Examiner's report
F6 Taxation (IRL)
June 2014

General Comments
The examination consisted of five compulsory questions. Question 1 which examined income tax and local property tax for 30 marks; question 2 which examined corporation tax for 25 marks; question 3 which examined chargeable gains for 20 marks; question 4 which examined self-assessment obligations and relevant contracts tax for 15 marks; and question 5 which examined value added tax (VAT) for 10 marks.

The vast majority of candidates attempted all five questions, and there was little evidence of time pressure. Where questions were left unanswered by candidates, this appeared to be due to a lack of knowledge or poor exam technique, as opposed to time pressure. However most candidates laid out their solutions well and workings were referenced and could be followed.

Candidates performed particularly well on questions 1(a), 2(a), 2(d), 3(a), 4(c), 5(a) and 5(b). The questions candidates found most challenging were questions 1(b), 4(a)(ii) and 4(b). This was mainly due to candidates not answering the specific question asked and also a lack of sufficiently detailed technical knowledge.

A number of common issues arose in candidates' answers:

- Failing to read the question requirement clearly and therefore providing irrelevant answers which scored few, if any, marks.
- Messy workings that sprawled over many pages instead of concise answers.

Specific Comments

Question One
This was a 30 mark question of which 21 marks were based on computation and 9 marks were allocated for discussion/theory type answers.

Part (a) was very well-answered and cessation of trade appears to be a topic that candidates are able to deal with well.

Some of the answers to part (b) were less satisfactory. In general, candidates did not appear to know the rules on artists' exemption, or the relief available for qualifying investment in an EII. While most candidates knew that Brenda was entitled to relief for pension contributions at a 40% rate they were unable to calculate the net relevant earnings (NRE) figure.

In addition, many candidates struggled with the allocation of qualifying expenses to the different properties, taking into account pre- and post-letting expenses. The calculation of the rental income was dealt with competently with most candidates knowing the formula for calculating the amount of the premium liable to income tax.

The standard of answering to part (c) on local property tax varied, with some candidates demonstrating very specific knowledge whilst others had only a general idea. Many candidates failed to say how the rental apartments should be treated and few stated that the tax is self-assessed.

In part (d) candidates were required to state the specific obligations of an employer under the PAYE system. Here, many candidates did not know about registering as an employer, and, specifically, the duties of an employer in operating a PAYE system.

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Question Two

This 25-mark question was substantially computational, with 22 marks being awarded for computations, and only three marks available for theory/narrative.

Part (a) was generally adequately answered. However, many candidates missed out on marks by incorrectly calculating the additional deduction for car lease payments. Candidates should note that, with a company, there is no restriction on the amount of the motor expenses/depreciation or car lease payment allowable where a company car is used privately. The other most common mistake was in the calculation of the industrial building allowance (IBA). Where candidates used the correct qualifying cost for the IBA they often did not calculate the annual allowance using the remaining tax life of the building.

Part (b) was well answered although only a few candidates realised that some of the IBA would be offset here as an allowable expenses. Part (c)(i) was generally well answered but very few candidates were aware in part (ii) that the company would not be able to get start-up relief on the tax that arose from the rental income.

Part (d) was a corporate loss question and answers were, in the main, laid out well. As a result, many candidates achieved good marks.. The most common mistakes made by candidates were failing to answer the requirement as set in parts (i) and (ii). In addition, in part (i) the order of the relief was sometimes incorrect.

Most candidates knew that Irish dividend income is exempt from corporation tax when received by an Irish resident company.

Question Three

This 20-mark question was based on capital gains tax. Part (a) was reasonably well answered with candidates scoring most highly on transactions (1) and (4). The most common mistake in transaction (3) was that candidates often failed to replace the market value of the gift with €2,540.

Part (b) was reasonably well-answered. Candidates should realise that only individuals are entitled to claim an annual exemption from capital gains tax. Few candidates gave the correct payment dates for the tax arising due to the sale of the property.

Question Four

This 15-mark question was made up of a number of parts. All 15 marks were assigned to theory/narrative answers.

4(a)(i) was generally well-answered, but (ii) was not. This was because candidates failed to answer the question set, which was to advise Tim, based on Tim's circumstances as given in the scenario. Many candidates failed to advise Tim but rather just wrote generally about interest and penalties.

Part (b) was reasonably well- answered, although very few candidates mentioned how relevant contracts tax could be credited against other taxes owing rather than being refunded.

Part (c) was well answered by most candidates. Candidates demonstrated that they understood the difference between the terms "tax avoidance" and "tax evasion".

Question Five

This 10-mark question was based on value added tax (VAT). This was generally the question which received the most satisfactory answers in the paper. Where errors arose on this question, it was mainly due to the incorrect treatment of VAT on imports. In addition, some candidates made errors in the calculation of the deductibility of VAT on diesel and electricity.