

Examiner's report

F6 Taxation (ZAF)

June 2012

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General Comments

The three hour examination consisted of five compulsory questions of 30 marks, 25 marks 20 marks, 15 marks and 10 marks respectively. The focus was on the broad application of the legislation in tax computations but there was also a reasonably significant discussion component.

In general, the performance was adequate in the individual tax question but disappointing in the other questions. There appear to be gaps in knowledge in these other areas for many candidates, and performance would be greatly improved if candidates could improve their knowledge and understanding of the core syllabus areas.

Specific Comments

Question One

This 30 mark question dealt with a typical tax calculation of an individual. The question was of a moderate level of difficulty and was generally adequately answered.

Candidates were generally unaware of the new provisions for calculating the taxable benefit of a company car and many lost marks because of the poor handling of the section 18 medical deduction. In most cases, the calculation, in part (b), of the travel allowance inclusion comparing actual and deemed costs completely ignored the actual cost calculation.

Question Two

This 25 mark question dealt with a South African company that had research and development and manufacturing operations. The first part dealt with the separate registration of its branches as VAT vendors and the answers were mixed with many candidates being unaware of the basic requirements of separately identifiable operations and independent accounting systems.

The second part was poorly handled. The calculation and treatment of recoupments was muddled and the capital allowance rates used were often incorrect or apportioned. The treatment of repairs was problematic and many candidates failed to identify that the issue was one of a repair. In the case of the section 23H item involving royalties, very few candidates identified the need to apportion the deduction across years and discussed, inappropriately, the withholding tax instead.

Question Three

This question was out of 20 marks and dealt with Capital Gains Tax; more specifically the calculation of the capital gain or loss for three different asset disposals.

The question was generally poorly answered. In the case of the vacant land, most candidates failed to recognise the need to exclude VAT from the proceeds or from the selling costs. Many candidates deducted the selling cost from the proceeds, a treatment that only applies when the time apportioned base cost method is used. For the disposal of the partnership asset, a few candidates did well to recognise that as the asset was a depreciable one, the proceeds and expenditure in the TABC calculation had to be reduced by the recoupment and the allowances respectively. However, the number of years used for N and T were often incorrectly calculated in the TABC calculation.

Question Four

This was a discussion question dealing with the requirement to identify the dates for and filing returns and making payment for various types of tax, by a company. It also dealt with penalties arising from late submission or payment. The answers were generally poor. Many candidates failed to identify the usual submission that the company would be required to make and dealt with only VAT or provisional tax. Not enough candidates had a good understanding of the penalties for non-compliance.

Question Five

This 10 mark question dealt with VAT. The main observations here were that many candidates did not grasp that the sale of a going concern is a deemed supply in terms of section 8(7) of the Value-Added Tax Act, and that understanding of the requirements for the zero-rating of going concern disposal was generally poor.