



Examiner's approach

Paper P6 (CYP)

The aim of Paper P6, *Advanced Taxation* (Cyprus) is to ensure that candidates can provide clients – both individuals and businesses – with the information and advice they require regarding the impact that the major Cyprus taxes may have on their financial decisions and situations. The emphasis will be on the practical application of tax rules including relevant EU Directives, to client scenarios both locally and internationally (to the extent that Cyprus is involved) with focus on the European Union, in view of the fact that Cyprus is one of the major International business centres, and on the production of professional documents incorporating helpful, clear advice. It should be noted that the ability to communicate with clients, the Revenue department and value added tax (VAT) authorities, and with other professionals, is one of the five main capabilities required of candidates sitting Paper P6.

Candidates will be expected to be able to identify issues, as well as demonstrate detailed knowledge of the tax system. In line with this emphasis on practicality, questions may require candidates to address 'the Cyprus tax consequences' of a given situation without clearly indicating which particular taxes to consider. Although an attempt is made to avoid this as much as possible, candidates will be expected to have the ability to identify the relevant taxes, and the issues in respect of those taxes, before beginning their answers.

Candidates will also be expected to identify standard tax planning measures in order to minimise and/or defer tax liabilities. Such advice may be as simple as changing the timing of a transaction, as for example the deferral of capital transactions until tax residency of an individual is changed, or more complex, as for example installing a holding company in a group structure.

Calculations will normally only be required in support of explanations and advice; not in isolation. Candidates will therefore have to decide for themselves as to which calculations to produce in order to tackle a question in the most efficient manner. Directions as to how to approach a question or part of it may be provided.

The syllabus

Paper P6 is directly underpinned by Paper F6, *Taxation* (Cyprus). Knowledge and understanding of the technical content of Paper F6 is therefore vital if candidates are to be successful at Paper P6. It is quite possible that the technical content of a Paper P6 question could be drawn almost wholly from the Paper F6 syllabus. However, such a question will require the analysis of information provided, and the application of technical knowledge to the situation in order to solve the problem.

The Paper P6 syllabus extends the coverage of income tax, corporation tax, and capital gains tax, as well as introducing three new taxes; immovable property tax, land transfer fees, and stamp duty. The syllabus is very wide, as befits an optional paper at this level. New technical content is clearly identified in the *Study Guide* and will be examined regularly.

While no part of the syllabus is more important than any other, it should be recognised from the above that knowledge of the new areas introduced in Paper P6 will not, on its own, be sufficient to pass the exam. Paper P6 builds on Paper F6 and therefore candidates must have a sound understanding of the technical content of Paper F6 in order to be successful.

The technical areas included within the syllabus are set out in the *Study Guide*. The commands used in the *Study Guide* (for example 'identify', 'advise', 'determine') are indicative of the broad intellectual level at which a particular area may be examined, and should not be regarded as being in any way exclusive.

Every sitting of Paper P6 will also include an ethical component for approximately two marks.

The structure of the paper

The paper will consist of two sections, A and B. The whole of the syllabus is examinable in either section. Questions 1 and 2 in Section A are compulsory, and worth a total of between 50 and 70 marks, each attracting between 25 and 40 marks. They will require the analysis of information provided and the use of any guidance given to help address the requirements. Both questions will address a number of different taxes and perhaps their interaction, and are likely to require a report or letter as part of the answer. Marks will be available for the format and style of answers.

As Section A questions will be relatively large, careful time management will be important, and candidates are advised to use the number of marks allocated to each requirement to determine how much time to spend on each part.

There will be four to six marks available in Section A in respect of professional skills. These marks will be awarded to students who demonstrate that they have planned their answers in order to provide logical, coherent advice and who have prepared the documents requested in the correct format with the appropriate introductory and concluding paragraphs.

Questions 3, 4, and 5 in Section B will each attract the same marks of between 15 and 25 marks. Candidates will be required to answer two of these questions only. These questions will contain concise structured information, including sub-headings, to make them easier to assimilate and navigate. This will enable candidates to read them quickly when choosing which two to answer or, perhaps more likely, which one not to answer. The ethical component of the exam could appear in either Section A or Section B.

Candidates' approach in the exam

It will be important that candidates think before they start to write an answer in order to identify the relevant issues, and any calculations necessary, to support their advice. In addition, they should consider whether the necessary calculations could be carried out in a particularly efficient way. For example, it may be that the client will be a higher rate taxpayer regardless of the particular strategy chosen such that the income tax implications can be computed at the margin without the need to prepare full income tax computations. Similarly, candidates should try to avoid producing detailed pro forma calculations (for example, of capital allowances), when a simpler working will provide the figure required.

Section A questions may include a large number of individual requirements, each requirement broken down into further sub-requirements. Candidates must try to ensure that all the individual requirements are addressed, rather than just a few in great detail.

While writing an answer, candidates must always remember who the document is addressed to – for example to a client or for a firm's files – and try to make the answer concise, practical, relevant, and helpful.

Technical Articles

Candidates sitting Paper P6 should read the articles published from time to time in *student accountant*, as the scope of these articles is to complement reading material by providing further analysis in a different perspective, of selected topics which will be examined in future sittings.

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