workings for each question together. Where a candidate returns to a question, be sure to indicate clearly on the sheet which question and part is being answered.

Question One

This was a 25-mark question.

- (a) This part of the question was very well answered, with a large proportion of students scoring full marks.
- (b) Again well answered. Mistakes often made were as follows:
 - a. increasing the 20% tax band by the amount of the Schedule F income,
 - b. Increasing the 20% tax band for a married person by the full amount possible of €23,800.
 - c. When calculating the Benefit in Kind on the car, having calculated 30% of the Original Market Value, students would then reduce this by 20%.
 - d. No restriction on the covenant to the taxpayers aged parent,
 - e. No increase in the tax due for the tax deducted on the covenant.

I would like the students to separate the tax credits into refundable and non-refundable tax credits, this is essential to the correct computation of Income tax, particularly in a refund situation.

- (c) The USC rates were correctly applied but often to the wrong income. In many scripts, due to lack of text, it was unclear what income was being included as liable to Universal Social Charge.

Question Two

This question was worth 30 marks.

(a) the Case I adjusted corporation tax computation was well answered. Some candidates making a mistake in using the formula for lease expense disallowed.

(b) The main errors made here were that students failed to deduct from rental income, the portion of the interest on the loan that was incurred to buy the building. Also credit was often not given for the Professional Services Withholding Tax (PSWT).

(c)(i) Not very well answered, students not well aware of the conditions necessary for the relief. (ii) This was reasonably well answered.

(d) For a losses question this was reasonably answered. It is important to follow the direction given in the question. This question had required the candidate to calculate the CT liability, claiming any reliefs as early as possible.

Question Three

This question was on Capital Gains Tax and worth 20 marks. This was perhaps the best answered question.

(a) Common mistakes made included:

- a. Failing to ignore the period of occupation for the PPR prior to 6 April 1974,
- b. Many did not realise that the sale proceeds figure to be used in part (3) should have been €2,540, the exemption limit for small chattels,

(b) Many candidates seem to think that Withholding tax legislation only applies to non-residents.

Question Four

This question was reasonably well answered, common mistakes were:

Mixing up the Multiple Supply rule and the Two Thirds rule.

A large number of students did not know the treatment for an exempt business making an Intra Community purchase in excess of €41,000.

Question Five

(a) Straightforward and well answered.

(b) Well answered.

(c) Mostly well answered, sometimes there was a mention of value basis and a 25% tax rate, showing that there is still a tendency for students to mix up Income tax and Corporation tax losses.