

Examiner's report

F6 Taxation (IRL)

June 2013

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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 1 (a) (ii), 2(a) (i) and (ii), 2 (c) and (d) (ii), 3(b), 4 and 5 (a) were theory – a total of 31 marks was awarded to these parts.

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

Students appear to have been very well prepared for questions 1, 2 and 3 a(i) and b(i), many students scored very well here. Where students did not score well it was due to lack of preparation in what might be considered the marginal areas of the syllabus.

Workings were generally shown, but were sometimes difficult to follow. Many students failed to show where the income figure used for computing PRSI and USC was derived from. Most candidates display their answers 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.

Candidates who are sitting this exam, having previously studied tax, should be careful to familiarise themselves with recent changes to the legislation on tax rates and changes to payment dates.

Specific Comments

Question One

This was a 25-mark question.

- (a) (i) and (iii) were very well answered. Part (ii) was theory and computations were not necessary, this was generally not well answered.
- (b) (i) Again well answered. Mistakes often made were as follows:
 - a. Failing to gross up shares received in lieu of dividend,
 - b. Incorrectly calculating the correct amount of relief for loan interest on rented property. Some students also allowed this as a personal relief rather than a Case V expense
 - c. The amount liable to benefit in kind from exercising the share option was often stated as being liable to capital gains tax
 - d. Medical expenses included under reliefs instead of being treated as a tax credit
 - e. Relief for third level tuition fees incorrectly calculated

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.

- (ii) Some candidates had difficulty in determining the amount of income liable to PRSI and USC.

Question Two

This question was worth 30 marks.

- (a) (i) and (ii) were generally not well answered. Many candidates did not know the definition of a group for capital gains tax purposes.
- (b) the Case I adjusted corporation tax computation was well answered. The capital allowances were well answered, most students knew how to calculate the Industrial Buildings Allowance on a second hand

building. Perhaps the most common error was to further restrict the capital allowance on the car to its business use.

(c) Well answered, however some students gave the payment dates for an individual liable to self-assessment.

(d) (i) Reasonably answered and layout better than in the past. Where errors did happen it was mostly due to candidates either offsetting the trade loss against the development land gain or carrying the grouped loss incorrectly back to a prior year.

Question Three

This question was on Capital Gains Tax and worth 20 marks.

(a) (i) Well answered.

(ii) Many candidates failed to recognise that the development land gain would be liable to capital gains tax and not corporation tax, thus giving it a different due date. Also an annual exemption was given to the company by many students, again this is a personal exemption and only applies to an individual.

(b) (i) Not many candidates recognised that the market value should be used on a disposal to a connected person. Calculating the cost of shares was well answered.

(ii) Well answered, but a word of caution, the annual exemption is given prior to calculating the amount of capital gains tax and not vice versa.

Question Four

(a) This question was generally well answered. When not well answered, it appeared that students were almost guessing at the explanation of the terms, *residence* and *ordinarily resident*.

(b) (i) well answered

(ii) and c , were not well answered. Sometimes students miss out on marks by being loose in the language they use. It is important to make the point and to be specific.

Question Five

(a) Generally poorly answered, candidates did not seem to be aware of the annual scheme for accounting for VAT.

(b) Poorly answered, many candidates did not know how to deal with a self-supply, or a supply by a sub-contractor to a main contractor.