

# Examiner's report

## F6 Taxation (MYS)

June 2012

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### General Comments

The examination consisted of five compulsory questions (Question 1 for 30 marks, Question 2 for 25 marks, Question 3 for 20 marks, Question 4 for 15 marks and Question 5 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 lack of knowledge or poor exam technique as opposed to time pressure.

Candidates performed well particularly on questions 1(a), 2 and 4. The questions candidates found most challenging were questions 1(b), 3 and 5. This was mainly due to candidates not understanding core syllabus areas well enough, a lack of technical knowledge and a failure to read question requirements carefully.

In an essentially computation based paper, clarity and precision of the principles, law and rules are fundamental requirements to good performance.

A number of common issues arose in candidate's answers:

- Failing to read the question requirement carefully and therefore providing irrelevant answers which scored few, if any, marks.
- Not learning lessons from earlier examiner's reports and hence making the same mistakes as in not stating "exempt" or showing a claim for double deduction in the right column.
- Providing more than required, or irrelevant information, in the answer.

### Specific Comments

#### Question One

This 30-mark question was based on a glass manufacturer who sold locally and also exported its products. Most candidates did well, although none scored full marks. A better understanding of deductibility rules is encouraged as it is a fundamental aspect of taxation and will enhance performance.

Candidates did not know the order of claim for donations and treated all in the same way.

Candidates had difficulty in determining deductibility of the provision for stock obsolescence and bad debts recovered or written off. Some candidates did not seem to know if the interest expenses were deductible or not.

Most candidates did not know the basis of taxing the local manufacturing company's income retained overseas. Some candidates did not understand the principles of scope of taxation and decided on taxability based on residence when information on this was not given.

#### Question Two

This 25-mark question examined the taxation of employment income. This question was generally well answered. Candidates who were well prepared answered with the precision required in this question.

Common mistakes where marks were lost were as follows:

- Candidates did not segregate the employment income into section 13(1)(a),(b)(c) etc. The section numbers themselves were not required, however the income should still have been segregated.
- The RM6,000 was not deducted from travelling allowance nor from petrol benefits
- Candidates were not aware of the formula for exempting the subsidised interest.
- Candidates combined all the donations and applied the restriction to 10% of aggregate income when the donations must be deducted in accordance with the hierarchy, which is provided in the law.

- Accommodation in hotel and house were treated in the same way and compared against defined value when this is not the case with the hotel.
- Candidates had difficulty in determining the child relief applicable in respect of each child.

### **Question Three**

This 20-mark question tested a fundamental aspect of tax which is the basis period for each year of assessment in a variety of situations following well established rules.

Candidates who studied this as part of the syllabus, performed very well.

Candidates who exercised selective studying of the syllabus fared poorly.

Some common mistakes were as follows:

- Candidates did not show the relevant year of assessment with the corresponding basis periods
- Candidates had difficulty explaining the reason for the basis periods in each of parts (b), (c) and (d)

### **Question Four**

This 15-mark question on Real Property Gains Tax tested the acquisition and disposal price and dates in a few circumstances.

Most candidates performed well.

A few common mistakes were as follows:

Assuming that the property was a gift to both the son and daughter

- Not knowing enough about no gain/no loss situations
- Uncertain as to how the date of disposal is determined in the absence of a written agreement.

### **Question Five**

This 10-mark question was a straightforward question to test the application of indirect taxes.

For part (a) on service tax, candidates had difficulty determining its application in a situation where the courier is licensed and when it is not and in doing so mixed up the answers. This could have been overcome if past year questions were studied while preparing for exams.

Parts (b) and (c) tested sales tax. Candidates had difficulty computing the tax that can be recovered in respect of a bad debt. When asked to state the circumstances when a debt is regarded as irrecoverable for sales tax purposes, candidates applied income tax provisions instead.