

Examiner's report

P6 Advanced Taxation (MYS)

June 2014



General Comments

The examination consisted of a compulsory section A and a section B with a choice of two out of three questions.

Section A contained question 1 for 35 marks and question 2 for 25 marks. Section B comprised three further questions of 20 marks each from which candidates were required to select two out of the three to answer.

Most candidates attempted the required four questions and there was little evidence of time pressure. Where questions or parts of questions were left unanswered by candidates, this appeared to be due to a lack of technical knowledge rather than a lack of time.

Questions 1 (b), 1(c), 2, 3 (a), and 5 were well answered. However, candidates appeared to find questions 1 (a), 3 (b), 3 (c), 4 (b) and 4 (c) more challenging.

It is noted that some candidates did not read the question requirements carefully, thereby providing extraneous answers. For instance, in Q1 (b)(ii), the requirement asked for the tax treatment of Mr Oksijen if he were to be engaged as an employee. The scenario stated that Mr Oksijen would be in Malaysia for 12 weeks. Despite this, many candidates wrote at length about how if Mr Oksijen were in Malaysia for no more than 60 days, he could be eligible for the tax exemption afforded to a short-term non-resident employee.

Specific Comments

Question One

This 30 mark question was based on an edible ice manufacturer, and tested candidates' application of knowledge on withdrawal of stock, business assets ceasing to be used in a business, donations, arguments for multiple business activities constituting a single source or separate sources and the consequential impact on the tax treatment.

In Part (a), some candidates got carried away with the word "donation" in the scenario which involved a stock of ice and a delivery van being donated by the manufacturer as part of its corporate responsibility initiative. Such candidates wrote everything they knew about donations, but lost sight of the fact that the donations in question were not in cash. In the process, they neglected the treatment of the withdrawal of stock and the deemed disposal of the van upon being donated.

That said, many answers presented to part (a) were succinct and technically satisfactory, as were answers to part (b).

The majority of candidates performed inadequately on part (c) which asked for arguments for both treating the two business activities as a single source or as two separate businesses. This was because many candidates launched straight into the impact on the company's total income which was the requirement in part (d). This suggests a failure to read the requirement carefully.

Question Two

This 25 mark question required the application of candidates' knowledge on tax incentive measures to the given scenarios. Candidates were required to recommend the most suitable incentive for each company, stating why and how the relevant company was eligible, and explain the incentive mechanism suitably supported with relevant computations.



This question was generally well answered. It was heartening to note that many candidates did not just regurgitate what they knew about the incentive measures: rather they applied their knowledge to the scenario by demonstrating how each company satisfied the eligibility pre-requisites.

Question Three

This 20 mark question was based on a profitable trading company acquiring and selling plantation land. The question tested the areas of real property companies (RPCs), capital gains versus revenue income and the invocation of the general anti-avoidance rule (GAAR).

Part (a) relating to RPCs was well answered.

Part (b) for 6 marks required arguments for the imposition of real property gains tax (RPGT) or income tax on the gain from the disposal of the plantation land. Performance was generally not satisfactory on this part as some candidates' arguments for capital and revenue were very confused.

Part (c) called for arguments against the invocation of GAAR by the tax authorities. This part was generally not well answered.

Question Four

This 20 mark question tested the application of controlled sale rules in the context of the transfer of a business between two companies with a common majority shareholder, and the knock-on effect of the transfer on tax estimates and the stamp duty liability.

Part (a) for 9 marks related to the controlled sale and was satisfactorily answered, although there was scope for improvement given that this is a fundamental aspect of the P6 syllabus.

Part (b) related to stamp duty and answers here were less satisfactory. Many candidates treated the land and the building separately as though they were two distinct assets, and did not substitute the market value of the land when calculating the stamp duty.

Part (c) related to compliance requirements with regard to tax estimates and revisions of these and was generally not well attempted. Candidates knew the relevant provisions but failed to apply them appropriately to the scenario depicted.

Question Five

This 20 mark question examined alternative remuneration packages and the taxability of certain items of income.

Performance was satisfactory, which was heartening, as this question called for some analysis based on computations. Conclusions drawn by candidates were mostly reasonable.

Part (b) on three items of income received by a university student was generally well-answered, although many candidates did not adequately support their conclusions.