

Examiner's report

F6 Taxation (CHN)

June 2010



General Comments

The overall performance of most candidates was satisfactory. Some candidates, however, simply provided what they had studied during the course without answering the question directly. The examination consisted of five compulsory questions. Most candidates attempted all five questions.

Some candidates continued to display their answers poorly, with a lack of clear labelling to indicate which questions were being attempted. Each question should be started on a new page and candidates must give more thought to the layout and organisation of their answers

Specific Comments

Question One

Part (a) in general this part was well answered.

Part (b), many candidates could not provide all three conditions.

In Part (c), students should understand that when a company received a donation in the form of physical assets and sold it later, there should be two sources of income, namely from donation and the trading. Most candidates forgot to include the related value added tax (VAT) of the assets from the donation as a part of income.

Question Two

The answers were generally good but very few candidates were able to correctly answer (10) –the rental income.

Question Three

In Part (a) VAT implications were tested in connection with the disposal of fixed assets under the new VAT system. This was not answered well. Candidates should be expected to be very familiar in this area of knowledge.

In Part (b), very few candidates explained the turnover tax implications of a transaction “Sold on consignment without profit margin” and misunderstood that there was no VAT in such a situation.

In Part (c), few candidates provided correct answers for the VAT tax rate –13%, and some candidates wrongly treated the input VAT for the car as deductible.

Question Four

Part (a) - many candidates failed to calculate the accounting profits first to arrive the deductible limit of the donation, despite knowing the deductible ratio is 12%.

Part (b) - some candidates just mentioned the penalty is 0.05%, instead of “daily 0.05%”

Question Five

Question 5 was a new area of the syllabus changed. Students are reminded that it is very popular in a real life situation for an overseas investor to setup a representative office first during the early stages of the investment in China. Students were expected to provide professional advice to the investor regarding this form of investment in China.

In part (a) candidates failed to utilise their time to discuss if the domicile of the office was within China.

In part (b) many candidates were unable to provide the correct answer under the cost plus basis.