



From 43% to 53%

Our advice to candidates:

- Focus on improving the simple things; and
- Reducing mistakes

In order to.....

- Add a few extra ½ marks and marks; and
- Make the difference

Like the “short game” in golf, working on the above will have a disproportionate effect on a candidate’s score.

The following presentation is based on a review of the marking experience for last seven sittings of P6 IRL and aims to give some helpful and accessible tips to improve a “marginal fail” candidate’s mark.

General tips for candidates

- Always start questions on a new page
- Indicate clearly the question and question part that you are attempting
- Know the terms and conditions of main reliefs VERY well
- Don't give long detailed calculations if they are not required
- Do not answer more than the question requirement.

Many candidates do not have a sufficiently thorough knowledge of the terms and conditions of the main reliefs. They often forget one of the five or six conditions and that is often the crucial one. As an example, the requirement to occupy a principal private residence after the deemed period of occupation is often forgotten.

Candidates should not answer more than the question requirement (e.g. if only taxable income is asked for, don't waste time calculating the tax)

Look forward and look back!

Look forward:

- Read the scenario and requirements carefully
- What taxes apply here and to whom?
- Plan your answer before you start writing

Look back:

- Check the reasonableness of your calculations. Do they make sense?
- Is the tax figure that you calculated the amount that you should expect?
- Some calculations of stamp duty and VAT are wrong by a factor of 10 or 100

Question 1

- Avoid long introductions (time wasting)
- Not every calculation must go in the appendix (time wasting)
e.g. The expected CGT payable is €33,000 $((€200,000 - €100,000) \times 33\%)$
- **Maximise** the 4 professional marks
 - Correct format (letter, memorandum etc.)
 - Use paragraphs and headings
 - Write neatly
 - Detailed (long) calculations should be included in the appendix
- Practice is essential for candidates on this type of question.

Look at the model solution introductions to Question 1 for guidance. Brevity is the key.

A quick calculation in brackets method is encouraged.

Many candidates on 48 marks are missing out on 2 or more of the professional marks in Q1.

Small gifts exemption (SGE) and CGT annual exemption

Candidates often confuse the two and should be reminded of the following:

SGE

- Applies to CAT
- Don't claim SGE on an inheritance
- Remember to deduct the SGE in arriving at the taxable value of a gift.

CGT annual exemption

- Don't deduct the CGT annual exemption when retirement relief is claimed or in calculating a company's chargeable gain.
- Don't deduct the CGT annual exemption from the CGT payable.

There are many lost ½ marks and marks in this area.

The SGE can be important. For example, in cases where there is free use of property or cash, the SGE will shelter an annual gift.

Revenue Audit basics

- Extracting the VAT element from a gross amount (23/123)
- Sales underdeclaration – industry margin % and both IT and VAT underpaid
- Incorrect re-grossing of cash wages ($\text{Net}/(1 - \text{marginal tax rate})$)
- Underdeclaration of sales and evasion of employer taxes are deliberate behaviour and not carelessness
- Knowledge of F6 basics required
- Timing: Self correction, prompted voluntary disclosure?

Many errors are made by candidates in these basic areas (VAT extraction, re-grossing, margins)

It is important to be able to advise on the available options correctly (self-correction or voluntary disclosure).

Situations where relief is given from Income tax
ONLY (40%) and NOT from PRSI or USC

Examples:

- Foreign earnings deduction
 - Pension contributions
 - EIS
- and others
- Do not automatically grant relief at the marginal (52%) rate

Many candidates make the above errors

Explain the various tax implications of, for example, an incorporation scenario:

- CGT
- But also, DONT FORGET to consider:
 - VAT
 - Stamp duty
 - Capital allowance implications
 - Cessation of trade (IT)

What taxes are being examined here? Candidates should ensure that all taxes are considered. It is probably always worth asking “Does stamp duty apply?”

Candidates frequently forget the cessation of trade aspect and relatively easy marks are lost.

Common stamp duty (SD) errors

- Omitting to mention or calculate SD where various tax consequences are required, e.g on a purchase of shares.
- Calculations using incorrect percentages
- Incorrect calculations (€7,000 instead of €70)- see reasonableness test.
- Not deducting SD paid when calculating the taxable value of a gift
- Avoidance, groups, clawback

There is a relatively small base of material to cover on stamp duty and therefore there is very little excuse for candidates getting it wrong.

Sole traders v directors of owner managed companies

- Sole trader is taxed on profit (not drawings)
- Sole trader is not subject to BIK on cars used for business
- Basis of assessment rules on commencement and cessation remain important
- Director of owner managed business has PAYE deducted on salary and is subject to BIK on a company car

It would be a good idea to ensure that your students are familiar with the basics of the sole trader as there is some confusion here.

Other

- Emphasise the differences between a group and a consortium. Many candidates get this wrong
- Indexation factors errors with the old tax year (87/88 instead of 88/89) are common. Remember the “old” tax year is from 6 April -5 April.

When candidates confuse a group with a consortium or vice versa, this normally means that they will get very few marks in that question.

Five minutes with the P6 Advanced Taxation examining team

- This is a useful 5 minute presentation which contains tips on how to approach the P6 exam
- <http://bit.ly/1WGQvDh>

The clip is equally applicable to P6 IRL and outlines some exam mistakes which can prove very costly for candidates.

Thank You

QUESTIONS?