

STRICTLY CONFIDENTIAL
THE INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI
DECEMBER 2019 EXAMINATIONS
CA LEVEL 2 (PROFESSIONAL)
PAPER B4: TAX COMPLIANCE
EXAMINER'S REPORT

Introduction

This report presents feedback to ICAM and students on the candidate's performance in the examination with proposals on how shortfalls noted may be rectified.

The B4 Tax Compliance examination paper is marked out of 100 marks. It consists of two sections, A and B. Section A consists of two compulsory questions while section B comprises four questions and candidates are required to attempt any three. All questions carry 20 marks.

Candidates Performance

Candidates showed understating of the tax laws generally and computations were well done in terms of format and knowledge. The questions were varied and covered the entire syllabus including corporate taxation; value added tax, fringe benefits tax, customs and excise, foreign exchange gains and losses and individual tax computation.

Comments on Individual questions

QUESTION 1

This question was on computation of taxable income, withholding tax computations and customs valuation principles

- Add backs and subtractions of items was well done by most candidates in relation to part (a) of the question.
- Computation of tax payable was not well done by most candidates who assumed corporate rate of 30% instead of individual tax rates given. Secondly those who used individual rates did not use the 35% rate for those over K3,000,000.
- Customs valuation principles were generally not well done by most candidates and showed lack of knowledge in the area.

QUESTION 2

This question was on computation of taxable income for a club and estate duty.

- Most candidates did well in finding taxable income except a few who added everything including membership subscriptions. The challenge was on treatment of opening and closing stocks which made the bar sales figure to be incorrect.
- The computation of taxable income was well done by most candidates.
- The explanation of types of domicile that are recognized in the Estate Duty Act in Malawi was a challenge to most candidates. Some were mentioning domicile of residence, by birth or citizenship which were all not correct.

QUESTION 3

This question was on foreign currency liability, foreign currency calculations and individual donation rules for deductibility.

- The definition of foreign currency liability was well done.
- Computation of losses was well done, save that some candidates used wrong rates for the given dates.
- Examiner awarded marks for stating the formula 'ar1-ar2' and those who did not state and define it lost valuable marks.
- Candidates did well on rules for donations even though some candidates used wrong figures other than K250 and K500.

Question 4

This question was on contract gratuity and value-added tax (VAT).

- The contract gratuity was well done except that most candidates did not include house allowance as part of the computation of the gratuity. Calculation of the tax payable was not done well by some candidates as they did not use right tables.
- Relief supply was not well done by most candidates as they were mentioning supplies to the President or Vice President as the main item which was not correct.
- VAT computations were well attempted by most candidates.

Question 5

This question was on Fringe Benefits tax.

- This question was well done by most candidates.
- School fees paid was for a term which was a quarter so no need to multiply by 3 again as most candidates did.

Question 6

The question was on water control works and Partnerships.

- The definition of water control work was not well done as most candidates confused it with water conservation works.
- The explanation of partnership income treatment was well done but few candidates did not mention the word 'joint' in the explanation and thus lost marks.
- The computation for the partnership income was not well done by most candidates as they left out most critical items to add back like interest on capital and partner's salaries

CONCLUSION

The paper was fair and had good coverage of the syllabus.

