



# Examiner's report

## P6 (MYS) Advanced Taxation

### March 2017

#### **General Comments**

The examination consisted of two sections. Section A contained Q1 for 35 marks and Q2 for 25 marks, both questions being compulsory. Section B contained three questions of 20 marks each, from which candidates had to answer two questions.

Candidates are urged to read the questions and the requirements carefully and refrain from writing down all they know about a topic, without thinking about whether it is relevant in the context of the given scenario/facts.

Comprehension does not come easily in this intrinsically technical subject. It does not come through rote learning but through a proper understanding of the subject matter. The subject lends itself to a principles approach whereby the candidate understands the principles and applies them in given scenarios culled from practical experience. The examination out of necessity does contain a certain amount of technical material, but a significant part of the examination is based around the application of the fundamental principles.

#### **Specific Comments**

##### **Question One**

The first part of this question required candidates, for six marks, to discuss the various tax incentives available to the business carried out by the company in question, under two possible ownership options. Candidates were then required in the second and third parts of the question to explain the treatment of unabsorbed losses, capital allowances and incentives under each option.

Candidates were then required to prepare comparative tax computations under each option and to provide a recommendation of the preferred option.

The fifth part tested the treatment of rental income under various circumstances: where services directly related to the main business activity were provided, and where ancillary services were provided.

Some candidates did not consider the two alternative options, thus losing valuable marks. The main weakness demonstrated was an incomplete understanding of the incentive measures, hence the inability to compute the comparative outcomes. The rental part was discussed very superficially and often candidates did not consider the underlying basic concepts of business income versus investment income.

This question was not satisfactorily dealt with.

##### **Question Two**

The first part of this question, for four marks, dealt with another tax incentive measure while the remaining 21 marks involved the application of knowledge of basis periods and goods and services tax (GST) in the context of the incentive company.

In answering the parts regarding basis periods, some candidates appeared to be unaware of the prevailing law as they referred to the previous law which has been replaced since 2014.

The final part of the question relating to GST on the lease of agricultural land was poorly attempted, due mainly to an incomplete grasp of the subject matter.

This question was generally not well done.

### **Question Three**

The first part of Question 3 presented various scenarios of receipts by a young person, testing the principles of whether revenue in nature, whether foreign-sourced, and whether settlement applied.

Most candidates scored good marks for this part. Nevertheless, they did miss scoring even more marks because they did not justify sufficiently why a receipt was revenue in nature, why it was foreign sourced or why it was settlement income.

The second part of the question required the preparation of a tax computation for the young person. This was well done.

This question was popular amongst candidates and generally well responded to.

### **Question Four**

This question was selected by fewer candidates, compared to Question 3 and Question 5.

The first part of this question, for eight marks, dealt with tax planning and anti-avoidance, while the second part on real property gains tax (RPGT) took up the remaining 12 marks.

Part (a) required the explanation of the anti-avoidance provision, and how a reorganisation may be defended if the anti-avoidance provision were to be invoked.

Part (b) tested how a RPGT relief was applicable to a group restructuring.

Both parts were not as well answered as would have been expected.

### **Question 5**

The first part tested the reasoned selection of employment remuneration package based on simulated tax computations. This was very well answered.

The second part involved various aspects of tax administration and dealt with the basis of derivation of income.

This was responded to reasonably well.