

# Examiner's report

F6 Taxation (MYS)

December 2012

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## General Comments

The examination consisted of five compulsory questions for a total 100 marks. Question 1 was for 30 marks and question 2 was for 25 marks. Question 3 was for 20 marks and question 4 and 5 was for 15 marks and 10 marks respectively.

Most of the candidates performed well and many of them attempted all the questions.

Candidates performed well in questions 1, 2 and parts of 3. Their performance was satisfactory for questions parts of 3, 4 and 5.

Some points to note are:

- Candidates must read the question carefully so that they will be able to answer accordingly and gain marks
- Candidates must ensure that they know and use the correct format of the tax computation for income tax and real property gains tax, and are aware of technical descriptions and order of set-off
- Candidates must be able to apply the appropriate reliefs and deductions
- Candidates must be familiar with hire purchase and the restriction of treatment of non-commercial vehicles

## Specific Comments

### Question One

This 30-mark question tested the tax computation for a company, Peter Sdn Bhd.

Part (a) required a computation of statutory income. This part of this question was well answered by the majority of candidates. In part (b), candidates were asked to explain the notes to the questions and this area was average, however candidates must be careful to read the requirement carefully, as some candidates omitted notes 4 and 5.

Candidates continue to have problems on the tax treatment of items such as EPF and insurance policies. These areas have been examined in previous exams.

Some areas that the candidates found problematic were:

- Keyman Insurance premiums
- EPF (employees's provident fund) contributions.

Candidates must be aware that keyman insurance policy that has an investment element is not tax deductible. EPF contributions would also have to take into consideration the entertainment allowance which was disallowed.

Candidates had some difficulties in distinguishing capital or revenue expenses.

Other points to be taken into account are:

- Expense for the installation of smart toilets was to be disallowed since the expense was not approved by the Minister yet and therefore was not eligible for deduction.
- Advance payment was capital in nature and therefore was disallowed.

- Many candidates did not realise that the child care building was part of the statement of financial position and was not charged to the income statement.
- A number of candidates did not compute capital allowances for the child care building.
- Many candidates appear not to have read the question properly since it was stated that acquisition of proprietary rights was not reflected in the profit or loss before tax.

### Question Two

This was a 25-mark question. Part (a) of the question was on individual taxation where the requirement was to determine the statutory income.

Candidates must be aware of the reliefs and deductions and the correct format where such adjustments are required.

A few points to note would be:

- Quite a few candidates did not separate the employment income as it was separate sources.
- The candidates did not show that they had a good knowledge of the required format of a tax computation.
- Many candidates erroneously treated the dividend income and interest income as taxable income, where both were tax exempt.

Part (b) of the question was based on short-term employment income. Overall, the candidates performed well in this question.

### Question Three

This 20-mark question tested the calculation of capital allowances. Both parts (a) and (b) were only reasonably well done. This question was based on an article that was written, however, there were many who seemed unaware of this or did not read this.

Points to note were as follows:

- Candidates failed to identify that the four-wheel drive and the other 2 motor cars were non-commercial vehicles which were subject to a restriction of the amount of qualifying expenditure.
- Many candidates did not know the tax treatment of finance leases. Generally, they are available as a deduction in arriving at the adjusted income and not subject to capital allowance claim.

Candidates should read articles written by the examiner for reference.

### Question Four

Question 4 for 15-marks was on sales tax and drawbacks.

Part (a) of this question was satisfactorily done. Most candidates got the sales tax refund.

In part (b), the unpacking and cutting was to be excluded in arriving at the value for import duty and sales tax purposes.

Part (c) of the question was not well done and some candidates confused duty drawback with bad debts written off provisions.



#### **Question Five**

This question was for 10 marks on real property gains tax (RPGT). Candidates did not answer part (a) of the question well. Part (a) of the question was a part disposal and many did not apportion the acquisition and disposal values.

Some candidates adopted a profit and loss method to determine whether there was any gain.

Part (b) was well answered.

Generally, the candidates performed well in the exam.