

Examiner's report

F6 Taxation (ZAF)

December 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 and the mixed VAT and other taxes (question 4) and VAT questions (question 5), but disappointing in the other questions.

Specific Comments

Question One

This 30 mark question dealt with company tax for a small business corporation, including a provisional tax calculation. The question was of a moderate level of difficulty but was generally poorly answered.

Very few candidates identified that the company qualified as a small business corporation. Also, very few candidates identified the requirement to apply market value to the asset disposed of to a connected person or to apply section 23J of the Income Tax Act to the asset re-acquired from a connected person.

In the provisional tax section, very few candidates seemed to be aware of the provision relating to the calculation of the second provisional tax payment (i.e. the 80% rule in the case of taxable income exceeding R1 million).

Question Two

This 25 mark question dealt with a South African individual with income from employment and some investment income. The question, which was of moderate difficulty, was generally answered adequately, and candidates displayed a good understanding of the key components of taxation of individuals.

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 four different asset disposals. The question was fairly difficult. Many candidates failed to identify the need to use the extended TAB formula in (i) or to apply the loss limitation rule of paragraph 26(3) in (ii). The parts relating to the disposal of small business assets and artworks (personal use) were generally poorly handled as well.

Question Four

This 15 mark question was a mixed discussion and calculation question dealing with voluntary registration for VAT and the requirement to identify various tax return types and filing dates for an individual sole trader. The question was adequately answered.

Question Five

This 10 mark question dealt with VAT and was generally adequately answered.