



## PROFESSIONAL 2 – ADVANCED TAXATION

### EDUCATORS BRIEFING 2019/20

	Topic	Guidelines
1	<b>Comments on Performance in 2019 Examinations:</b>	<p>Generally speaking, the standard of answers in 2019 exam cycle were very good.</p> <p>Time management in the exams did not appear to be an issue with very few students appearing to run out of time.</p> <p>The biggest factor which lead to candidates failing the exam was not answering the required number of questions. Where a candidate decides to answer only three optional questions as opposed to the four required, it makes it much more difficult for them to pass.</p> <p>As mentioned in previous year's briefings, generic transcribing from the core texts will waste time and only gain candidates minimal marks. It is the application of the information in the case study to the tax calculations and reliefs that will earn candidates the bulk of the marks.</p> <p>Areas where excellent knowledge was displayed by many candidates include: CGT entrepreneur relief; CAT business property relief; what constitutes a permanent establishment; SARP; the temporary non-residence rules and the VAT on property rules.</p> <p>Areas on the syllabus which require improvement include:</p> <ul style="list-style-type: none"> <li>- Close company knowledge around benefits and loans to participators and the implications where the company writes off the loan.</li> <li>- The tax implications of a company</li> </ul>

		<p>funding a pension scheme and the taxation implications for an individual drawing down their pension.</p> <ul style="list-style-type: none"> <li>- Corporate tax losses and the implications of non-coterminous accounting period ends.</li> <li>- The availability of self-correction where errors are found.</li> </ul>
<b>2</b>	<b>Learning Outcomes:</b>	<p>The learning outcomes are listed on page 88 &amp; 91 of the CPA Syllabus 2020.</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>	No syllabus changes.
<b>4</b>	<b>Format of the Examination Papers for 2020:</b>	<p>The format is open book and is exactly the same as in 2019 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 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</p>

		<p>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 2020:</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 2020:</p> <ul style="list-style-type: none"> <li>• Residence and domicile from an income tax perspective and the implications of same. To include double taxation relief.</li> <li>• Company residence and double taxation relief.</li> <li>• Income tax reliefs to include: Employee incentive schemes and the foreign earnings deduction.</li> <li>• The tax implications during the life of a trust and on the eventual transfer of assets to beneficiaries.</li> <li>• Research &amp; development relief – key employees and R&amp;D tax credits.</li> <li>• The implications of a company falling within the definition of a close company – from the participator and the</li> </ul>

		<p>company's perspective.</p> <ul style="list-style-type: none"> <li>• Corporation tax losses including terminal losses, group relief and annual payments.</li> <li>• Key CT reliefs including holding company regime and tax efficient company reorganisations.</li> <li>• VAT – registration requirements and the VAT rules applying to domestic transactions, intra-EU transactions and international transactions.</li> <li>• VAT on property – to include the identification of the need to charge VAT on the sale of a property.</li> <li>• Tax implications associated with the sale of company assets v share sale.</li> <li>• Taxes and reliefs associated with the lifetime transfer of business assets, including unincorporated trades and shares.</li> <li>• The taxes and reliefs associated with the incorporation of a trade.</li> <li>• Scope of CAT and key reliefs for lifetime and death transfers including agricultural relief, business property relief and CGT/CAT offset.</li> <li>• The Revenue Audit Code – advice on how to deal with errors to mitigate penalties.</li> </ul>
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