





My name is Louise Langan and I was appointed examiner for the P6(IRL) paper with effect from June 2009. I worked for many years in taxation in KPMG in Galway and Limerick and subsequently in a Galway based Financial Services company. I now lecture full-time in the Galway Mayo Institute of Technology.



REVIEW OF PAST EXAMS

I will briefly review the performance of students over the last three exam sessions – December 2007, June 2008 and December 2008

Pass Rates

- To-date – 3 sittings under new P6 system
- Worldwide pass rates:
 - December 2008 44%
 - June 2008 36%
 - December 2007 28%
- Irish pass rates consistent with worldwide trend

The worldwide pass rates for this optional paper show a welcome increase in the percentage of students meeting the 50% pass mark. As students and tutors become more familiar with the P6 structure, we would expect to see this pass rate increase further.



While each exam session is accompanied with an examiner's report, it is useful to review the areas that students performed well in.

- Time management
- Good knowledge demonstrated in some areas
- Students attempting requisite number of questions
- Layout of answers showing improvement
 - Schedules
 - Format as set out in the requirements

In general, there is evidence that students are pro-actively managing their time.

Students are attempting the requisite four questions.

A trend is identifiable whereby students tend to start their answers with Section B questions – care needs to be taken with this approach to ensure that sufficient time is allocated to Section A.

Candidates generally note the type of document required and top and tail their script appropriately. Care needs to be taken in the body of the document to ensure that the appropriate style is maintained in order to be awarded the maximum number of professional marks available.

Knowledge

- Companies
 - Close company provisions
 - Computation of corporation tax
- Capital gains tax
 - Use of retirement relief
 - Company buyback of shares
- Taxation of resident, non-resident, domiciled individuals
 - Capital Acquisitions Tax
 - Capital Gains Tax
 - Income Tax

Candidates demonstrated a good knowledge of these areas

**WHAT WASN'T
DONE WELL?**

General

- Poor analysis of content and requirement of questions
- Structure of reports/answers (although showing improvement)
- Listing conditions/giving explanations that are not required/no marks available
- Errors in basic tax principles of content covered at F6 level

Candidates show a lack of planning and structure to their answers.

Answers can lose focus and become laboured with no clear direction

There is a tendency to list out conditions or requirements for a specific tax treatment which is not requested and for which no marks are available. This wastes valuable time and gains no marks.

Candidates clearly spend time preparing answers that are disproportionate to the marks attributable to those sections. Candidates need to read and re-read the question even when answering it to ensure that they are on the right track and that they are not spending too much time on a section with low marks.

A big concern is that candidates appear to not have a clear understanding of the basic tax principles that were covered at F6 level. Basic mistakes are made which would suggest that they have not revised or practiced sufficiently from the F6 syllabus.

Specific examples:

- Share issue to employees (Q4 Jun 08)
- Losses – confusion between income tax and corporation tax treatment (Q3 Dec 08)
- PRSI generally incorrectly calculated
- Groups and holding company relief (Q2 Dec 07)
- Taxation of trading companies operating outside the State (Q5 Dec 07)

On review of the last three examination sittings, the areas listed above showed the poorest performance and give an indication of the gaps in the candidates knowledge.

Clearly, the gaps are not just in the advanced knowledge examined at professional level, but at basic principles level.



LESSONS LEARNED



**WHAT TO
FOCUS ON?**

Generally

- Consider verbs used in questions
 - Evaluate
 - Apply
 - Identify
 - Provide
- Revision of F6 basic principles
- Finance Act changes and new legislation
- Plan answers and layout

The paper is set at level 9 on the National Framework of Qualifications and as such the expectation is that candidates will show ability to analyse, evaluate, apply tax planning options to given case studies in a considered and orderly manner. The verbs used in the syllabus indicate the level of expectation at this examination stage.

It is very important that candidates show clear ability to correctly prepare computational aspects of a case study – much of which is covered at F6 level.

Specifically

- Questions may be set on F6 technical areas as well as P6 – knowledge of the latter alone is unlikely to be sufficient to pass the exam
- VAT on property post 1 July 2008
- New content at P6 level
 - Capital Acquisitions Tax
 - Stamp duty
- Revenue powers and procedures/ethical considerations

This is not an exhaustive list of areas to focus on, nor does it suggest that they will appear on the next or any paper. Nonetheless these areas are important.

Any new or substantial change in legislation is likely to be examined going forward, especially, for instance, VAT where a practitioner is likely to encounter these new rules on an ongoing basis.

Similarly, completely new content to the P6 syllabus will be examined such as CAT and Stamp duty.

I also note the area of Revenue powers and procedures. As practicing accountants, clear knowledge of the Revenue powers and procedures is vital. For example, how to deal with a Revenue query, audit or outcome of an audit, how to respond to issues raised by Revenue, what exposure exists for the taxpayer and for you, the advisor.



**HOW TO
IMPROVE?**

Revise F6 content and computations

Read the requirements carefully

Plan answers

Note

- the number of marks available for each section,
- the verbs used

Practice exam questions in exam conditions

Watch the time management

Remember, candidates are being examined on their ability to give tax advice in a coherent and structured manner

Revision of F6 content should be encouraged, especially where candidates may have taken a break between exams and taxation legislation may have changed.

Tutors/educators could consider giving case study projects to students which would require them to identify the various tax heads involved in the scenario, the types of reliefs possibly available, and preparation of a model solution. Feedback and class discussion would greatly enhance the learning experience for candidates and would clarify how to approach the Section A questions in the exam.

Guidance to good practice on candidates' approach to questions in both sections and the level of computations and comment required to achieve maximum marks would be useful.



**FOCUS ON
FUTURE
EXAMS**



Candidates need to be aware of the changes arising in legislation and the finance act that is relevant to the exam. ACCA applies an annual cut-off date of 30 September 2008.

For clarity, the June 2009 and December 2009 examinations will be based on Finance Act 2008.

Finance Act (No 2 2008) is not examinable in the December 2009 sitting.



**WILL THINGS
CHANGE?**

- Paper structure – no change
 - Section A – continuing to be case study based questions requiring broad knowledge of tax base
 - Section B – more focused questions
- Likely to see a broader base of topics examined
 - Intention is to examine the full syllabus over time

There is no change planned for the paper structure

The structure of the paper is such that Section A seeks to establish that candidates have a broad knowledge of the tax base, that they have the ability to identify the various taxes involved and the interaction of the taxes and reliefs. The questions in this section therefore will continue to be case study based. It is intended to examine a broader representation of the syllabus over time.

As the new examiner, any changes to format or layout will be introduced gradually so as to allow candidates the best opportunity to succeed in the exam. The syllabus is reviewed each year and changes are clearly marked at the back of the study guide to allow them to be easily identified.

Feedback on Trusts

- Section A1(e)(i) Income from trusts and settlements examinable but only on beneficiaries. Income tax on trustees excluded.
- Section A3(b)(v) CGT implications of resident trusts of transfers in and out of trusts – foreign aspects excluded
- Section A4(e) CAT implications of transfers in and out of trusts, limited interests and discretionary trust tax.

This slide sets out in summary the aspects of trusts included on the syllabus. Overseas aspects of trust are excluded.

Exam questions will therefore examine the taxation of beneficiaries of a trust, whether distributions are capital or income distributions, trust surcharge, the taxation of accumulated income, the benefits of using a discretionary trust etc.

Candidates will be expected to be able to deal with the income tax, capital gains tax and capital acquisitions tax of transfers in and out of trusts.

Feedback on Financial Services

- The importance of taxation to personal and corporate financial management
- Knowledge of common direct investment products such as:
 - Shares, CFD's, Exchange Traded FundsAnd indirect investment products as outlined in the syllabus such as:
 - Deposit based investment, unit funds, packaged investments, etc. (syllabus ref B3(b))

Section B 'The importance of taxation to personal and corporate financial management' is an area that is causing concern to students and tutors. It is an important area in which to have knowledge for efficient tax planning.

I would expect students to have a basic knowledge of common investment products, either direct or indirect investments and to know the taxation treatment of these products in terms of :

- the taxation of the income/yield from the investments
- the taxation on the acquisition/disposal of the products
- any tax relief available on borrowings to invest in such products.

Exam questions based on this area will clearly name the product type. It is not expected that the student will advise on what would be an appropriate investment other than in respect of its taxation exposure.



Any questions?



Thank you