



Examiners' report

F6 Taxation (CYP)

June 2008

The examination paper consisted of five compulsory questions (question 1 for 30 marks, question 2 for 25 marks, question 3 for 20 marks, question 4 for 15 marks and question 5 for 10 marks).

Excellent answers were handed in by many candidates for questions 1 and 2.

A limited number of candidates continue to display their answers poorly, with a lack of clear labelling to indicate which questions are being attempted. Students continue to ignore my previous remarks that each answer should be started on a new page.

Certain candidates did not tick the appropriate box in the cover page for each question attempted. A limited number of candidates write within the lines or write below the margins of the paper. Questions divided in sections must be answered separately by section and not answered as a single part question.

Question 1

This was a 30-mark question, 18 marks on income tax, 7 marks on Special Defence Contribution and 5 marks on the Social Insurance system.

Part (a) tested candidates' ability to compute the income tax payable by an individual with various sources of income such as (employment, self employment, rental, dividends etc). This part was satisfactorily attempted by all candidates.

Part (b) tested candidates' ability to compute the Special Defence Contribution payable, on dividends, interest and rental income. This part was also attempted satisfactorily by all candidates.

Part (c) tested candidates' knowledge on the obligations of a self-employed person under the Social Insurance system and the penalties and/or interest chargeable as a result of the non-payment. Also this part was satisfactorily attempted by all candidates.

Question 2

This was a 25-mark question, 21-marks on corporation tax, 2 marks on the definition of a group and 2 marks on capital allowances.

Part (a) tested candidates' ability to calculate the taxable profit and their ability to cope with various aspects of a corporation tax computation, adjustments on income and expenditure, including the computation of the balancing statement. This part was satisfactorily attempted by all candidates.

Once again candidates do not use in their answers the appropriate heading i.e. adjustments on income or adjustments on expenditure, leading them to wrong classification of adjustments.

Students failed to realise that the question was not requiring the calculation of the tax payable but only the calculation of the taxable profit/(loss) and the majority of the students proceeded with the calculation of the tax payable wasting useful time.

Part (b) tested candidates' knowledge on the definition of the term "group" in the context of the Income Tax Law. Students demonstrated poor knowledge of the subject.

Part (c) tested candidates' knowledge on the conditions for the granting of capital allowances on qualifying assets. Students failed to demonstrate basic knowledge on the conditions for granting capital allowances and the performance was very poor.

Question 3

This was a 20 mark question on Capital Gains Tax.

Part (a) tested the knowledge of candidates in relation to capital gains tax, arising on the exchange of shares between two individuals who are joint owners (50% each) of two companies.

Candidates demonstrated lack of knowledge of the subject under examination. A very limited number of candidates understood that plot no. 339 should not have been included in the calculations since the plot was owned by Nicosia Ltd, and there was no requirement to calculate the tax payable for Nicosia, just for Alexandros and Antonis.

Part (c) tested candidates' knowledge in defining the term "restated value of acquisition". Candidates demonstrated lack of knowledge in defining this term. In their answers candidates confused the term "restated value of acquisition" with the indexation adjustment as at 1 January 1980. Furthermore many candidates failed to apportion the amounts to 50% for each individual in arriving at the taxable profit.

Question 4

This was a 15 mark question on VAT. The overall performance was average.

Part (a) of this question required candidates to calculate the VAT payable/refundable for specific VAT periods. This part was satisfactorily attempted by all candidates.

Part (b) tested candidates' knowledge of the circumstance in which a trader may be deregistered from VAT. This part was not satisfactorily attempted.

Part (c) required candidates to state the circumstance in which voluntary deregistration may not be approved by the VAT commissioner. The performance on this part was very poor.

It appeared that candidates were not well prepared for this question.

Question 5

This was a 10 mark question and tested candidates' knowledge on the subject of employment income compared to income from a contract of services.

The majority of the candidates showed very poor knowledge of the subjects under examination. All 3 parts of the question were very poorly attempted.