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# **Taxation** **Republic of Ireland**

1<sup>st</sup> Year Examination

**May 2012**

**Paper, Solutions & Examiner's Report**



### NOTES TO USERS ABOUT THESE SOLUTIONS

The solutions in this document are published by Accounting Technicians Ireland. They are intended to provide guidance to students and their teachers regarding possible answers to questions in our examinations.

There are often many possible approaches to the solution of questions in professional examinations. The examiner will accept alternatives to the suggested solution shown herein as long as that alternative is appropriate.

This publication is intended to serve as an educational aid. For this reason, the published solutions will often be significantly longer than would be expected of a candidate in an examination. This will be particularly the case where discursive answers are involved.

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*Accounting Technicians Ireland*

**1<sup>st</sup>Year : Summer 2012**

**TAXATION (Republic of Ireland)**

Thursday 17<sup>th</sup> May 2012 – 9.30 a.m. to 12.30 p.m.

**INSTRUCTIONS TO CANDIDATES**

*PLEASE READ CAREFULLY*

**For candidates answering in accordance with the law and practice of the Republic of Ireland.**

**Candidates should answer the paper in accordance with the appropriate provisions up to and including the Finance Act (No. 3) 2011. The provisions of the Finance Act 2012 should be ignored.**

**Allowances and rates of taxation, to be used by candidates, are set out in a separate booklet supplied with the examination paper.**

**Answer ALL THREE questions from SECTION A. Answer ANY TWO of the three questions from Section B. If more than TWO questions are answered in Section B, then only the first two questions, in the order filed, will be corrected.**

**Candidates should allocate their time carefully.**

**All workings should be shown.**

**All figures should be labelled as appropriate e.g. €s, units etc.**

**Answers should be illustrated with examples, where appropriate.**

**Question 1 begins on Page 2 overleaf.**

**The following insert is enclosed with the paper:**

- **Tax Reference Material**

**SECTION A****Answer ALL THREE questions in this section****QUESTION 1**

With regard to Income Tax write brief notes on the following options that apply to the taxation of married couples:

- (i) Joint Assessment **7 Marks**
  - (ii) Separate Assessment **7 Marks**
  - (iii) Single Assessment **6 Marks**
- Total 20 Marks**

**QUESTION 2**

The following multiple-choice question consists of TEN parts, each of which is followed by FOUR possible answers. There is ONLY ONE right answer in each part.

**Requirement**

Indicate the right answer to each of the following TEN parts.

**N.B.** *Each part carries 2 marks*

**Total 20 Marks**

*Candidates should answer this question by ticking the appropriate boxes on the special answer sheet, which is obtained in the answer booklet.*

**[1]** Rental income from a property located in Dublin is taxable under:

- (a) Schedule D Case V.
- (b) Schedule E Case V.
- (c) Schedule F Case V.
- (d) Schedule G Case V.

**[2]** Cecil has been paying for medical insurance of €1,000 per annum by monthly direct debit from his bank current account. His medical insurance provider explained that tax relief on the premiums paid were allowed at source. If this is the case Cecil:

- (a) can claim 20% tax relief by submitting a claim to the Revenue.
- (b) can claim 41% tax relief by submitting a claim to the Revenue.
- (c) can claim tax relief at 20% for 75% of the premiums paid.
- (d) cannot claim any tax relief when submitting his tax return to the Revenue.

**QUESTION 2 (Cont'd.)**

- [3]** The VAT (21%) inclusive price of a supply of goods amounted to €5,000. The VAT due on this transaction is most likely to be:
- (a) €594.71
  - (b) €675.00
  - (c) €867.77
  - (d) €1,050
- [4]** Sheila and Neil have been living together for the last 20 years and are due to get married in March 2013. Neil is aged 65 and Sheila is aged 61 years. When Neil submits his tax return for 2011 he is entitled to claim age allowance tax credit amounting to:
- (a) Nil
  - (b) €245
  - (c) €490
  - (d) €650
- [5]** A VAT registered trader is involved in the supply of zero rated goods. The trader has purchased a delivery van for use in the business costing €10,000 plus VAT at 21%. A VAT input credit:
- (a) cannot be claimed as the purchase of a van is a self-supply.
  - (b) of €1,735 can be claimed.
  - (c) of €2,100 can be claimed.
  - (d) cannot be claimed as the purchase of a van is an exempt transaction.
- [6]** Pauline, who is single, is a director of AAA Ltd. and owns 25% of the share capital of the company. Her weekly tax credit is most likely to be:
- (a) €31.73
  - (b) €63.46
  - (c) €95.19
  - (d) €126.92
- [7]** A director of RRR Ltd. earns €5,000 per month. In the 2011 tax year he earned €500 interest gross from monies on deposit in ABC Bank Plc. On submission of the 2011 tax return the additional income tax payable on the deposit interest earned will amount to:
- (a) Nil
  - (b) €105
  - (c) €125
  - (d) €205

**QUESTION 2 (Cont'd.)**

**[8]** Nicky graduated from university in September 2010 and commenced employment with VVV Ltd. in March 2011. He did not work previously but on the first day in employment he gave his PPS number to the HR manager of VVV Ltd. The wages clerk for VVV Ltd. will operate PAYE on Nicky's wages on:

- (a) a temporary basis.
- (b) a week one basis.
- (c) an emergency basis.
- (d) a cumulative basis.

**[9]** An employee who owns 35% of ABC Ltd. received an interest free loan of €100,000 from the company on the 1<sup>st</sup> March 2011. The money was used to purchase a yacht. If the loan was repaid in full on the 1<sup>st</sup> October 2011 the assessable BIK for 2011 amounts to:

- (a) €2,500
- (b) €2,917
- (c) €6,250
- (d) €7,292

**[10]** A trader registered for VAT sold an item of machinery for €1,000 to a local sports club in June 2011. The machine was purchased new in 2007 and cost €5,000 plus VAT of €1,050. A VAT input credit was claimed at the time the machine was purchased.

The sale of the machine in June 2011 is treated as:

- (a) an exempt transaction with no VAT consequences.
- (b) an exempt transaction with €1,050 payable by the trader.
- (c) a taxable transaction with no VAT consequences.
- (d) a taxable transaction with VAT of €173.55 due for payment to the Revenue.

**QUESTION 3**

Michelle O'Neill has been in business as a boutique owner for a number of years. The following is a summary of her income statement for the year ended 31 December 2011.

	Notes	€	€
Sales			268,074
Opening stock		34,650	
Purchases		<u>178,600</u>	
		213,250	
Closing stock		<u>48,600</u>	
Cost of sales			<u>164,650</u>
Gross Profit			103,424
Other income			
Discount received		256	
Dividends received		<u>250</u>	
			<u>506</u>
			103,930
<u>Less expenses:</u>			
Advertising and promotion	1	690	
Staff costs	2	46,500	
Repairs	3	5,190	
Rates	4	4,800	
Legal and professional fees	5	6,650	
Travel expenses	6	2,500	
Motor expenses	7	10,100	
Interest	8	3,000	
Light and heat	9	9,950	
Entertainment expenses		<u>800</u>	
			<u>90,180</u>
Net profit			13,750

**NOTES:****(1) Advertising and Promotion:**

Printing of sales vouchers	220
Advertising household contents for sale	60
Advertising for new staff	260
Contribution to local GAA club	<u>150</u>
	690

Michelle held a fashion show in the local GAA club and made a contribution towards the cost of light and heat for the premises.

**(2) Staff costs:**

This includes a wage taken by Michelle of €24,000. It also includes a payment of €3,400 for preliminary tax for 2011 due by Michelle.

**QUESTION 3 (Cont'd.)**

In January 2012 Michelle calculated the following amounts due in respect of PAYE, PRSI and USC for employees. The amounts below were paid on submission of form P35 in February and have not been included in the figures above.

€	€	€	€	€
USC	PAYE	PRSI Employee	PRSI Employer	Total
256	1,750	680	1,530	4,216

(3) Repairs:	€
Replacement of broken shop window	440
New entrance to rear of shop premises	3,650
Fittings and fixtures purchased	880
Repairs rented premises (See Note 4 below)	<u>220</u>
	5,190

- (4) Rates have been paid in respect of the total area of the building. The first floor of the premises is occupied rent free by Michelle's sister who is practicing as an accountant. This area represents approximately 30% of the total area of the building.

(5) Legal and professional fees:	€
Pursuing bad debt	500
Purchase of shop premises	5,600
Michelle moved into the new premises in February 2012	
Drawing up a business plan	<u>550</u>
	6,650

- (6) Travel expenses  
This figure represents the cost of travel €1,200 and hotel accommodation €1,300 incurred while Michelle and an employee went on a buying trip for the business.

(7) Motor expenses:	€
Car loan repayments	4,650
Michelle's motor expenses	3,500
Employee's motor expenses	<u>1,950</u>
	10,100

30% of Michelle's yearly travel relates to private motoring. The car loan repayments include €450 in respect of interest. The motor expenses for Michelle included an amount of €800 in respect of depreciation.



**QUESTION 3 (Cont'd.)**

The employees use their own cars while travelling for the business. The employee's motor expense is made up of round sum allowances paid to employees for this travel.

(8) Interest:	€
Overdraft interest on personal account	123
Interest on loan used to purchase stock for the business	537
Overdraft interest on business account	1,140
Mortgage interest on family home	<u>1,200</u>
	3,000
(9) Light and heat:	€
Heating for shop and first floor premises	1,800
ESB for shop premises	1,350
Installation of heating system	<u>6,800</u>
	9,950

**Requirement:**

Compute Michelle's Schedule D, Case I tax adjusted profits for the year ended 31 December 2011.

**Total 20 Marks**

**SECTION B****Answer TWO of the three questions in section B****QUESTION 4**

Justin aged 35 years and Shakira aged 28 years have been married since 2008.

Details of their income and outgoings for the year ended 31<sup>st</sup> December 2011 are as follows.

**Justin****Income**

€	
Wages from AAB Limited	20,000
PAYE deducted	1,480

With effect from the 1<sup>st</sup> June 2011 AAB Ltd provided a monthly bus pass to Justin free of charge. The cost to AAB Ltd of providing this was €465 per annum.

Dividends received	€40
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This dividend was received in May 2011 in respect of the year ended 31<sup>st</sup> December 2010.

In May 2012 an amount of €65 was received in respect of the year ended 31<sup>st</sup> December 2011.

Both dividends were paid net of Dividend Withholding Tax at 20%.

**Rental Income**

Justin purchased an apartment in July 2010. The apartment was first rented in 2010 and the rent received for 2011 amounted to €6,750.

Rental expenses for 2011 were:

Mortgage interest paid	€5,100
Service charges	€800
Advertising for new tenants	€120

**Question 4** (cont'd)**Shakira****Income****Self-employment**

Shakira commenced self-employment as a boutique owner on the 1<sup>st</sup> March 2009. Accounts have been prepared showing the following assessable income:

Year ended 28 February 2010	€48,000
Year ended 28 February 2011	€42,000
Year ended 28 February 2012	€72,000

**Deposit Interest**

Shakira earned €438 net of D.I.R.T. at 27% from monies on deposit with Big Bank Plc.

**Rental Income**

Shakira purchased a commercial property in 2008 and the rent received for 2011 amounted to €12,000.

Rental expenses for 2011 were:

Mortgage interest paid	€3,000
Rates	€1,200

**Requirement**

Prepare an income tax computation for 2011 in respect of Shakira and Justin on the basis that joint assessment applies. Detailed calculations regarding the assessable Case 1 income for Shakira are required.

Total **20** Marks

**N. B. For the purposes of answering this question ignore PRSI and USC**

**QUESTION 5**

Barney owns a hardware store and he has asked you to prepare the VAT return for the November/December 2011 period. The following details have been extracted from the records supplied by Barney.

**Purchases Book**

Month	Total	Resale 21%	Not for Resale 21%	Not for Resale 13.5%	Not for Resale Zero%	VAT
	€	€	€	€	€	€
Nov.	73,790	56,300	2,900	800	1,250	12,540
Dec.	65,732	48,400	3,500	1,800	890	11,142

On examining the purchases book you discover:

1. An invoice for the purchase of a television costing €484 VAT inclusive at 21% has been recorded in the not for resale column. The television was taken by Barney for his own personal use.
2. An invoice in respect of the importation of bathroom tiles from France costing €6,000 has not been recorded. The invoice was dated 2<sup>nd</sup> December 2011 but was not paid until 14 February 2012.
3. A credit note for €1,200 VAT exclusive in respect of overcharge on bathroom fittings has been omitted.

**Sales Book**

Barney has both cash customers and credit customers. The credit customers are given proper VAT invoices but the cash customers only receive a till receipt. Details of the invoices issued to credit customers for the two months are as follows:

Month	Goods	21% VAT	Total
	€	€	€
November	65,600	13,776	79,376
December	45,100	9,471	54,571

A credit note issued for €1,200 VAT exclusive was incorrectly recorded as €200

**QUESTION CONTINUED ON THE NEXT PAGE**

**QUESTION 5 (Cont'd.)****Cash Book**

Total receipts are recorded in the cash book and are analysed as follows:

Month	Credit Customers (Debtors)	Cash Sales	Total Receipts
	€	€	€
November	59,800	86,200	146,000
December	76,200	65,100	141,300

The cash book also records the cash pay outs and bank lodgements. Details for the relevant months are as follows:

	November	December
	€	€
Expenses	950	1,560
Wages	6,250	7,800
Bank Lodgements	<u>138,800</u>	<u>131,940</u>
Total Receipts	146,000	141,300

On checking these records you discover the following:

1. While checking the bank statements you discover a number of credit transfers from credit customers amounting to €6,500. These receipts have not been recorded in the cash book.
2. Barney purchased a boat during the year and took out a loan from the credit union to part finance the purchase. The cheque for €7,000 was lodged to Barney's business bank account in error and has been included under cash sales.
3. A cheque received from a credit customer amounting to €3,000 failed to be honoured by the bank and was returned 'insufficient funds'. The cheque was lodged again in January 2012 and cleared the bank.
4. Drawings taken from cash sales amounting to €2,000 in November and €3,000 in December have not been recorded in the cash book.

**Requirement**

Calculate the VAT payable by Barney for the November/December 2011 period on the basis that:

- (a) the cash receipts basis applies.
- (b) the invoice basis applies.

**Total 20 marks**

**QUESTION 6**

You have been engaged by BBB Ltd. to manage their payroll system. Details regarding two employees are as follows:

**Shannon Bell**

Shannon has been an employee of BBB Ltd. for a number of years. Details of her salary and deductions for month 1 of the 2011 tax year are as follows:

Salary per month	€4,000.00
<u>Less</u>	
Deduction for use of company car per month	€120

In addition to salary, Shannon has been provided with a company car for the year which cost BBB Ltd. €20,000 when purchased on the 1<sup>st</sup> January 2011. The car had a market value of €40,000 when purchased new in 2008.

Shannon travels extensively for BBB Ltd. and the total kilometers travelled in 2011 amounted to 53,000. 20% of these were in respect of private travel. BBB Ltd. pays for all the expenses of running the car.

Extracts from the tax deduction card supplied for the 2011 tax year show the following to be applied on a cumulative basis.

	€
Monthly Tax Credit	275.00
Monthly Cut Off Point	2,750.00

**Mary Fitzgerald**

Mary is a final year student in university and BBB Ltd. offered to provide Mary with work experience by means of a six week placement. Mary commenced the placement on 24<sup>th</sup> October 2011 and ceased on the 2<sup>nd</sup> December 2011. For each of the six weeks of employment Mary was paid €400.

Mary provided BBB Ltd. with her PPS number but was under the impression that she did not have to produce a certificate of tax credits and cut off points. She ceased in week 48 of the tax year.

**Requirement**

(a) Calculate the take home pay for Shannon Bell for month 1 of the 2011 tax year.

**10 Marks**

(b) Calculate the total take home pay for Mary Fitzgerald for the six weeks of her placement.

**10 Marks****Total 20 marks**

# 1st Year Examination: May 2012

## Taxation (ROI)

### Solutions

**Students please note:** These are suggested solutions only; alternative answers may also be deemed to be correct and will be marked on their own merits.

#### Solution 1

##### Joint Assessment

Married couple must be living together for the year of assessment

Treated as living together unless

separated under a Court Order or Deed of Separation

living apart in circumstances that are likely to be permanent

Once married – normally deemed to be jointly assessed

Election necessary for separate or single assessment

Benefits include – double personal credit, home carer credit, double mortgage interest, increased standard rate bands

One spouse assessed on the combined income. This spouse is the assessable spouse and is responsible for filing a joint tax return

Assessable spouse is normally the spouse with the highest income. Can be changed by electing before 1<sup>st</sup> April in the tax year

Overpayment of tax is refunded in two separate amounts in proportion to the tax paid by each individual

**Marks Allocated: 7 MARKS for any 5 of the points above**

##### Separate Assessment

Each individual is taxed separately

Overall tax cannot exceed the liability that would arise if jointly assessed

Unutilised standard rate bands and tax credits are transferred between spouses at the end of the tax year

A married couple must elect for separate assessment before 1st April in the tax year

Election continues until spouse who made the election withdraws it

Tax returns are filed separately

Personal credit, age credit, blind person's credit and incapacitated child credit are divided equally

Other credits claimed by individual incurring the expense or divided between spouses where expense is shared

**Marks Allocated: 7 MARKS for any 5 of the points above**

**Solution 1** (*Cont'd*)**Single Assessment**

- Each spouse is taxed as a single person
- No option to transfer unused credits or standard rate bands
- Election must be made before the end of the tax year
- There are no tax benefits arising from single assessment
- Tax payable can be higher than that payable under joint/separate assessment
- Single assessment is applied to a married couple in the year of marriage
- Option available to calculate tax as if the couple were married and any refund due is time apportioned on the basis of the number of months married in the tax year

**Marks Allocated: 6 MARKS for any 4 of the points above**

**Solution 2**

[1]	A
[2]	D
[3]	C
[4]	B
[5]	C
[6]	A
[7]	A
[8]	C
[9]	D
[10]	D

**Marks Allocated: 2 Marks each**



**Solution 3**

**Adjusted Profit Computation Question**  
**Michelle O'Neill**  
**Accounts for the year ended 31st December 2011**  
**Schedule D Case I**

	€	€	
Net Profit per accounts		13,750	
<u>Addbacks/(deduct)</u>			
Dividends received	-250		1
Entertainment	800		1
Advertising and Promotion			
Advertising household contents	60		½
GAA Contribution	-		½
Staff Costs			
Drawings	24,000		1
Preliminary Tax	3,400		1
P35	(4,216)		1
	23,184		
Repairs			
New entrance	3,650		1
Fittings and fixtures	880		1
Rented repairs	220		1
	4,750		
Rates			
30% rented	1,440		1
Legal and professional fees			
Purchase of shop premises	5,600		½
Business Plan	-		½
	5,600		
Travel			
Buying trip	-		½
Motor expenses			
Car loan repayments	4,200		1
Interest on car loan 30%	135		1
Depreciation	800		1
Michelle's motor expenses (€3,500 - €800) * 30%	810		1
Employee motor expenses	-		½
	5,945		
Interest			
Personal interest	123		1
Mortgage interest	1,200		1
	1,323		

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per

**Solution 3**(*Cont'd*)

Light and heat

Rented premises 30%

540

Heating system

6,800

7,340

50,192

**Schedule D Case I - tax adjusted profits**

**63,942**

**Solution 4****Justin and Shakira****Income Tax Computation 2011 based on Joint Assessment**

<b>Justin</b>		€	
Sch E	Wages	20,000	1/2
	BIK Bus Pass	0	1
Sch F	Dividends received (40/.8)	<u>50</u>	1
Sch D	Rental income	<u>2,005</u>	2
		22,055	
<b>Shakira</b>			
Sch D	Case 1	37,000	5
Sch D	Case IV Deposit interest (438/.73)	600	1
Sch D	Case V	7,800	2
		45,400	
		67,455	
<b>Tax</b>			
	22,055	20%	4,411
	600	27%	162
	41800	20%	8,360
	3,000	41%	1,230
	67455		14,163
<b>Tax credit</b>			
	Married	3,300	1/2
	PAYE	<u>1,650</u>	1
		4,950	
		9,213	
	PAYE	1,480	1/2
	DWT	10	1
	DIRT	162	1
		1,652	
	<b>Tax due</b>	<u>7,561</u>	

**Solution 4(Cont'd)****Justin****Rental Income**

Rents received		6750	
Expenses			
Service charges	800		
Advertising	120		
Mortgage interest 75%	3,825		
			4745
			2005

**Case 1**

2009	1 Mar 2009 to 31 Dec 2009			
	48,000 * 10/12			40000
2010	y/e 28 Feb 2010			48000
Review				
2010	y/e 31 Dec 2010			
		48000 *		
	1/1/2010 - 28/2/2010	2/12	8000	
	1/3/2010 - 31 Dec	42000 *		
	2010	10/12	35000	
				43000
		Excess		5000
2011	y/e 28 Feb 2011			42,000
		Less		
		Excess		5,000
				37,000

**Shakira****Rental Income**

Rents received		12000	
Expenses			
Rates	1200		
Mortgage interest - no restriction	3000		
			4200
			7800

**Solution 5**

Marks Allocated	Cash Receipts Basis			Invoice Basis			Marks Allocated
	Cash received			Invoices Issued	133,947		1
1	Total receipts		287,300	Adjust Credit Note	-1,210		2
1	Drawings		5,000	Cash sales	151,300		2
1	Credit transfers omitted		6,500	Drawings	5,000		1
1	Bounced cheque		-3,000	Credit Union Cheque Lodged	-7,000		1
1	Credit Union Cheque		-7,000	Total	282,037		
	Total receipts		288,800	Vat	48,949		1
1	Vat on receipts		50,122	Imports	6,000*21%	1,260	
1	Imports	6,000*21%	1,260		50,209		
			51,382				
	Purchases Book						
			VAT				
2			23,682				
			Self supply				
2			-84				
			Credit note				
			-252				
			23,346				
1			Imports				
		6,000*21%	1,260				
			24,606			24,606	
	Cash receipts basis			Invoice basis			
	VAT due		26,776	VAT due		25,603	

## Solution 6

### Shannon Bell

			Per Month
Salary			4,000
BIK			280
			4,280
Tax			
	2,750	20%	550.00
	1,530	41%	627.30
			1177.30
Tax credit			275.00
			902.30

### BIK

MV when new	40,000
Total kilometres	53,000
Business 80%	42,400
BIK	12%
Assess	4,800
Contribution	
€120 per month	1,440
	3,360
Monthly BIK	280

### PRSI Class A1

Pay	<u>4,280</u>		
	550	0%	0
	<u>3,730</u>	4%	<u>149.20</u>
	<u>4,280</u>		<u>149.20</u>

<b>USC</b>	4,280	242.83
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Take Home Pay	Pay	4,000.00
	Tax	902.30
	PRSI	149.20
	USC	<u>242.83</u>
		<u>1,294.33</u>
		2,705.67
	Car Contribution	<u>120.00</u>
		<u>2,585.67</u>

<b>USC</b>		
836.33	2%	16.73
498.33	4%	19.93
2945.34	7%	206.17
4280.00		
<b>Total due</b>		<b>242.83</b>

### Mary Fitzgerald

	Weeks 1 to 4	Weeks 5 and 6	Total
<b>Pay</b>	400.00	400.00	2400.00
Tax @ 20%	80.00	80.00	
Tax credit	<u>32.00</u>	<u>0.00</u>	
Tax due	48.00	80.00	352.00

### PRSI Class AL

127	Nil	0	
<u>273</u>	4%	<u>10.92</u>	
400		10.92	65.52

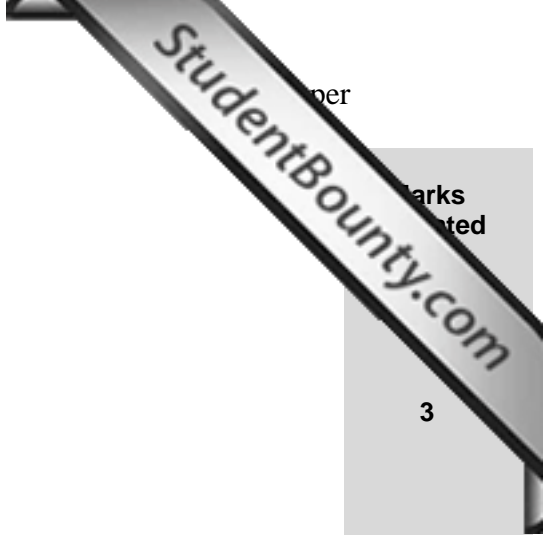
1  
1  
2  
1

**Solution**  
6(Cont'd)

USC		<u>14.90</u>	<u>89.40</u>
USC			
193.00	2%	3.86	
115.00	4%	4.60	
92.00	7%	6.44	
400.00		14.90	
Take Home Pay	Pay		2,400.00
	Tax	352.00	
	PRSI	65.52	
	USC	<u>89.40</u>	
			<u>506.92</u>
			1,893.08

3

2



# 1st Year Examination: May 2012

## Taxation ROI

### Examiner's Report

Statistical Analysis – By Question						
Question No.	1	2	3	4	5	6
Average Mark (%)	40.5%	67%	68%	58%	61%	67.5%
Nos. Attempting	907	913	902	749	343	713

Statistical Analysis - Overall	
Pass Rate	78%
Average Mark	59%
Range of Marks	Nos. of Students
0-39	128
40-49	70
50-59	183
60-69	261
70 and over	275
Total No. Sitting Exam	917
Total Absent	222
Total Approved Absent	35
Total No. Applied for Exam	1174

#### Question 1

This was a narrative question with candidates asked to write brief notes on the options that apply to the taxation of married couples.

This question was very poorly answered. Too many candidates concentrated on outlining the rate bands available to married couples with one and two incomes. These figures were in the main taken from the tax reference material supplied with the examination paper.

It was disappointing to note that candidates were confused between separate assessment and single assessment. Too many suggested that single assessment only applied to single individuals.



Few candidates compared the three methods and very little attempt was made at outlining the election process involved.

### **Question 2**

This was a multiple-choice question.

No trends were observed in the solutions presented for this question.

### **Question 3**

This question required the preparation of an adjusted profit computation.

The question was well answered and presentation was good with solutions well laid out and easy to follow.

The main areas where candidates failed to pick up marks included:

- Making an adjustment for discount received;
- Adjusting for the contribution made to the local GAA club for the use of the hall;
- Failing to adjust for the tax paid on submission of form P35;
- Adjusting for the cost of drawing up a business plan;
- Incorrect adjustment for motor expenses. It's surprising how many candidates failed to correctly adjust for motor expenses.

**Question 4**

This question required the candidate to prepare an income tax computation based on joint assessment.

The solutions were well presented and easy to follow, however, many basis errors were evident and many of these were surprising. These included:

- Treating the bus pass as an assessable BIK;
- Incorrect calculation of the assessable dividend and assessable interest;
- Incorrect calculation of the assessable profit rent. Too many candidates included the mortgage interest as a 20% tax credit;
- Incorrect calculation of the assessable Case 1 income for Shakira. Few candidates displayed an understanding of the commencement rules;
- Failure to allocate the correct rate bands in the calculation of the tax due.

**Question 5**

This question tested the candidates understanding of the VAT system and the ability to quantify the amount of VAT due for a VAT period.

Many candidates have difficulty laying out an answer to this type of question. Many solutions were poorly presented and difficult to follow.

Too many candidates were unable to identify the relevant cash receipts for inclusion in the calculation of the VAT due on outputs. There seems to be a lack of understanding of the difference between the invoice basis and the cash receipts basis of accounting for VAT.

**Question 6**

This question tested the candidates' knowledge of the PAYE/PRSI system. There was a marked improvement in the solutions presented for this question compared to last year's examination. A large number of candidates scored high marks in this question.

It was pleasing to note that the Universal Social Charge was well handled by the majority of candidates.

In the calculation of take home pay candidates should be aware that BIK should be excluded from the computation.