

Think Ahead



F6 Hungarian Taxation – Examiner Presentation

22 April 2015

Structure of presentation

- Syllabus overview
- Examinable legislation
- Exam format
- Examples from specimen exam
- Learning materials
- Guidance from feedback on past exams

The presentation will start with an overview of the F6 Taxation (HUN) syllabus, examinable legislation and details of the exam format.

I will then go on to provide some examples from Section A of the specimen paper to illustrate how precise knowledge is required for candidates to be able to answer the multiple-choice style questions (MCQs) and why question practice is so important.

This will lead into some discussion of the importance of using up-to-date learning materials that contain relevant practice questions in the format of the final exam.

Lastly, I will speak about the typical areas where students struggle based on my experience of candidate performance in the ACCA F6 Taxation (HUN) paper.

Syllabus overview

Objective of the F6 Taxation (HUN) paper

To develop knowledge and skills relating to the tax system as applicable to Hungarian individuals and companies

Syllabus

Candidates are introduced to the rationale behind and the functions of the Hungarian tax system

The syllabus then considers the main taxes within the Hungarian tax system, namely -

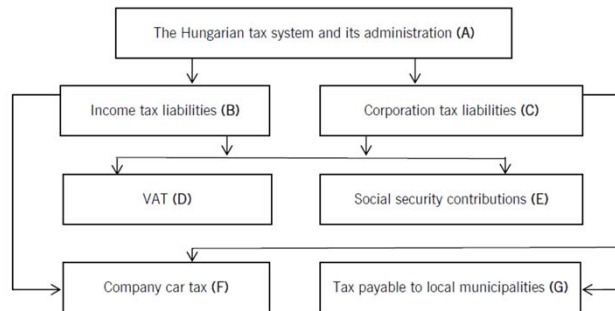
- Corporate income tax (CIT), personal income tax (PIT), value added tax (VAT), Social security contributions, company car tax and tax payable to local municipalities.

The purpose of the F6 Taxation (HUN) syllabus is to cover the core areas of the main taxes within the Hungarian tax system as they affect both individuals and companies. Therefore, after having studied the syllabus, candidates should be able to calculate tax liabilities and explain the basis of their calculations as well as apply tax planning techniques and identify compliance issues.

Syllabus overview

F6 Taxation (HUN) syllabus

RELATIONAL DIAGRAM OF MAIN CAPABILITIES



The above image gives an overview of the taxes covered by the F6 Taxation (HUN) syllabus in a diagrammatical format.

Examinable legislation

- For F6 Taxation (HUN) paper, ACCA publishes tax rates and allowances tables once a year. This information will be produced at the front of each exam paper.
- The June and December examinations will be based on legislation passed before the previous 30 September – therefore the June and December 2015 exams will be based on legislation passed by 30 September 2014

The tax rates and allowances tables provide details of the tax rates which candidates should use in a given exam sitting.

The 2015 tax rates and allowances tables for F6 Taxation (HUN) are published on the ACCA global website at the following link -

<http://www.accaglobal.com/content/dam/acca/global/PDF-students/acca/f6/examdocs/f6-hun-examdocs-2015.pdf>

The 2015 syllabus and study guide for F6 Taxation (HUN) is also published on the ACCA global website at the following link -

<http://www.accaglobal.com/content/dam/acca/global/PDF-students/acca/f6/studyguides/f6-hun-sg-2015.pdf>

Exam format

- The paper will be predominantly computational
- All questions are compulsory
- Time available - 3 hours with an additional 15 minutes of reading time

The F6 Taxation (HUN) paper is predominantly computational. However, there still will be narrative elements in every paper where candidates will be required to explain or discuss tax issues.

During the 15 minutes reading time, candidates can annotate the question paper but they cannot start writing their answers in the answer booklet.

Exam format

- Section A:
 - 15 multiple choice questions (MCQ) of 2 marks each
 - The MCQs can cover any areas of the syllabus
- Section B:
 - 4 x 10 mark questions
 - The 10 mark questions can cover any areas of the syllabus
 - 2 x 15 mark question
 - The two 15 mark questions will focus on personal income tax (syllabus area B) and corporation tax liabilities (syllabus area C)

The 2 x 15 mark questions will focus on personal income tax and corporation tax liabilities. The other questions within Section B and Section A MCQs can cover any areas of the syllabus. Therefore, it is important that candidates study all areas of the syllabus as part of their exam preparation.

Examples of specimen exam – Q1

Question 1

On 1 July 2014 Gigi Kft sold a piece of equipment (moveable tangible non-current asset) for HUF 22 million (excluding VAT). The company had purchased this equipment on 1 March 2013 for HUF 18 million (excluding VAT) and put it into use in the same month. The VAT rate applicable to the purchase in 2013 was 27%. The company had used this equipment exclusively for VAT-exempt activities. The deductibility ratio did not change throughout the period of use of the asset.

The VAT-exempt activities carried out with this equipment ceased on 30 June 2014. All the activities of Gigi Kft carried on from 1 July 2014 onwards are VATable. Other than the sale of this equipment the company's previous VAT-exempt activities have no impact on the July 2014 VAT return.

How much is the net VAT payable by or receivable to Gigi Kft on the sale of the piece of equipment in July 2014?

- A. HUF 5,940,000 payable
- B. HUF 2,376,000 payable
- C. HUF 3,564,000 deductible
- D. HUF 2,376,000 deductible

Q1 from the specimen exam is an MCQ on value added tax (VAT).

Like all the MCQs in the F6 Taxation (HUN) exam, this MCQ is worth 2 marks. Candidates must select the correct answer from 4 options.

Example from specimen exam – Q1

CORRECT ANSWER – OPTION B

Deduction ratio:

Number of months remaining: July 2014 + August 2014 to February 2018, i.e. 44 months, so the deduction ratio is 44/60.

VAT payable: 22 million x 27% = HUF 5,940,000

VAT deductible: 18 million x 27% x 44/60 = HUF 3,564,000

Net VAT payable: HUF 2,376,000

The correct answer to Q1 is arrived at as shown above.

It should be noted that the VAT rate is provided in the tax rates and allowances table. However, candidates must be able to apply this and other knowledge correctly to the question information in order to arrive at the correct answer.

Example from specimen exam – Q1

Distractors for Q1

- A HUF 22 million \times 27% = HUF 5,940,000 considering only the VAT payable on sale
- C HUF 18 million \times 27% \times 44/60 = HUF 3,564,000 considering only the VAT deductible on sale
- D calculating the correct figure but considering it as VAT deductible rather than VAT payable

The distractors are based on the most commonly made mistakes by candidates.

Therefore, candidates must have a very precise knowledge in order to be able to correctly answer the MCQs.

For example, in the specimen exam Q1, the distractors are based on the following common mistakes –

Distractor A – Considering the VAT payable only and ignoring the fact that a portion of originally irrecoverable VAT becomes deductible on sale.

Distractor C – Calculating the VAT deductible correctly but ignoring the fact that VAT is payable on the sale of asset.

Distractor D – Calculating the correct figure of the VAT impact but taking the amount as VAT deductible rather than VAT payable.

This MCQ illustrates the importance of candidates applying their knowledge of the VAT rules relating to deductibility.

Examples of specimen exam – Q2

Question 2

Mr Coward is employed by Heroes Kft and he is provided with a mobile phone by Heroes Kft. He is entitled to use the phone for private purposes, and he had not been required to separate his private and business calls nor was he required to reimburse any amount to Heroes Kft in this regard. In 2014, the total value of his mobile phone invoices was HUF 350,000 (excluding value added tax (VAT)).

How much is the personal income tax payable by Heroes Kft for the year 2014 on the use of the mobile phone?

Note: You should ignore the social security contribution (EHO) payable by Heroes Kft.

- A. HUF 13,328
- B. HUF 14,224
- C. HUF 84,633
- D. HUF 16,927

Q2 from the specimen exam is an MCQ on personal income tax (PIT).

Like all the MCQs in the F6 Taxation (HUN) exam, this MCQ is worth 2 marks. Candidates must select the correct answer from 4 options.

MCQs can be narrative as well, as can be seen from Q3 of the specimen questions, which can be found on the ACCA global website at the following link:
[http://www.accaglobal.com/content/dam/acca/global/PDF-students/acca/f6/specimenexams/F6%20\(HUN\)%20Specimen%20questions.pdf](http://www.accaglobal.com/content/dam/acca/global/PDF-students/acca/f6/specimenexams/F6%20(HUN)%20Specimen%20questions.pdf)

Example from specimen exam – Q2

CORRECT ANSWER – OPTION D

The personal income tax payable is 16% of the private usage (including VAT) increased by 19%,

i.e. $\text{HUF } 350,000 \times 127\% \times 20\% \times 119\% \times 16\% = \text{HUF } 16,927.$

It should be noted that the 16% personal income tax rate which applies to benefits in kind is given on the tax rates and allowances table at the front of the exam.

Examples from specimen exam – Q2

Distractors for Q2

- A $\text{HUF } 350,000 \times 20\% \times 119\% \times 16\% = \text{HUF } 13,328$ ignoring VAT.
- B $\text{HUF } 350,000 \times 127\% \times 20\% \times 16\% = \text{HUF } 14,224$ ignoring the uplift of 19%.
- C $\text{HUF } 350,000 \times 127\% \times 119\% \times 16\% = \text{HUF } 84,633$ ignoring the deemed private usage of 20%.

Again, the distractors are based on the most commonly-made mistakes by candidates, as follows –

Distractor A – Ignoring the VAT of 27% when calculating the tax base for paying personal income tax.

Distractor B – Ignoring the uplift of 19% when calculating the tax base.

Distractor C – Ignoring the deemed private usage of 20% and assuming that the total value of the phone invoice is deemed private usage.

This MCQ illustrates the importance of studying every aspect of different syllabus areas that may be interrelated (VAT, benefits in kind and personal income tax in this question).

Article

Useful article on the ACCA global website:
MULTIPLE CHOICE QUESTIONS

There is a useful article on the ACCA global website at the following link:
<http://www.accaglobal.com/gb/en/student/acca-qual-student-journey/qual-resource/acca-qualification/f4/technical-articles/mcq-dec14.html>

This gives candidates important information on answers multiple choice questions, so you should encourage them to read it.

Learning materials

- ACCA has no approved material for F6 Taxation (HUN)
- It is recommended that tuition providers prepare study materials that can be used by candidates for both the taught phase of their studies (covering the core knowledge required for the exam) and the revision phase of their studies (including exam-standard questions in the style and format that was presented to them).

2015 exams

- Adapting past exam questions: past exam questions can be converted into new style questions as shown by the specimen paper.
- Since past exam papers were produced in a way showing the marks available for sub-questions, the old questions can be broken down to smaller ones.

Learning materials

It is very important that candidates use up-to-date learning materials applicable to the exam session they are preparing for.

ACCA has no approved learning material for F6 Taxation (HUN) paper. It is recommended that tuition providers provide students with materials that are useful both:

- at the taught phase of the studies of candidates. This material (study text) should provide coverage of the core knowledge required for the F6 Taxation (HUN) exam.
- at the revision phase of the studies of candidates. This material (revision question bank) should include exam style questions (both MCQs and Section B style questions).

Preparation for the exam

- It is important that candidates have sufficient time to prepare for the F6 Taxation (HUN) exam – both in terms of time to learn the new knowledge and time to practice questions
- The message should be enforced that attendance at a tuition course is not enough to pass the exam – question practice and revision at home is vital!



Candidate profile

Candidates that attend courses at tuition providers certainly have the advantage of covering the material from expert tutors. It is not enough, though, to participate on a course like that. Self-study and regular practice are of key importance.

Candidates should be reminded that, in order to be successful in the exam, study and question practice at home will be necessary!

Guidance – based on past exam performance

Key weaknesses/areas for improvement

- Not reading the question requirement carefully and therefore providing irrelevant answers
- Poor time management
- Illegible handwriting and poor layout of answers
- Lack of technical knowledge on certain areas
- Providing workings that are very difficult to follow with a lot of corrections where it was unclear what the final answer to a particular question was.

Typical areas of strength

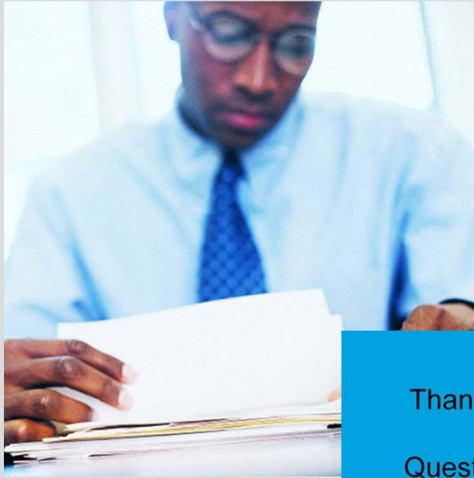
- Good knowledge of the core areas of value added tax and some aspects of personal income tax.

Typical areas where candidates struggle:

- Not reading the question requirement carefully and therefore providing irrelevant answers – candidates should answer the question set and not the question they would like to see. Sometimes candidates write down everything they know about a given tax examined – this is clearly not required and will not lead to marks.
- Poor time management – some candidates spend more time on questions where they feel confident even if they over-explain their answers. Repetitions never earn marks for them.
- Illegible handwriting and poor layout of answers – every candidate should try to provide answers in a legible way. Also every working must be shown separately.
- Lack of technical knowledge on certain areas – this is mainly the case in relation to corporate income tax reliefs and taxation of benefits in kind.
- Providing workings that are very difficult to follow with a lot of corrections where it was unclear what the final answer to a particular question was – candidates are advised to plan their answers before they start writing. This enables them to manage time more carefully and their answers will be clearer. Starting one working and finishing it pages later makes answers difficult to follow.

Typical areas where candidates perform well:

- Most of the time candidates perform well on the basic concepts of value added tax and personal income tax as well.



Thank you
Questions?