

Examiner's report

F6 Taxation (CHN)

June 2012



General Comments

The examination consisted of five compulsory questions. The paper consisted of question 1 for 35 marks, question 2 for 30 marks, question 3 for 20 marks, question 4 for 15 marks and question 5 for 10 marks. Candidates' performance was satisfactory.

Specific Comments

Question One

This 35-mark question tested candidates' knowledge of enterprise income tax (EIT) in part (a) and also the individual income tax on the proposed sale promotion in part (b) and its numerical calculation in part (c).

Part (a) for 23 marks required candidates to correct the tax treatment made by an accountant. Most candidates performed very well and gained a very high mark.

Part (b) and (c) most candidates performed inadequately on this part of the question. The main problems encountered were that candidates had not studied this area in enough depth and only gave a general answer that did not apply to this case.

Question Two

This 20-mark question covered the topics of individual income tax (IIT).

Part (a) required candidate to do some common IIT calculation and the performance was very good.

Part (b) had two parts. The first part required candidates to explain the treatment of an annual one-off bonus where the IIT payable was partly borne by the employer as: (1) a fixed amount; and (2) a percentage of the IIT payable. The second part was to apply the treatment to the numerical example. The candidates generally did the numerical part well but very poor in the first part. The question showed that candidates need to improve their writing ability to explain the tax principle in English.

Question Three

Part (a) was a value added tax (VAT) question and candidates performed well.

Part (b) required a general knowledge of small scale VAT payers. The knowledge is well described in all text books and candidates performed very well.

Part (c) was on business tax and the area was well prepared by the candidates.

Part (d) required the general description on how the tax bureau may assess the business tax (BT) liability on a deemed income basis. The performance was not as good as expected. The major weakness was that candidates confused the methods used by the tax bureau for trading activities (as examined in Q4 (b)) while the question asked the methods for business tax (i.e. services provided).

Question Four

Part (a) was a question on import activity. Candidates performed reasonably well, although a few candidates could not find the composite value which was the foundation to calculate the VAT and consumption tax (CT).

Part (b) asked methods by which Customs may assess the dutiable value of an import if it considers the value declared to be too low and without proper justification. The performance was not as good as expected.

Question Five

Part (a) and (b) examined the tax treatment and the limitations on the amount of foreign tax credit. These two parts were the poorest attempted questions in this paper and the reason may be due to inadequate knowledge in this area. Candidates are reminded that those business activities may come into real life more and more frequent as businesses in China are more often going out to invest overseas.

Part (c) was related to the filing requirement of such business activity and the result was not good as expected.