

Examiner's approach

Paper F6 (ZAF)



The aim of Paper F6, Taxation (ZAF) is to ensure that candidates have an understanding of the tax system, and a knowledge of income tax, corporation tax, capital gains tax and value added tax (VAT).

The syllabus provides a solid basis for those who wish to progress to Paper P6, Advanced Taxation.

The paper will be mainly computational and will have five questions, all of which will be compulsory, 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 and 2

Of these two questions one will cover company or corporation tax and the other the taxation of individuals. Aspects of the residence basis of taxation will only be examined in either question 1 or question 2, and will account for no more than 8 marks in total on any one examination paper.

Individuals question

With regard to income tax, the most important syllabus areas on which students can expect to be regularly examined are:

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

This question might also include a small element of capital gains. Income from a partnership could also be tested as individual partners are taxed and not the partnership.

Corporations question

Corporations include close corporations and small business entities. The most important syllabus areas which will be regularly examined are:

- Taxable income subject to tax (in particular, the expenditure that is allowable in calculating the tax-adjusted trading profit and capital allowances).
- Computation of the corporation tax liability.
- The calculation of STC (secondary tax on companies).
- The time limits for the submission of information, claims, and payment of tax.

This question might include a small element of capital gains. Value added tax (VAT) can also be examined in this question in that to calculate costs the VAT treatment has to be known.

Question 3

This question will be for 20 marks, and will focus on chargeable capital gains in either a personal or a corporate context. Again, the syllabus is not confined simply to business aspects. Primary residence relief, personal use assets and transfers between spouses are all included.

With regard to chargeable gains, the most important syllabus areas on which students can expect to be regularly examined are:

- Computation of capital gains.
- The treatment of capital losses.
- Computation of the amount of allowable expenditure for a part disposal .
- The calculations for assets acquired before 1 October 2001.
- Computation of the chargeable gain when a personal use asset is disposed of.
- Computation of the exemption when a primary private residence is disposed of.
- The share identification rules, as they apply to individuals and to companies.
- The computation of the capital gains tax payable by individuals.
- Exemptions and reliefs (in particular, rollover relief, and holdover relief).

Questions 4 and 5 will be on any area of the syllabus and will be for 15 marks and 10 marks respectively. Previous questions have covered VAT, employees tax, deductibility of expenditure and allowances.

Chargeable capital gains can be examined in questions other than question 3, for example as part of a company tax or business income tax scenario or as part of an individual's question.

There will always be a minimum of 10 marks on value added tax in any paper. These marks might be included as part of a question or there might be a separate question on value added tax.

Any of the five questions might include the consideration of issues relating to the minimisation or deferral of tax liabilities.