



Examiner's report

F6 Taxation (IRL)

June 2012

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 parts 2 (b), 3(a)(i), 4(a) and 5 (a) were theory – a total of 17 marks was 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 well prepared for the exam with many candidates scoring very well.

Workings were generally shown, but were at times, difficult to follow. Something I noticed this exam session was that some candidates would prepare an answer and the end of the exam when perhaps they had some spare time, they would prepare a second answer. It is imperative that a candidate chooses which solution they wish to have marked. 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 possible, which may mean leaving some space at the end of an answer if a candidate intends to return to it later.

Specific Comments

Question One

This was a 25-mark question.

(a)(i) Change of accounting date. Most candidates were able to compute the Case I income for 2010 but many had problems with 2011 and the revision to 2010. It is very important when asked to compute the Case I income for a tax year that the candidates state the tax year, e.g. 2010 and the corresponding Case I income that is taxable.

Candidates should realise that when asked to compute Case I income in Income tax that the income is before capital allowances. Many make life difficult for themselves by not knowing this.

Common errors in part (b) included:

- Not knowing that the NPPR is not an allowable deduction
- On property B many calculated the interest and insurance deductible incorrectly. It appears that perhaps candidates were aligning the rental income to the same year end as the trade. Candidates should realise that the basis of assessment for rental income is the tax year and that the accruals basis applies.

Part (c) was very well answered. I would prefer that candidates identify tax credits as being refundable or non-refundable, as I believe this to be an important distinction.

The rules changed for 2011 where relief is claimed on third level fees paid, many were not aware of the change.

Question Two

This question was worth 30 marks.

Part (a) on the Case I adjusted corporation tax computation was well answered. In particular the add-back for lease payments on cars was particularly well answered. In carrying out their adjustments, many candidates, in error, added back the amount of the royalty paid as against the amount that had previously been deducted as an expense.

Part (b) The theory here was answered poorly, with some candidates not attempting an answer at all. This area is new to the syllabus.

(c) Most candidates dealt with the loss allocation satisfactorily. It can be difficult to follow some candidates' workings, for this reason a loss memo (which was prepared by some candidates) is essential. All candidates should be prepared to complete one.

Question Three

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

(a) (i) Conditions for availing of Incorporation relief, at least three of these were reasonably well known.
(ii) Very well answered in most cases.

(b) I would say that share disposal where there are rights and bonus issues is very well known by candidates.

Question Four

(a) The answers here were generally poor. A sentence is all that was required for each benefit that is exempt from benefits in kind. Very often candidates only gave one word, this one word was not adequate in identifying the exempt benefit. Where some candidates noted an exemption they often failed to be specific, e.g. free staff meals, these are not exempt unless provided free to all staff. Also candidates should be aware that if required to identify five benefits that are exempt it is not satisfactory to give a variation of one benefit five times.

(b) This part on income tax losses was perhaps the most poorly answered question on the paper. Candidates should be aware that the rules for corporation tax losses and income tax losses are not identical. The question stated clearly that Brian Bailey was self-employed, yet many students used the corporation tax rates in preparing their answer.

Question Five

(a) This part on advising on the meaning of some VAT terms was straightforward and generally well answered. It is important that candidates' explanations be clear, so that their answers state what they need to state.

(b) This part on VAT computation was generally answered well, however many missed that the VAT on the diesel was not a valid VAT input and that only part of the electricity was an allowable VAT input. Candidates must always take care in reading the question as to whether the figures given in the question are VAT inclusive or exclusive.