

Examiner's report

F6 Taxation (CHN)

June 2013



General Comments

The examination consisted of five compulsory questions. The vast majority of candidates attempted all five questions, and there was little evidence of time pressure. Where questions were left unanswered by candidates, this appeared to be due to a lack of knowledge or poor exam technique, as opposed to time pressure.

A number of common issues arose in candidate's answers:

- Failing to read the question requirement clearly and therefore providing irrelevant answers which scored few if any marks.
- Providing more than the required number of points.
- Illegible handwriting and poor layout of answers.

Specific Comments

Question One

This 35-mark question was based on a manufacturer, Company C, and tested candidates' knowledge of profits adjustment under enterprise income tax (EIT).

Part (a) for 20 marks required candidates to calculate the correct amount of EIT with explanation for any adjustment. The format repeated over the previous diets and the answers were generally satisfied. One minor point was that quite a few candidates mistook the direct donation to a school was allowable because it was within the 12% limit. The correct answer should be disallowable because it was directly paid to the school.

Part (b) some candidates provided irrelevant answers (e.g. the classification of tax residency of the company) which scored no mark.

Part (c) A number of candidates gave an irrelevant answer for the qualifying criteria for a small scale enterprise under value added tax (VAT), rather than EIT. For VAT, a taxpayer without keeping proper accounting records is treated as small scale enterprise. For EIT, a taxpayer without keeping proper accounting records is assessed with reference to the profit level of the same industry or similar enterprise for the profit rate and taxable income. Candidates are reminded that they must answer the question asked as opposed to the one they wish had been asked.

Question Two

Part (a) Candidates performed satisfactorily.

Part (b) some candidates failed to read the question properly. The question required three non-taxable fringe benefits but many wasted time by describing the tax calculation of Individual Income Tax (IIT) for a foreigner.

Part (c) Again some candidates wasted their time by describing how to determine the tax residency of a foreigner under IIT.

Question Three

Part (a), (b) and (c) were poorly performed. It was disappointing to see that many candidates showed a lack of knowledge in this area although it is clearly included in the study guide E3 (c) and (d). Future candidates should study the full scope of knowledge according to the study guide rather than omitting certain areas just because it frequently or infrequently appeared in past exam sessions.



Part (d) and (e) were satisfactorily performed.

Question Four

Part (a), (b) and (c) (i) were satisfactorily performed.

Part C (ii) some candidates misused their time by describing whether the six types of income were taxable or not while the question clearly asked to state the principle which will be used to determine the sources of such incomes. Again candidates must read the question carefully.

Question Five

Part (a) many candidates answered the question by giving four types of tax in China while the question asked to identify and briefly explain four main sources of tax law and regulations in China. Again candidates must read the question carefully.

Part (b) this part was fairly answered.