



**PROFESSIONAL 2 – ADVANCED TAXATION**

**EDUCATORS BRIEFING 2018/19**

	<b>Topic</b>	<b>Guidelines</b>
1	<b>Comments on Performance in 2019 Examinations:</b>	<p>The standard of answers in the April and Autumn 2018 exam cycle, showed an improvement on previous years. As is normally the case, performance was slightly better in the April sitting when compared to August 2018.</p> <p>Generally speaking, time management in the exam was good with very few students appearing to run out of time.</p> <p>Areas where excellent knowledge was displayed by many candidates include: share buybacks by a company and the associated CGT treatment for the individual having their shares bought back; the application of research and development tax relief and the candidate’s ability to advise on the VAT on property implications of a transfer and subsequent letting of a building.</p> <p>Areas on the syllabus which require improvement include:</p> <ul style="list-style-type: none"> <li>- Principle private residence relief. Some candidates displayed only basic knowledge and did not appear to be aware of the deemed occupation rules.</li> <li>- Revenue audits – candidates need to clearly establish if the self-correction option is still open before discussing the voluntary disclosure options</li> <li>- Revenue powers – details of Revenue’s powers are clearly outlined in the core text. Some candidates wrongly believe that Revenue can search any premises</li> </ul>

		<p>unannounced.</p> <ul style="list-style-type: none"> <li>- Double taxation relief - a more in-depth knowledge is needed of the application of the double tax agreement articles as they apply to corporates and individual.</li> </ul> <p>Generic transcribing from the core texts will not only waste time in the exam but it will also not gain candidates sufficient marks. It is the application of the information in the case study to the tax calculations and reliefs that will earn candidates the most marks.</p>
<b>2</b>	<b>Learning Outcomes:</b>	<p>The learning outcomes are listed on page 88 &amp; 91 of the CPA Syllabus 2019.</p> <p>Candidates must be able to demonstrate an understanding of the principles behind the relevant taxation provisions and the interaction between the different taxes when advising.</p> <p>Candidates must be able to draw appropriate conclusions and provide advice accordingly. Ultimately the exam will in general focus on presenting a series of transactions and asking the candidate to advise his/her client on the tax consequences thereon.</p> <p>Clear, succinct and appropriate advice to the client will attract generous marks. Candidates should focus on framing their advice in a way that a client, without a background in taxation will understand. It is important to note that some questions may require candidates to make assumptions. If such assumptions are made, these should be stated clearly.</p>
<b>3</b>	<b>Syllabus Changes:</b>	<p>The only change in the 2019 syllabus is that 'Entrepreneurs Relief' is now included explicitly under the capital gains tax section.</p>
<b>4</b>	<b>Format of the Examination Papers for 2019:</b>	<p>The format is open book and is exactly the same as in 2018 and previous years.</p> <p>The exam will contain one compulsory case study question worth 40 marks and four shorter case studies worth 20 marks each. Candidates must attempt three from</p>

		<p>four of the shorter 20 mark case studies.</p> <p>In line with previous years, each case study will not simply require candidates to perform calculations, state provisions or conditions. Application of the tax law and provisions to the facts of the case study will be required.</p> <p>In addition, candidates will be required to provide tax advice and highlight tax planning opportunities. Candidates must display an ability to deal with the interaction of the different taxes to a particular set of facts.</p> <p>To ensure that marks can be awarded where appropriate, where a candidate makes an assumption, this should be stated clearly.</p> <p>Candidates are <b><u>strongly advised</u></b> to use past exam papers (from 2012 to date) to become familiar with the case study format and the level of application of the tax knowledge that is required. However, it should be remembered that the published solutions are based on the legislation for a previous tax year. In addition, the articles and webinars published by the examiner since 2012 are also a very important resource.</p>
5	<b>Education Focus for 2019:</b>	<p>In each exam, candidates will be presented with five case studies and candidates are expected to provide tax advice based on the facts outlined in the case study. Below are some key areas identified for 2019:</p> <ul style="list-style-type: none"> <li>• Lifetime transfer of business assets, including shares. Consideration also to property held personally transferring at the same time as shares.</li> <li>• Tax planning advice in anticipation of death particularly around agricultural assets and sole trade businesses.</li> <li>• Corporate residence – knowledge of double tax treaty articles on permanent establishment and business profits. Decision re trading via a subsidiary or branch overseas.</li> <li>• The scope of income tax including an</li> </ul>

		<p>analysis of what income is subject to income tax given the domicile, ordinary residence and residence status of an individual.</p> <ul style="list-style-type: none"><li>• Termination planning – director retiring from company. Including pension planning advice.</li><li>• Close company rules and anti-avoidance measures.</li><li>• Corporation tax groups – tax benefits of a company being part of a group for corporation tax, capital gains, VAT and stamp duty.</li><li>• The special assignee relief programme.</li><li>• The taxes associated with the creation of a discretionary and/or a fixed trust. Also, the tax implications during the lifetime of the trust.</li><li>• The territorial scope of CAT.</li><li>• The Revenue Audit Code with specific reference to Revenue powers and the level of penalties and interest charged.</li><li>• The holding company regime and research &amp; development tax relief for companies.</li><li>• Stamp duty reliefs – both corporate transfers and transfers by individuals.</li><li>• VAT – to include the VAT on property regime, VAT exemptions and VAT on trade inside and outside the EU.</li></ul>
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