

Examiner's report

F6 Taxation (CHN)

June 2011



General Comments

The overall performance of most candidates was satisfactory. The examination consisted of five compulsory questions. Most candidates attempted all five questions. The most well answered question were question 1(a) and question 3. The most poorly answered was question 4.

Specific Comments

Question One

In part (a) (i) Some candidates did not know there is a **further** deduction of 100% of the amount paid to disabled employee while others did not list out those items which have no adjustment.

In part (b), many candidates could not state the scope of enterprise income tax for a non-resident enterprise. This involves the concept of "place of effective management" and many candidates wrongly just referred to the place of registration of the company.

In part (c) many candidates did not know that personnel sent from overseas can be deemed as an establishment in China and the deemed portion of income and profit rate should not be less than 10% and 15% respectively.

Question Two

In part (a) the answers were generally good.

Part (b) was generally poorly answered as candidates failed to point out the tax rate percentage for the director's fee.

Part (c) many candidates took aggregately 180 days, rather than 90 days absence over a number of trips within a calendar year for the purposes of determining residence in China.

Question Three

In part (a) some candidates wrongly used the 17% VAT tax rate for the purchase of the production tool and the sales of food product, instead of the rates of 3% and 13%.

In part (b) VAT implications were tested in connection with the loss arising from the natural disaster and mismanagement. Candidates should know that the transfer of VAT input is no longer necessary for the loss arising from a natural disaster.

Parts (c) was generally answered well,

Question Four

The whole question was poorly answered and candidates are recommended to study this area fully because many foreign investors take this form of investment vehicle (representative office) as their first step getting into the China market.

Question Five

In part (a) many candidates achieved full marks.

However, performance in part (b) was not as good, with few candidates achieving full marks.