
Answers

1 Mr Taylor

(a) Tax treatment of stock option

- (1) When the stock option was given to Mr Taylor, no income was deemed to have been earned by him. The income only arises to him as an individual when he exercised the option and purchased the shares, i.e. on 5 May 2008.
- (2) The income is calculated as the difference between the market price of the share at the time of the exercise (purchase) and the price that the individual had to pay for the shares. This means that Mr Taylor received an income of HUF 220 (2,720 – 2,500) per share, which is HUF 1,760,000 (220 * 8,000).
- (3) The characterisation of the income depends on the relationship between Mr Taylor and the entity granting the stock option (CompuTech Rt). Since Mr Taylor is an employee of CompuTech Rt, the income received by virtue of the stock option is classified as income from employment. Consequently it is taxed at the progressive rates of 18% and 36%. Since Mr Taylor's salary exceeds HUF 1,700,000 (which is the limit for the 18% tax rate) by May 2008, the full amount of his income from the share option (HUF 1,760,000) is taxed at the marginal rate of 36%. Consequently the personal income tax payable by Mr Taylor is HUF 633,600 (1,760,000 * 36%). Additionally the 4% solidarity surtax is also payable on this income since Mr Taylor's consolidated tax base exceeds the cap for social security contributions. The solidarity surtax payable by Mr Taylor is HUF 70,400 (1,760,000 * 4%).
- (4) The income is also subject to social security of 15.5% (6% + 9.5%) (out of which the 9.5% pension contribution is capped) payable by Mr Taylor. Since Mr Taylor's income exceeded the cap for social security contributions of HUF 7,137,000 in April 2008, he does not have to pay the 9.5% pension contribution in May. Thus he will pay only HUF 105,600 (1,760,000 * 6%) social security on his income from the share option.
- (5) In addition, the payer (CompuTech Rt) has to pay social security contributions of 29% (24% + 5%) on the income. Thus, the company will pay HUF 510,400 (1,760,000 * 29%).

(b) Taxation of capital gains

- (1) The income of Mr Taylor is the difference between the consideration received for the shares (sale price) and the cost basis of the shares. When Mr Taylor acquired the shares on 5 May, he had to pay personal income tax on the difference between the market price (HUF 2,720) and the exercise price (HUF 2,500) (see part (a) above). Therefore the market price of HUF 2,720 can be considered as the cost basis when Mr Taylor sold the shares. The income realised by Mr Taylor upon the sale was therefore, HUF 950,000 ((3,100 – 2,720) * 2,500).
- (2) Capital gains realised through the sale of shares on a stock exchange are taxed at 20%. Thus Mr Taylor will have to pay HUF 190,000 (950,000 * 20%) in personal income tax.

(c) The treatment of the benefits in kind

- (1) The free of charge use of the mobile phone is a benefit in kind which is taxed at 54% for personal income tax and 29% for social security contributions.
- (2) The basis of the personal income tax is the actual cost of the private calls or 20% of the total phone bill. As Mr Taylor is not required to classify his calls, the company must deem 20% of the total phone bill as being incurred for private purposes and pay tax on this. The cost of the private use is thus HUF 9,400 (47,000 * 20%). Hence, CompuTech Rt must pay HUF 5,076 (9,400 * 54%) of personal income tax on the use of the mobile phone in November 2008.
- (3) The basis of the social security contribution is the cost of the benefit in kind including the personal income tax. Thus the social security contribution payable by CompuTech Rt is HUF 4,198 ((9,400 + 5,076) * 29%).
- (4) An employer can grant free internet access to its employees tax free. Therefore neither the company nor the individual has to pay any tax on this benefit.
- (5) A monthly season ticket for local public transportation can also be given to employees tax free. Together with the internet access, the monthly season ticket is included in the group of benefits which can be granted to employees tax free only up to a certain amount. However, if the total costs of these benefits had exceeded HUF 400,000, the excess would have qualified as a taxable fringe benefit on which the employer would have had to pay tax at 54%.
- (6) Hot meal tickets are tax free benefits up to HUF 12,000 a month. This means that HUF 2,000 (14,000 – 12,000) qualifies as a taxable fringe benefit on which the company must pay 54% personal income tax, which is HUF 1,080 (2,000 * 54%) and 29% social security contributions, which is HUF 893 ((2,000 + 1,080) * 29%).

(d) Personal income tax and social security contributions on November 2008 salary

Mr Taylor's salary is an income from dependent services which is part of the consolidated tax base. It is taxed at the progressive rates of 18% and 36%, and is also subject to the 4% solidarity surtax if the consolidated tax base is higher than the cap for social security contribution. Mr Taylor's annual salary is HUF 27 million (2,250,000 * 12).

Mr Taylor must pay the following taxes and social security contributions on his salary:

1. Personal income tax	HUF
– HUF 1,700,000 * 18%	306,000
– HUF 25,300,000 (27 million – 1.7 million) * 36%	9,108,000
	<u>9,414,000</u>

The monthly tax advance for November 2008 is thus 1/12 of HUF 9,414,000 which is HUF 784,500.

2. Solidarity surtax
The cap for social security contributions is HUF 7,137,000. Since Mr Taylor's consolidated tax base was already above this limit by April, he has to pay solidarity surtax on the full amount of his November salary, which is HUF 90,000 (2,250,000 * 4%).
3. Social security
Individuals must pay 15.5% (6% + 9.5%) social security on their employment income, where the 9.5% pension contribution is capped. Since Mr Taylor's salary exceeded the cap of HUF 7,137,000 by April, he does not have to pay the 9.5% pension contribution after that month. This means that the social security deducted from Mr Taylor's November salary is only the 6% health contribution, which is HUF 135,000 (2,250,000 * 6%).
4. Employee's contribution to the unemployment fund
Salaries are also subject to a 1.5% employee's contribution to the unemployment fund, which is HUF 33,750 (2,250,000 * 1.5%).

CompuTech Rt must pay the following social security contributions in respect of Mr Taylor's salary:

1. Social security
Employers must pay 29% (24% + 5%) social security contributions on its employees' salaries, which in Mr Taylor's case is HUF 652,500 (2,250,000 * 29%).
2. Employer's contribution to the unemployment fund
Employers must pay 3% on their employees' salaries to the unemployment fund, which in Mr Taylor's case is HUF 67,500 (2,250,000 * 3%).

2 Green Wood Kft

(a) Loss carry forward from the year 2006

- (1) As the company's pre-tax profit was negative in 2006 and it realised tax losses in the two consecutive years preceding the year 2006, the company would have had to ask the permission of the tax authority to carry forward the 2006 losses.
- (2) The company should have submitted this request by the deadline for the filing of its 2006 corporate income tax return i.e. by 31 May 2007. If this deadline was missed, the company would have lost the possibility to carry forward the 2006 losses.
- (3) The tax authority would only issue a positive permission in the following cases:
 - if the losses were incurred due to an unavoidable external reason, or
 - if the company can prove that it had done everything to avoid or at least reduce the volume of the losses in the current circumstances.

(b) Tax losses available in 2008

- (1) Prior to 2004, tax losses could only be carried forward for five years except for the losses of the first four years of operation. The company was founded in 1995, thus 2001 is the sixth year of the company's operation, so the tax losses of that year could only be carried forward for five years. This means that the last year when the losses generated in 2001 could have been used was 2006. The tax losses of 2001 could have been used to offset the profits of 2002 and 2003, but any unused 2001 losses were then lost in 2007.
- (2) The losses of years 2004 and 2005 would have been carried forward automatically. The 2007 profit would, therefore, have been offset by the entire amount of the tax loss of 2004 (HUF 33,762,000) and part of the tax loss of 2005 (HUF 31,560,000) leaving HUF 19,220,000 of the tax losses generated in 2005 available to carry forward to 2008.
- (3) The tax losses of 2006 (HUF 45,440,000) are available in 2008 in full.
- (4) Based on the above, the company has HUF 64,660,000 (19,220,000 + 45,440,000) available tax losses brought forward from 2005 and 2006 for use in 2008.

(c) 2008 corporate tax liability

	Note		HUF
Profit before tax			144,000,000
Increasing items:			
Write-down of registered shares	1	25,000,000	
Write-down of receivable	2	54,300,000	
Write-down of inventory (fully deductible)		0	
Provisions	3	<u>35,300,000</u>	
			114,600,000
Decreasing items:			
Payment of invoice previously written-down	2	10,300,000	
Provisions reversed	3	23,000,000	
Payment of the supplier's invoice		60,000,000	
Cash received for no consideration (200,000 * 260)		52,000,000	
Local business tax	4	<u>27,000,000</u>	
			(172,300,000)
Tax base before utilising tax losses:			86,300,000
Tax losses utilised	5		<u>(64,660,000)</u>
Tax base			21,640,000
Tax (at 16%)	6		3,462,400
Tax allowance	7		<u>2,423,680</u>
Tax payable			<u>1,038,720</u>

Notes:

- (1) Any losses accounted for with respect to registered shares (e.g. write-down, foreign exchange losses) are not deductible for tax purposes. Therefore the HUF 25 million write-down must be considered as a tax base increasing item.
- (2) The write down of a receivable is a non-deductible item. As the receivable from B&D Kft was non-deductible and considered as a tax base increasing item when it was written down, when this invoice is paid in 2008, the income must be treated as non-taxable.
- (3) Provisions created in the tax year for future liabilities are non-deductible for tax purposes. At the same time, provisions created in prior years that are reversed in the tax year (i.e. accounted for as income) are non-taxable.
- (4) Companies can generally decrease their tax base by the local business tax expense relating to the actual year as long as their tax base does not become negative. As this does not apply in the present case, Green Wood Kft can consider the whole amount of the local business tax expense as a tax base decreasing item.
- (5) The company has HUF 64,660,000 of tax losses brought forward from 2005 and 2006 (see part (b)). Without the loss carry forward, the company's tax base would be HUF 86.3 million. Therefore the full amount of the tax losses can be utilised in 2008.
- (6) As the company is benefiting from a tax allowance, it is not entitled to the reduced 10% tax rate. Therefore the entire tax base is taxed at 16%.
- (7) Companies can benefit from the tax allowance granted to small- and medium-sized enterprises on the basis of loans taken for certain purposes up to 70% of the tax otherwise payable. In other words, at least 30% of the tax must be paid even if the company benefits from this tax allowance. Therefore even though Green Wood Kft could take into consideration a tax allowance of up to HUF 4.3 million, in fact it can only benefit from HUF 2,423,680 (70% of 3,462,400).

(d) 2008 solidarity surtax

	HUF
Pre-tax profit	144,000,000
Increasing items:	None
Decreasing items:	
Payment of the supplier's invoice	(60,000,000)
Cash received for no consideration (200,000 * 260)	<u>(52,000,000)</u>
Tax base	32,000,000
Tax (at 4%)	<u>1,280,000</u>

3 Biolab Kft

(a) Tax deductions available from the corporate tax base

- (1) Direct research and development costs are accounted for in the profit before tax and are deductible for tax purposes, but they also qualify for an additional deduction when calculating the tax base. This means that for tax purposes, they can be deducted twice. However, the double deduction is not available for subcontractors' fees if the subcontractors are domestic enterprises or private individuals, or domestic permanent establishments of foreign entities. Therefore, Biolab Kft can decrease its corporate tax base by HUF 800 million (1.2 billion – 400 million) by virtue of its direct research and development costs.
- (2) As an alternative, if the costs are capitalised, Biolab Kft can choose to decrease its tax base in those years when the depreciation costs arise, in the amount of the actual depreciation costs.
- (3) If Biolab Kft had received subsidies for the research, it would have had to deduct these amounts from the value of the tax base reducing item.

(b) Tax credit incentive available

- (1) In addition to the tax base reduction, Biolab Kft is also entitled to a tax credit. The amount of the tax credit is 10% of the salary cost recorded as direct research and development costs in the tax year. The tax credit can be enjoyed in equal amounts in the year when the costs are incurred and in the following three years. If the company cannot use the tax credit in the current year (i.e. it does not have a sufficient tax liability to offset the whole amount of the available tax credit) it can be carried forward within the same three year period.
- (2) The maximum amount of the tax credit can be 70% of the tax payable after taking into consideration any other available tax credits.

(c) Research and development carried out jointly with the University

If the research and development had been carried out jointly with the Medical University, Biolab Kft would have been entitled to reduce its tax base by three times the direct research and development costs up to a maximum of HUF 50 million. The limitations regarding the subcontractors' fees and state subsidies (see part (a)) also apply to this tax base reduction. Since in this specific case the amount of the tax benefit would have been less than the amount by which the company could have otherwise reduced its tax base, it was more beneficial for Biolab Kft to use the tax deduction described in part (a) above.

4 Tempo Kft

(a) VAT treatment of the land purchase

The sale of land suitable for construction (*'épitési telek'*) is always subject to VAT. Therefore Tempo Kft should have received an invoice with VAT charged at 20%. This VAT is deductible for Tempo Kft provided that it has opted to treat its future rental activity as being subject to VAT. Alternatively, if it rents the offices without charging VAT on the rental fee, the company does not have the right to deduct the VAT incurred on the land purchase.

(b) VAT treatment of invoices issued by Brick Kft

- (1) The handover of a building based on a construction agreement is considered to be a sale of goods/products according to the VAT law. From 1 January 2008 the VAT must be assessed by the party purchasing the product (i.e. Tempo Kft in the present case) provided that the following conditions are met:
 - both Tempo Kft and Brick Kft are registered for VAT purposes in Hungary, and
 - both Tempo Kft and Brick Kft are liable to pay VAT (e.g. they are not VAT exempt persons).
- (2) As Tempo Kft and Brick Kft concluded their agreement after 1 January 2008, the above new VAT rule is applicable to their situation. Therefore, Brick Kft should issue its invoices without charging VAT, and Tempo Kft is liable to assess the VAT under the reverse charge mechanism. If, however, either of the above conditions is not fulfilled, Brick Kft should charge VAT on its invoices based on the general rules.

(c) VAT treatment of rental invoices

- (1) In general, rental activity – irrespective of the type of real estate – is VAT-exempt, in which case Tempo Kft should issue its invoices for the rent without charging VAT. This will also mean that Tempo Kft cannot deduct the VAT it incurs on the incoming invoices.
- (2) However, Tempo Kft may choose to treat the rental activity as being subject to VAT which means that it can deduct its input VAT. The tax authority must be notified about the decision of Tempo Kft by the last day of the previous tax year. The decision of the taxpayer cannot be changed for five years. Thus if Tempo Kft chose to charge VAT on the rental invoices, it must have notified the tax authority about this before 31 December 2007, and it must not change this treatment until 31 December 2012.

(d) VAT balance for the second quarter of 2008

	Notes	HUF
VAT payable June 2008:		
– Construction (650,000,000 * 20%)	1	130,000,000
VAT deductible June 2008:		
– Construction (650,000,000 * 20%)	1	(130,000,000)
– Bookkeeping (60,000 * 20%)		(12,000)
– Electricity (45,000 * 20%)		(9,000)
VAT balance of June (deductible)		(21,000)
VAT balance of April (deductible)		(85,000)
VAT balance of May (deductible)		(105,400)
VAT balance of the second quarter		(211,400)

Note:

- (1) As described in part (b), construction invoices are subject to the reverse charge mechanism provided that certain conditions are met. The fact that Brick Kft issued its invoice without charging VAT on it implies that the conditions were fulfilled. Therefore Tempo Kft had to self-charge the VAT on the invoice which became deductible at the same time.

(e) Claim for repayment of VAT

Including the amount carried forward from the first quarter, Tempo Kft has a balance of deductible VAT of HUF 421,400 (211,400 + 210,000). However, as the company has not paid one of its suppliers, the amount of VAT that could potentially be reclaimed must be decreased by the VAT part of the unpaid invoice. After deducting the unpaid invoice, the negative VAT balance becomes HUF 409,400 (421,400 – 12,000). Since this amount exceeds the limit of HUF 250,000 that is applicable for taxpayers filing quarterly VAT returns, the HUF 409,400 can actually be reclaimed from the tax authority.

5 Motionfilm Kft

(a) VAT return for September 2008

	Notes	HUF
VAT payable:		
Royalty paid to Germany (135,000 * 260 * 20%)	1	7,020,000
VAT deductible:		
Royalty paid to Germany (135,000 * 260 * 20%)	1	(7,020,000)
Transportation (144,000 * 16.67%)		(24,000)
Light bulbs (60,000 * 20%)		(12,000)
Tape (89,000 * 20%)		(17,800)
VAT balance (deductible)		(53,800)

Notes:

- (1) A transfer of rights is deemed to be performed where the party ordering the service is resident, which is in Hungary in the present case. If the service is provided by a foreign entity, this means that the VAT has to be assessed as VAT payable by the recipient of the service. Therefore, Motionfilm Kft must calculate the VAT (at 20%) on the royalty it has to pay to Germany and include it as VAT payable in its VAT return.

At the same time, however, the VAT also becomes deductible, therefore it actually does not affect the cash flow position of the company.

The following payments have no effect on the VAT balance of Motionfilm Kft:

1. The owner of the castle, as he is not a private entrepreneur, did not issue an invoice with VAT.
2. VAT on food and drinks is not deductible.
3. The translator was performing his services as an independent activity, based on a contract. He did not have to issue an invoice for his service, therefore no VAT was incurred in relation to his remuneration.
4. The tailor is a private entrepreneur whose annual sales revenues did not exceed HUF 5 million and therefore has chosen not to be subject to VAT. Therefore, he will not charge VAT on his invoices.
5. The royalty received from the US company does not affect the company's VAT return.

(b) Personal income tax

Personal income tax and solidarity surtax payable/to be withheld by Motionfilm Kft:

	Note	HUF
Rent	1	
(i) if taxed at 25%		50,000
OR		
(ii) if taxed as part of the consolidated tax base		
– personal income tax		64,800
– potential solidarity surtax		7,200
Food and drinks	2	71,280
Translator	3	
– personal income tax		145,800
– potential solidarity surtax		16,200

Notes:

- (1) As the lessee was an individual, who was not a private entrepreneur, Motionfilm Kft should withhold personal income tax at 25% from the rental fee, which was HUF 50,000 ($200,000 \times 25\%$).

Alternatively, the individual could choose to treat the income from the rental activity as part of his consolidated tax base. If Motionfilm Kft was informed about his choice, the company would have to withhold the tax at 36%. The actual costs incurred by the individual with respect to the leasing activity or a lump-sum 10% deduction will decrease the taxable income in such a case. As the example does not mention the costs of the lessee, a lump-sum 10% should be deducted from the income, which would result in tax of HUF 64,800 ($200,000 \times 90\% \times 36\%$) being withheld by Motionfilm Kft.

If the lessee chose to treat the rent as part of his consolidated tax base, Motionfilm Kft may also have to withhold 4% solidarity tax. This would be the case if during the year the company had already made payments to the individual in excess of the cap for social security contributions, or even if the income did not exceed the cap but the individual had asked Motionfilm Kft to withhold this tax from his income. In such cases the solidarity surtax would be HUF 7,200 ($200,000 \times 90\% \times 4\%$).

- (2) Food and drinks are fringe benefits, which are subject to personal income tax at 54%. The basis for the tax is the gross value, which includes the non-deductible VAT. Therefore, Motionfilm Kft would have to pay HUF 71,280 ($110,000 \times 1.2 \times 54\%$) on the food and drinks.
- (3) Motionfilm Kft should withhold personal income tax advances from the payment made to the translator who was not a private entrepreneur. The income of the translator qualifies as income from independent services, from which 36% personal income tax must be withheld. The translator can account for his actual costs or a lump-sum 10% deduction to offset his income. As the example does not mention the costs incurred by the translator, a lump-sum 10% should be deducted from this income, which results in a taxable income of HUF 405,000 ($450,000 \times 90\%$). Thus the personal income tax to be withheld from the translator's payment would be HUF 145,800 ($405,000 \times 36\%$).

In addition, if Motionfilm Kft had already made payments to the translator in excess of the cap for social security contributions, the company should also withhold 4% solidarity surtax. As above, this is also the case if the income did not exceed the cap but the translator had asked the company to withhold this tax from his income. The solidarity surtax, if payable, would be HUF 16,200 ($405,000 \times 4\%$).

- (4) As the tailor was a private entrepreneur, no personal income tax had to be withheld by Motionfilm Kft from his payment.

	Marks
1 (a) Stock option	
Income arises when the stock option is exercised	1
Income as the difference between the market price and the option price	1
Income is classified as income from employment	1
Calculation of taxes and social security payable by Mr Taylor	
– personal income tax	1
– solidarity surtax	1
– social security	1
Calculation of social security payable by CompuTech	1
	<u>7</u>
(b) Capital gains	
Calculation of income using the correct cost base	2
Calculation of tax using the correct tax rate	1
	<u>3</u>
(c) Benefits in kind	
Taxable income for the mobile phone usage	2
Calculation of personal income tax and social security contributions payable on the mobile phone	2
Internet access is tax free	1
Monthly season ticket is tax free	1
HUF 400,000 limitation for certain tax free benefits	1
Calculation of personal income tax and social security contributions on hot meal tickets	2
	<u>9</u>
(d) November salary	
Mr Taylor's liabilities on his salary	
– Personal income tax	2
– Solidarity surtax	1
– Social security	1
– Employee's contribution to the unemployment fund	1
CompuTech's liabilities on Mr Taylor's salary	
– Social security	0·5
– Employer's contribution to the unemployment fund	0·5
	<u>6</u>
	<u>25</u>

		Marks
2	(a) Loss carry forward from 2006	
	Need to ask for permission	1
	Reasons why permission is needed	2
	Deadline for the submission of the request	1
	Cases when the tax authority will grant permission	2
		<hr/> 6
	(b) Losses available in 2008	
	Balance of 2001 tax losses are lost from 2007	2
	The full amount of the 2004 tax loss was used in 2007	1
	Part of the 2005 tax loss was used in 2007	1
	Balance of 2007 loss is available	1
	Losses of 2006 are all available	1
		<hr/> 6
	(c) 2008 tax base	
	Increasing items:	
	Write-down of registered shares	1
	Write-down of receivable	1
	Write-down of inventory (deductible)	1
	Provisions	1
	Decreasing items:	
	Payment of invoice previously written down	1
	Provisions reversed	1
	Payment of the supplier's invoice	1
	Cash received for no consideration	1
	Local business tax expense	1
	Tax losses utilised	1
	Tax at 16% (no possibility to benefit from the reduced 10% tax rate)	2
	Tax allowance	2
		<hr/> 14
	(d) Solidarity surtax	
	Increasing items – None	1
	Decreasing items:	
	Payment of the supplier's invoice	1
	Cash received for no consideration	1
	Tax at 4%	1
		<hr/> 4
		<hr/> 30

		Marks
3	(a) Tax deductions available from the corporate tax base	
	Double deduction	1
	Certain subcontractors' fees are excluded from the benefit	2
	Either in the year when it is incurred or as the depreciation costs arise	2
	State subsidies reduce the benefit	1
		<u>6</u>
	(b) Tax credit incentive available	
	R&D costs can be taken as a tax credit	1
	Can be enjoyed in the tax year incurred and in the next three years	2
	Equal amounts	0.5
	Carry forward of the unused tax credit is available	1.5
	Maximum amount of tax credit – 70%	1
		<u>6</u>
	(c) Research carried out with the University	
	The benefit is three times the R&D costs but only to a maximum HUF 50 million	2
	More beneficial if Biolab Kft utilises the tax base reduction in part (a)	1
		<u>3</u>
		15
4	(a) VAT treatment of land purchase	
	Subject to VAT	1
	Deductibility of input VAT depends on VAT status of rental activity	2
		<u>3</u>
	(b) VAT treatment of invoices issued by Brick Kft	
	Reverse charge mechanism applies	1
	Conditions for the application of the reverse charge mechanism	2
	Fall back to the general rule	1
		<u>4</u>
	(c) VAT treatment of rental invoices	
	General treatment is VAT-exempt without the right to VAT deduction	1
	May choose to be subject to VAT	1
	Deadline to report the decision	1
	Cannot change status for five years	1
		<u>4</u>
	(d) Second quarter VAT balance	
	Calculation of the June VAT balance	
	VAT payable/deductible on construction (reverse charge method)	0.5
	VAT deductible:	
	– bookkeeping	0.5
	– electricity	0.5
	Adding the April and May VAT balances	0.5
		<u>2</u>
	(e) Repayment claim	
	Cumulative balance at end of second quarter	0.5
	Need to deduct the unpaid invoice	0.5
	As it exceeds the HUF 250,000 threshold can reclaim	1
		<u>2</u>
		15

	Marks
5 (a) VAT return	
VAT payable	
– Royalty	0.5
VAT deductible	
– Royalty	0.5
– Transportation	0.5
– Light bulbs	0.5
– Tape	0.5
Payments which did not affect the VAT balance of the company:	
– Rental fee	0.5
– Food and drinks	0.5
– Payment to the tailor	0.5
– Translator's services	0.5
– Royalty received has no effect	0.5
	<u>5</u>
(b) Personal income tax and solidarity surtax	
Tax withheld from the rent at 25%	1
Calculating the tax if the rent was treated as part of the consolidated tax base	
– Personal income tax	2
– Potential 4% solidarity tax	1
Tax payable on food and drinks	2
Tax to be withheld from the translator	
– Personal income tax	2
– Potential solidarity surtax	1
No withholding from the tailor's payment	1
	<u>10</u>
	<u>15</u>