Examiner's report
P6 Advanced Taxation (MYS)
September 2016

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.

This paper does contain a certain amount of technical material but a significant part of the examination is based around the application of the fundamental tax principles. The questions are largely practical rather than merely theoretical.

There is no substitute for proper understanding of the tax subject matter and practising their application to simulated scenarios. It would be beneficial to avoid rote-learning, and instead aim to establish a strong foundation in tax principles, tackling more scenarios (based on real life examples) allowing candidates to practise their skills in application.

Specific Comment

Question One
This question examines the different methods that a company could use to distribute its accumulated assets to its shareholders and compares the impact of capital reduction and liquidation. It also tests interest-free loans to shareholder-directors and the applicability of stamp duty in a specific scenario.

Candidates generally understood the capital nature of capital reduction and the attendant expenses, but quite a few candidates did not understand that the liquidation process and the related expenses would lead to the termination of the company.

The return of capital and its non-assessability were well understood by most candidates. However, a dividend in specie (in the form of shares) and its related implications regarding stamp duty on the transfer of shares were not well understood beyond the fact that it was a single-tier dividend.

As regards interest-free loans, many candidates wrote generally about anti-avoidance and transfer pricing when they should zero in on the specific anti-avoidance provision about loans to directors who hold at least 20% of the share capital. This was unexpected given that there was a technical article available on the ACCA website which covered this topic in the first half of 2016.

Question Two
This question dealt with tax incentives regarding technology and intellectual property. It also examined the transfer of tangible and intangible assets, with a requirement for a supporting computation to demonstrate the application of these measures.

Parts (a), (b) and (c) relating to acquiring a foreign-owned company with technology patents purchased and developed in house provided a good indication of how well prepared candidates were.

Part (d) relating to tangible assets in the form of delivery trucks was surprisingly not well answered considering it concerned the fundamental tax principles of old business assets being replaced by new ones.

Question Three
This question examined the tax treatment of miscellaneous receipts such as grants, subsidies, awards and scholarships.

Candidates generally performed reasonably well here, still with some room for improvement.

There was also ground for reasoned arguments under general principles which would have yielded some marks, but this was not taken up by many candidates.

Question Four
This question dealt with the topic of real property gains tax (RPGT) with a focus on the determination of the acquisition prices of different tranches of shares in a real property company.

Performance in this question was below expectations. It is an area that allows the candidates to apply learned knowledge to the given scenario.

The four marks allocated for the administrative aspects were not achieved by some candidates despite these being rudiments of RPGT.

Question 5
This question examines the taxation of deceased estates and the GST treatment of a transfer of a business as a going concern (TOGC).

Part (a) relating to the chargeable person and time lines for assessments when an individual dies were relatively well answered although some candidates did not accurately pin down the three-year timeline for assessments by the Director General.

Part (b) for the tax computation of the deceased estate and the beneficiaries was generally well done.

Part (c) relating to TOGC was generally not well responded to. That said, some candidates did correctly answer this part which shows they had come to the exam prepared.