



Examiner's approach

Paper F6 (CYP)

The aim of Paper F6, *Taxation (Cyprus)* is to introduce candidates to the subject of taxation and provide the core knowledge of the underlying principles and major technical areas of the tax system, knowledge of income tax, corporation tax, special defense contribution, capital gains tax, value added tax (VAT), and Social Insurance contributions. The syllabus provides a solid basis for those who wish to progress to Paper P6, Advanced Taxation.

The paper will consist of five questions, all of which will be compulsory. The questions will be predominantly computational, although each question may contain written elements and it is possible that an entirely written answer might be required. Questions 1 and 2 will account for 55 marks, with one question worth 30 marks and the other worth 25 marks. Questions 3, 4 and 5 will be worth 20, 15 and 10 marks respectively.

Question 1

This question will focus on the taxation aspects of an individual including the preparation of a capital statement (net worth statement), computations of chargeable income and/or tax payable of an individual as well as provisions of the collection and assessment law related to an individual's obligations.

With regard to income tax, some of the most important syllabus areas are:

- Income from employment (in particular, the income assessable, the allowable deductions and benefits).
- Income from self-employment (in particular, the expenditure that is allowable, capital allowances, and relief for trading losses).
- Property and investment income (in particular, property business profits, interest income, and dividend income).
- The computation of taxable income and the income tax liability.
- The self-assessment system.
- The time limits for the submission of information, claims, and payment of tax.

Question 1 might also include a small element of capital gains

Question 2

This question will focus on corporation tax. Groups may be examined as part of Question 2, but will account for no more than 8 marks available for that question.

With regard to corporation tax, some of the most important syllabus areas are:

- Profits chargeable to corporation tax (in particular the expenditure that is allowable in calculating the tax-adjusted trading profit, capital allowances, property business profits and relief for trading losses).
- Computation of the corporation tax liability.

Question 2 might include a small element of capital gain.

Value added tax (VAT)

A minimum of 10 marks will always be allocated to VAT. These marks will normally be included in either Questions 1 or 2 although there might be a separate question on VAT.

Although the VAT section of either Question 1 or 2 may use the same scenario as the main part of the question (for example, if the main part deals with a taxpayer commencing in business, then the VAT element might deal with registration procedures), it will not be necessary to use information from the main part of the question in order to answer the VAT part.

With regard to VAT, some of the most important syllabus areas are:

- The circumstances in which a person must register for VAT.

- The computation of VAT liabilities (in particular, the tax point, non-deductible input VAT).
- Books and records maintained , and VAT invoices

Question 3

This question will focus on chargeable gains in either a personal or a corporate context. Again, the syllabus is not confined simply to business aspects.

With regard to chargeable gains, some of the most important syllabus areas are:

- Computation of capital gains.
- Computation of capital gains arising on exchange of properties.
- Computation of the exemption when a principal private residence is disposed of.
- Computation of capital gains on disposal of shares.
- Exemptions and reliefs and in particular, rollover relief.

Questions 4 and 5

Questions 4 and 5 will be on any area of the syllabus. These questions may be either computational or written and may include considerations of issues relating to the minimisation or deferral of tax liabilities.

Social Insurance contributions

Social insurance contributions will not be examined as a separate question, but may be examined in any question involving income tax or corporation tax.

George Poufos is examiner for Paper F6 Taxation (Cyprus).