



Examiners' report

P6 Advanced Taxation (IRL)

June 2009

General Comments

The paper is divided into section A and section B. Section A consisted of two case-study type questions. Both questions in section A were compulsory and worth a total of 68 marks. In section B candidates were required to answer two out of three questions and each question was worth 16 marks. All candidates attempted the required four questions. There was no evidence that candidates were rushed or had difficulty with completing the paper within the timeframe available. In section B questions 4 and 5 were the most popular questions.

In general, the performance of this paper was again disappointing. Candidates did not pay sufficient attention to the requirements of the questions and tended to offer information or suggestions that were not sought and for which no marks were available. Candidates need to read and re-read the questions and requirements carefully, plan their answers to correctly address the issues asked and ensure that their layout is adequate to achieve the professional marks on offer. Candidates need also to be cognisant of the number of marks offered for each requirement and use this as a guide in designing their answers.

In general, difficulty was again evident in preparing basic computations for example, the corporation tax and surcharge calculations as required in question 4. It is vital that candidates are proficient in the core areas covered at F6 level and need to practice questions from past exams and the pilot paper to gain experience and vital revision in preparation for the exam.

Question One

This was a compulsory question worth 35 marks. The layout of the answers to this question was generally good with clearly labelled sections and schedules referred to in the body of the answer. However candidates continue to ignore the possibility of gaining professional marks for the format requested in the question, in this case, a memorandum. In some cases students wrote letters and in other cases, no structure at all was included.

Some general comments on the answers:

- the majority of candidates used the wrong indexation rate in calculating the gain on the property disposal and did not split the net proceeds between Leo and Fiona.
- many candidates thought that the difference between market value and the value of the assets was a distribution and calculated DWT and income tax computations while others referred to the difference as giving rise to a surcharge.
- while retirement relief was identified by most candidates, very few attempted to calculate the relief and there was almost no mention of breakdown between chargeable and non-chargeable assets.
- Section (c) was generally well answered with most candidates noting pension and termination payment as methods of reducing the CGT liability.
- VAT issues were dealt with well with many students gaining high marks in this section.

Question Two

This was also a compulsory question worth 33 marks. Candidates clearly found this question difficult and performance in this question was poor. The main areas of difficulty were:

- very few answers dealt with the basis of assessment for a new trade, the planning permission pre-trading expenses and the apportionment of the profits between the 20% and 41% activities.
- the transfer of the property to trading stock, the resultant CGT exposure and the option to reduce stock cost by the capital gain was generally picked up by candidates. However the computation of principle private residence relief was poorly attempted.
- VAT was reasonably answered as was capital acquisitions tax arising on Brian, and most candidates noted the offset of CAT against CGT.
- relevant contract tax was generally dealt with correctly.

Very few students attempted part (b) of the question.

Question Three

This question examined the territoriality of Irish income tax and capital gains tax. In general, candidates correctly identified the residence, ordinary residence and domicile status of the couple correctly. However, time was lost in setting out pages of rules and tables of the consequences of being resident, ordinary resident and domicile which was not required.

The changes to the taxation of UK income to a remittance basis from 2008 onwards was infrequently mentioned and the income tax and capital gains tax exposure on the share options was poorly answered. While some candidates calculated the gain arising from the sale of the option, the majority were unaware of the need to time apportion the gain. The capital gains tax exposure on the sale of the US company was well answered.

Question Four

This question proved the most popular among candidates and in general was well answered.

In part (a) most candidates dealt correctly with the disposal of shares in the group company and the clawback of previous group relief given. However, some spent time in listing the conditions for the holding company relief which was not required. In part (b) the interior design loss was either ignored or converted on a value basis to tax at 12.5% and set off against the current year tax. It would appear that there was insufficient knowledge of how to deal with trade losses. Most candidates made a reasonable attempt at the surcharge calculation. The areas giving rise to problems were the determination of the estate income liable to surcharge, ignoring the distribution from Grogan Ltd and the exclusion of the loss forward.

Question Five

This question dealt with capital acquisitions tax on a family inheritance. The question was popular and was answered by most candidates. Areas of difficulty included the calculation of business relief and the value of the right of residence. Many candidates computed the right of residence at 10% of €650,000 and completed computations based on €65,000. Part (b) was generally well understood and answered. In part (c) control/majority holding was rarely mentioned and business relief was often ignored.