Answers

1 OOO Santima

(a) Profits tax liability for the year 2009

	mln. RR
Domestic sales 1,486.8 * 100/118	1,260
Export sales (non-vatable item if confirmed)	126
All prepayments (non-taxable item)	0
Total sales	1,386
Direct expenses:	
COGS (169.92 + 708) * 100/118 * (100% – 30%) = (744 – 223.2)	(520.8)
Transport expenses: (28.32 + 84.96) * 100/118 = 96	
96 – [96/(520.8 + 223.2) * 223.2]	(67.2)
Total direct expenses	(588)
Indirect expenses:	
Wages and salaries of staff directly involved in trade activities	(136)
Wages and salaries of administrative personnel	(27.2)
UST on total wages and salaries at 26% rate	(42.43)
Depreciation expenses:	
Passenger cars for sales representatives (Note 1)	(42.46)
Passenger cars for management level staff (Note 2)	(0.88)
Voluntary medical insurance for employees:	
deductible expenses within limit – 6% * (136 + 27.2)	(9.79)
Voluntary medical insurance for employees' relatives – non-deductible expense	0
Voluntary insurance against risk of accident	
resulting in death or permanent physical disability of employees (Note 4)	(1.5)
Advertising expenses (Note 5)	(480.06)
Total indirect expenses	(740.32)
Non-sale income:	
Forex gain on loan (Note 6)	0.1
Non-sale expenses:	
Interest expense: (Note 6)	(0.36)
Total non-sale items	(0.26)
Total taxable base	57.42
Tax at 24%	13.78

Note 1
Depreciation for the year 2009 should be calculated by two main steps:

(1) Calculation of net book value (NBV) at 1 January 2009:

300 passenger cars for sales representatives were subject to the special depreciation ratio 0.5 for the year 2008 because these cars had been acquired in 2007 and the cost of each car is 413,000 * 100/118 = 350,000 > 300,000.

The 10% allowance has been utilised in 2008, therefore only 90% of historic cost is subject to tax depreciation in 2008, hence depreciation for the year 2008:

413,000 * 100/118 * 90% * 12/60 * 0.5 * 300 = 9,450,000 RR

NBV at 1 January 2009 = (413,000 * 100/118 * 300) – (413,000 * 100/118 * 300 * 10%) – 9,450,000 = 85,050,000

(2) Calculation of NBV at 31 December 2009

85,050,000 * (1 – 5.60%/100) ^ 12 = 42,593,002

Therefore depreciation for the year 2009 will be: 85,050,000 – 42,593,002 = 42,456,998

Note 2
Depreciation for the year 2009 should be calculated by two main steps:

(1) Calculation of net book value (NBV) at 1 January 2009:

The five passenger cars for management level staff are not subject to the special depreciation ratio because they were acquired in 2008 and the cost of each item is within the limit (708,000 * 110/118 = 600,000), so depreciation for the year 2008 :

708,000 * 100/118 * 90% * 9/72 * 5 = 337,500 RR

NBV at 1 January 2009 = (708,000 * 100/118 * 5) – (708,000 * 100/118 * 5 * 10%) – 337,500 = 2,362,500

(2) Calculation of NBV at 31 December 2009

2,362,500 * (1 – 3.8/100) ^ 12 = 1,484,133

Therefore, depreciation for the year 2009 will be: 2,362,500 – 1,484,133 = 878,367

Note 4

1,560,000/100 = 15,600 per person

15,000 RR per person is deductible limit, therefore 1,500,000 is deductible amount

Note 5

Advertising expenses:

Non-limited advertising expenses:
TV + POS materials + outdoor = (178,416,000 + 148,680,000 + 223,020,000) * 100/118 = 466,200,000

Limited advertising expenses – prizes for massive advertising campaigns:
1,386,000,000 * 1% = 13,860,000, i.e. only this amount can be deductible since it is less than actual expense of 74,340,000 * 100/118 = 63,000,000

Total deductible advertising expenses (non-limited + limited ones): 480,060,000 RR

Note 6

Interest expenses calculated at the end of each quarter for quarterly tax reporting:

30 June 2009 (date of issue is not counted) 200,000 * 37.2 * 7.5% * 54/365 = 82,553
30 September 2009 200,000 * 36.9 * 7.5% * 92/365 = 139,512
31 December 2009 200,000 * 36.2 * 7.5% * 92/365 = 136,866

Total interest expense: 358,931 RR

Forex on loan:
200,000 * (36.2 – 36.7) = –100,000 RR

Forex on interest:
Since interest is paid on the date following the date when it is accrued, the forex difference is accrued only for one day in each quarter. Forex on interest paid on 1 July 2009 is as follows:

30 June 2009 200,000 * 7.5% * 54/365 * (37.1 – 37.2) = –222 RR

There is no information on the forex rate as at 1 October 2009, but any forex on interest paid at that date would also be immaterial (if the result is rounded to ten thousand roubles), therefore it can be ignored.

(b) **VAT for the year 2009**

	mln. RR
Output VAT	
VAT on domestic sales of goods 1,486.8 * 18/118	226.8
Export sales (exempt from VAT)	0
VAT on 2009 domestic prepayments 120.36 * 18/118	18.36
Export prepayments are exempt from VAT	0
Total output VAT	245.16
Input VAT	
VAT on prepayments for 2008 70.8 * 18/118	(10.8)
VAT on purchases 708 * 80% * 18/118	(86.4)
VAT on transportation expenses 84.96 * 18/118	(12.96)
Exempt from VAT voluntary medical insurance on employees, accident insurance	0
VAT on advertising expenses (Note 1)	(86.41)
Total input VAT	(196.57)
Total VAT payable	48.59

Note 1
Non-limited advertising expenses:
TV + POS materials + outdoor = (178,416 + 148,680 + 223,020) * 18/118 = 83.92

VAT on limited advertising expenses should be within limit for profits tax purposes, i.e. 13.86 * 18% = 2.49
Total VAT for advertising expenses: 86.41

2 Victoria and Michael

(a) Personal income tax liability of Victoria for the year 2009 withheld at source by Viva

	RR
Income taxed at 13% rate	
Gross salary accrued 139,500 * 12	1,674,000
No standard personal allowance (since her income exceeds the 40,000 RR threshold in January)	N/A
Children allowance (her income exceeds 280,000 RR threshold starting from March 2009)	(4,000)
Her medical voluntary insurance paid by employer (non-taxable item)	0
Medical insurance for her husband paid by employer (non-taxable item from 1 January 2008)	0
Housing allowance from employer starting from July 2009 (Note1)	(1,000,000)
Income taxed at 35% rate	
Imputed interest income on corporate loan for purchase share in two-room appartment (Note 2)	0
Total employment income	670,000
Tax withheld at rate 13%	87,100

Note 1
Victoria is entitled to the housing allowance with regard to her new large apartment. No allowance is available with regard to the acquisition of her brother's share in the old two-room apartment because she and the seller are close relatives.

Market value of new apartment – 8,820,000 RR
Her share of ownership – 100%

Maximum available housing allowance is 1,000,000 RR including related expenses, no interest is paid with regard to this acquisition deal. In spite of the fact that she managed to submit the special notice to her employer only in early July, the employer should still recalculate her PIT liability based on her annual income.

Note 2
In spite of the fact that the actual loan rate is less than the CBR rate, imputed interest income should not arise in 2009 since no interest payments occur in 2009.

(b) Final settlement of Victoria's brother's personal income tax liability for the year 2009

	RR
There is not any limitation in the tax law regarding the application of the property deduction for the sale of a share between relatives	
Sale proceeds of share to his sister under market value	3,000,000
Property deduction since owned for more than three years	(3,000,000)
Taxable income	0

(c) (i) Final settlement of Victoria's personal income tax liability for the year 2009

Taxable base with the benefits from employer at 13%	670,000
Housing allowance has been claimed from the employer	N/A
No tax on inheritance since received from her father	N/A
Sales proceeds from inherited one-room apartment (deduction of 1 mln RR not claimed)	5,600,000
Sales proceeds from her 'first' 50% share in the two-room old apartment	3,000,000
Property deduction for the sale of her 'first' 50% share owned for more than three years	(3,000,000)
Sales proceeds from 50% share in the apartment acquired in 2009 (less than three years ago)	3,000,000
Property deduction of actual costs (because the cost exceeds fixed 1 mln RR deduction)	(3,000,000)
Social deductions (Note 3)	(67,000)
Educational deduction for her daughter (max 50,000 out of 52,000 per child)	(50,000)
Taxable base	6,153,000
Tax due to the budget at 13%	799,890
Tax withheld by her employer at 13%	(87,100)
Tax to be paid under personal tax return at 13% rate	712,790

Note 3
Since Victoria's personal income obviously exceeds Michael's personal income per month by more than 11 times, it is preferable at first for her to utilise social deductions as well as the educational deduction for their daughter based on the value for money principle.

	RR
Her own voluntary pension insurance contribution	(7,000)
Additional insurance contribution for the accumulated part of labour pension	(10,000)
Reimbursement of her mother's medical treatment in the licensed clinic	(20,000)
Her children's voluntary medical insurance (15,000 * 2)	(30,000)
No educational deduction is available to Victoria for her husband's education	0

Total social deductions	67,000

Maximum limit 120,000 RR is not exceeded
Hence, Victoria can fully utilise the deductions available to her, while her husband should claim only the deduction in respect of his own education expenses.

(ii) Final settlement of Michael's personal income tax liability for the year 2009

		RR
Gross salary accrued 12,000 * 12		144,000
Standard personal allowance (his income exceeds the 40,000 RR threshold in April)		(1,200)
Children allowance (his income does not exceed the 280,000 RR threshold for the whole year) (1,000 * 2 * 12)		(24,000)
Social deduction for his education expenses		(61,000)
(the social deduction for himself is 61,000 RR which is within the current limit of 120,000 RR)		
Gift in-kind from employer		10,500
Gift allowance		(4,000)
Proceeds from sale of his car		350,000
Property deduction due to three years of ownership		(350,000)
Proceeds from sale of garage		196,000
Property deduction due to less than three years of ownership		(125,000)
Insurance income received	105,000	
Insurance contributions paid	(27,000)	
Repair expenses properly confirmed by documents	(75,000)	
Total insurance income subject to PIT		3,000
Taxable income:		138,300
Tax at 13% rate		17,979

3 (a) VAT liability for OOO Marmot

Output VAT for the 1st quarter 2009: (7,080,000 – 424,800) * 18/118 = 1,015,200 RR

Vatable sales net of VAT (7,080,000 – 424,800) * 100/118 = 5,640,000 RR
Total sales net of VAT = 5,640,000 + 424,800 = 6,064,800 RR

Vatable sales in total sales = 5,640,000/6,064,800 = 93%
Exempt sales in total sales = 424,800/6,064,800 = 7%

VAT on costs of both activities would be recoverable if the percentage of costs related to exempt activities in the total period costs is less than 5%. So, for the 1st quarter 2009:

Cost of goods purchased used in both vatable and exempt operations 295,000 * 100/118 = 250,000
Cost of goods purchased for exempt operations 250,000 * 7% = 17,500 RR

Indirect expenses incurred for both vatable and exempt operations 247,800 * 100/118 = 210,000
Indirect expenses incurred for exempt operations 210,000 * 7% = 14,700 RR

Exempt costs without VAT for purchased goods 413,000 * 100/118 = 350,000
Exempt costs without VAT for indirect expenses 144,550 * 100/118 = 122,500

Total costs without VAT = (5,900,000 + 2,065,000) * 100/118 = 6,750,000

Exempt costs/Total costs without VAT = (350,000 + 17,500 + 122,500 + 14,700)/6,750,000 = 7.5%

Therefore, part of the VAT related to both activities should be recoverable only to the extent of the part related to the vatable activities.

Input VAT

VAT for goods purchased for vatable operations 5,192,000 * 18/118 = 792,000
VAT for indirect expenses incurred for vatable operations 1,672,650 * 18/118 = 255,150
Offsetable part of input VAT for both vatable and exempt operations for purchased goods 295,000 * 18/118 * 93% = 41,850 RR
Offsetable part of input VAT for both vatable and exempt operations for indirect services 247,800 * 18/118 * 93% = 35,154 RR

Total input VAT 1,124,154 RR

VAT refund = Total output VAT – Total input VAT = 1,015,200 – 1,124,154 = (108,954) RR

VAT to be included in the cost of sales for the 1st quarter of 2009 (Note 1) is 90,846 RR

Note 1

VAT related to the purchase of goods for both vatable and exempt operations:

295,000 * 18/118 * 7% = 3,150

VAT related to indirect services for both vatable and exempt operations:

247,800 * 18/118 * 7% = 2,646

VAT on direct and indirect expenses fully related to VAT-exempt sales

(413,000 + 144,550) *18/118 = 85,050

Total VAT to be included in the cost of sales (85,050 + 3,150 + 2,646) = 90,846 RR

(b) VAT obligations and timing of recognition for both principal and tax agent (in RR)

Timing		Principal Stepashka	Commissioner Philya
12 March 2009		no VAT	N/A
21 April 2009 – output VAT	483,800 * 18/118 =	73,800	N/A
Output VAT is recognised at the date of shipment by the agent to the customers			
15 May 2009 – 90% paid to Philya		N/A	N/A
1 June 2009 – act of acceptance/invoice factura		input VAT recognition	output VAT recognition
	(483,800 * 7% * 18/118) =	(5,166)	5,166
Total VAT payable for 2nd quarter 2009		68,634	5,166

4 Denis

(a) Personal income tax liability for the year 2009

	RR
Gross income for the year 2009	2,990,000
Business deduction at 20%	(598,000)
Taxable business income	2,392,000
No personal tax allowance (monthly income exceeds the threshold)	
No deduction of UST because 20% business allowance is used	
No housing incentive (Note 1)	0
Taxable income at 13%	2,392,000
Personal income tax at 13%	310,960
Prize in lottery taxable at 35%	10,000
Prize allowance	(4,000)
	6,000
Imputed interest for the bank loan for the plot of land (Note 2)	39,109
PIT to be withheld by the bank at the 35% rate	13,688
Personal income tax at 35%	2,100
Total income tax at different rates	326,748

Note 1

Expenses incurred for the acquisition of plot of land as well as bank interest for the plot of land cannot be qualified for the housing allowance based on Tax Code's provisions.

Maximum amount: 1,000,000 RR limit including the expenses incurred for development and construction. But relevant expenses incurred for the construction of the residential house could be potentially qualifiable for the housing allowance provided that Dennis receives ownership documents for his new private country house. Therefore, potentially qualifiable expenses are the following:

	RR
Development of project documentation	67,340
Access to electricity network (including VAT)	70,300
Gross salaries of two construction workers gross of taxes 250,000 * 100/87	287,356
UST on salaries (regressive rate should apply for the above salary less than 280,000) = 287,356 * 26%	74,713
Total expenses	499,709

Total amount of housing allowance = 0 since according to scenario Dennis has not managed to receive ownership documents in respect to the constructed country house for the year 2009.

Note 2

5 April to 30 September 2009:
500,000 * (2/3 * 40% – 15%) * (26 + 31 + 30 + 31 + 31 + 30)/365 = 28,607
1 October to 31 December 2009:
500,000 * (2/3 * 35% – 15%) * (31 + 30 +31)/365 = 10,502
Total imputed interest income: 39,109 RR

Unified social tax (UST) for Denis:

UST for Denis: 280,000 * 10% + 320,000 * 3.6% + 2,390,000 * 2% = 87,320 RR
UST taxable base should be before 20% business deduction

(b) If Denis was an architect, instead of a business deduction of 20% he would be entitled to claim the architect's professional deduction of 30%. The result would be as follows:

– his taxable income would be lower, due to a bigger tax deduction

– this deduction would also apply for UST purposes, hence his UST liability would also be lower.

5 OOO Myrtel

(a) A test for thin capitalisation rules should be run for each potential creditor:

First criterion – % of shareholding for loan to be treated as a controlled loan

Glad owns indirectly 25% * 50% = 12.5% loan should not be controlled
Badan owns indirectly 45% * 50% = 22.5% loan should be controlled
Violet owns indirectly 30% * 50% = 15% loan should not be controlled
Berry is a Russian company, but it is an affiliated company of foreign company Badan (45% ownership stake). Since Badan indirectly controls more than 20% of the capital in Myrtel (see above), a loan received by Myrtel from Berry would also be controlled under the thin capitalisation rules.

Second criterion: whether the controlled debt exceeds own capital by more than three times at the end of the reporting period (i.e. 31 March 2009)
700,000 * 36.5 * 7% * (26 + 28 + 31)/365 = 416,500 RR

Interest rate is less than 15% per annum, i.e. deductibility of interest is limited only by thin capitalisation rules.

(a) Total controlled debt as at 31 March 2009 = (700,000 * 36.5) + 416,500 = 25,550,000 + 416,500 = 25,966,500
(b) Own capital = 96,000,000 – 92,500,000 + 500,000 = 4,000,000
(c) Own capital * 3 = 12,000,000
(d) Thin capitalisation test: total debt > own capital * 3; thus 25,966,500>12,000,000 YES

Therefore:

For a loan from company Badan (foreign company)

Thin capitalisation ratio = total controlled debt/(own capital * 3 * 22.5%)
25,966,500/(12,000,000 * 22.5%) = 9.6172
Maximum limit of deduction 416,500/9.6172 = 43,308 RR
416,500 – 43,308 = 373,192 RR will be treated as dividends and taxed at 15%
373,192 * 15% = 55,979 RR

For a loan from company Berry (Russian company)

Thin capitalisation ratio = 25,966,500/(12,000,000 * 50%) = 4.3277
Maximum limit of deduction 416,500/4.3277 = 96,240
416,500 – 96,240 = 320,260 RR will be treated as dividends and taxed at 15%
320,260 * 15% = 48,039 RR

Obviously loans to Myrtel from either company Glad or Violet would have the same impact since the first critera was not met, i.e all interest will be deductible as follows:

416,500 RR will be deductible in full without any limitation

Hence, the most tax effective option is to raise the finance from either company Glad or company Violet, assuming that all other conditions are the same.

(b) Dividend paid by OOO Myrtel to Berry

Dividends from Myrtel to Berry should be tax exempt provided that the following criteria are met:

(1) Berry has owned Myrtel for more than a one year period, i.e. from the year 2007.

(2) Berry's invested amount exceeds the threshold of 500 mln. RR, i.e. 700 mln. RR.

(3) Berry owns at least 50% in Myrtel.

As all three criteria are met, Berry should receive its portion of any relevant dividends without tax withholding.

		Marks
1	**OOO Santima**	
(a)	**Profits tax liability for the year 2009**	
	Domestic sales net of VAT	$^1/_2$
	Exempt sales non-vatable	$^1/_2$
	Prepayments (non-taxable item)	$^1/_2$
	Direct expenses:	
	COGS ($^1/_2$ for net of VAT, $^1/_2$ for correct formula)	1
	Correct allocation of transport expenses ($^1/_2$ for net of VAT, 1 for correct formula)	$1^1/_2$
	Total wages and salaries for both staff directly and indirectly involved in trade	$^1/_2$
	UST on total wages and salaries at 26% rate	$^1/_2$
	Indirect expenses:	
	Passenger cars for sale representatives:	
	Depreciation expense for the year 2008 ($^1/_2$ for net of VAT, $^1/_2$ for deducting 10%, $^1/_2$ for correct months, $^1/_2$ for number of cars, 1 for application 0.5 ratio)	3
	Correct formula for NBV at 31 December 2009 for non-linear method	1
	Correct depreciation for the year 2009	$^1/_2$
	Passenger cars for management level staff:	
	Depreciation expense for the year 2008 ($^1/_2$ for net of VAT, $^1/_2$ for deducting 10%, $^1/_2$ for correct months, $^1/_2$ for number of cars, 1 for non-application of 0.5)	3
	Correct formula for NBV at 31 December 2009 for non-linear method	1
	Correct depreciation for the year 2009	$^1/_2$
	Voluntary medical insurance for employees within 6% limit	$^1/_2$
	Excluded medical insurance for employees' relatives as non-deductible expense	$^1/_2$
	Voluntary insurance against risk of accident resulting in death or permanent physical disability of employees within deductible limit	$^1/_2$
	Advertising expenses:	
	Non-limited part for deduction ($^1/_2$ for net of VAT, $^1/_2$ for identifying non-limited expenses)	1
	Limited deductible part of expenses ($^1/_2$ for 1% revenue limit, $^1/_2$ for revenue without VAT but including export sales)	1
	Non-sale expenses:	
	Interest expense	
	Interest at 30 June 2009 ($^1/_2$ for correct exchange rate, $^1/_2$ for correct days)	1
	Interest at 30 September 2009 ($^1/_2$ for correct exchange rate, $^1/_2$ for correct days)	1
	Interest at 31 December 2009 ($^1/_2$ for correct exchange rate, $^1/_2$ for correct days)	1
	Correct forex on loan	1
	Comment on immateriality of forex on interest	1
	Correct tax rate at 24%	$^1/_2$
		23
(b)	**VAT for the year 2009**	
	Output VAT	
	Correct output VAT on domestic goods sold	$^1/_2$
	Export sales (exempt from VAT)	$^1/_2$
	Correct output VAT on prepayment 2009	$^1/_2$
	Export prepayments are exempt from VAT	$^1/_2$
	Input VAT	
	Correct VAT on prepayments at 1 January 2009	1
	Correct VAT on purchases ($^1/_2$ for correct VAT rate, $^1/_2$ for application of 80%)	1
	Correct VAT on transportation expenses ($^1/_2$ for correct base, $^1/_2$ for ignoring amount paid)	1
	Exempt from VAT voluntary medical insurance on employees, accident insurance	$^1/_2$
	Advertising expenses:	
	Correct VAT on non-limited expenses	$^1/_2$
	Correct VAT on limited expenses ($^1/_2$ for application 18%, $^1/_2$ for correct tax base – limit for profits tax purposes)	1
		7
	Total	**30**

	Marks
2 Victoria and Michael	
(a) Personal income tax liability of Victoria for the year 2009 withheld at source by Viva	
Children allowances (since her income only exceeds the threshold in March)	1
Excluded her medical voluntary insurance paid by employer	1/2
Excluded medical insurance for her husband paid by employer	1/2
Housing allowance from employer starting from July 2009	1/2
Comment on non-applicability of housing allowance to the deal with her brother	1/2
Tax withheld at 13%	1/2
Mention the reason why imputed interest on the corporate loan is not taxable in this particular scenario	1/2
	4
(b) Final settlement of Victoria's brother's personal income tax liability for the year 2009	
Sale proceeds of share to his sister under market value	1/2
Correct amount of property deduction since owned for more than three years	1/2
	1
(c) (i) Final settlement of Victoria's personal income tax liability for the year 2009	
Taxable base from employment (ex part (a))	1/2
No tax on inheritance received	1/2
Sales proceeds from the sale of inherited one-room apartment	1/2
Sales proceeds from the sale of two-room old apartment (separate treatment of shares)	1
Correct deduction with respect to 50% share owned more than three years	1/2
Maximisation of property deduction (actual cost vs 1 mln RR)	1 1/2
Social deductions (Note 3)	
Mention the reason for utilising deductions starting from Victoria	1/2
Included Victoria's voluntary pension insurance contribution	1/2
Included additional insurance contribution for the accumulated part of labour pension	1/2
Included reimbursement of her mother's medical treatment in the licensed clinic	1/2
Included her children's voluntary medical insurance	1/2
Comment on no deduction for her husband's education	1
Indicate correctly maximum amount of 120,000 RR	1/2
Correct amount of educational deduction for her daughter within the max.limit	1
Tax due to the budget at 13%	1/2
Tax withheld by her employer at 13%	1/2
Tax to be paid under personal tax return at 13% rate	1/2
	11
(ii) Final settlement of Michael's personal income tax liability for the year 2009	
Correct gross salary accrued for the year	1/2
Application of standard personal allowance for three months	1
Application of children allowance for the whole year	1
Correct social deduction for himself	1
Market value of gift received from employer	1/2
Correct amount of gift deduction	1
Proceeds from sale of his car	1/2
Correct property deduction applied	1/2
Proceeds from sale of garage	1/2
Correct property deduction due to less than three years ownership	1/2
Insurance contributions paid	1/2
Repair expenses incurred	1/2
Insurance amount taxable	1/2
Tax at 13% rate	1/2
	9
Total	**25**

			Marks
3	(a)	**OOO Marmot**	
		Output VAT for the 1st quarter	$^1/_2$
		Vatable sales net of VAT	$^1/_2$
		Determine the proportion of vatable sales in total sales	$^1/_2$
		Test for 5% of costs, not sales	1
		Calculating the cost proportion ($^1/_2$ mark per cost item, plus $^1/_2$ mark for exempt percentage)	$3^1/_2$
		Input VAT for the 1st quarter:	
		VAT for goods purchased for vatable operations	$^1/_2$
		VAT for indirect expenses incurred for vatable operations	$^1/_2$
		Offsetable part of input VAT for both vatable and exempt operations for purchased goods	1
		Offsetable part of input VAT for both vatable and exempt operations for indirect services	1
		VAT refund for the 1st quarter	$^1/_2$
		VAT to be included in the costs of sales for the 1st quarter 2009 ($^1/_2$ for capitalised VAT on purchased goods, $^1/_2$ for capitalised VAT on services, $^1/_2$ for expenses related solely to exempt activity)	$1^1/_2$
			11
	(b)	**VAT obligations and timing of recognition for both principal and commissioner:**	
		No output VAT for Stepashka in March	$^1/_2$
		Output VAT for Stepashka in April	1
		Comment on the date of recognition rule for the principal (Stepashka) for output VAT	$^1/_2$
		No input VAT on the date of payment from customers for either the principal or commissioner	$^1/_2$
		Input recoverable VAT on commission fee for principal (Stepashka) in June	$^1/_2$
		Comment on the date of recognition of input/output VAT for both	$^1/_2$
		Output VAT on commission fee for the commissioner in June (Philya)	$^1/_2$
			4
		Total	**15**

4	Denis		
	(a)	**Personal income tax liability for the year 2009**	
		Correct application of business deduction at 20%	1
		Comment on reasons for non-application of personal allowance	$^1/_2$
		Housing incentive:	
		Mention that both cost of plot of land and bank interest for the plot of land acquisition are not qualifiable expenses for the housing incentive	$^1/_2$
		Comment on maximum amount	$^1/_2$
		Mention the reason of non-including expenses incurred for the construction of new country house into the housing allowance for the year 2009	1
		Potentially included expenses incurred for(1):	
		Development of project documentation (including VAT)	$^1/_2$
		Access to electricity network (including VAT)	$^1/_2$
		Net salaries of workers (grossed up)	$^1/_2$
		UST on salaries (regressive rate should apply for the above salary less than 280,000)	$^1/_2$
		Personal income tax at 13%	$^1/_2$
		Application of correct prize allowance	1
		Personal income tax for the lottery prize at 35%	$^1/_2$
		Imputed interest for the bank loan for the plot of land:	
		5 April to 30 September 2009 ($^1/_2$ for 2/3, $^1/_2$ for correct CBR rate, $^1/_2$ for correct days)	$1^1/_2$
		1 October to 31 December 2009 ($^1/_2$ for 2/3, $^1/_2$ for change of CBR rate, $^1/_2$ for correct days)	$1^1/_2$
		PIT to be withheld at correct 35% rate	$^1/_2$
		Application of UST to taxable base before 20% business deduction	$^1/_2$
		Correct UST rates applicable for Denis as individual entrepreneur	1
		Comment on no UST deduction for PIT purposes	$^1/_2$
			13
	(b)	**If Denis was an architect**	
		30% deduction for PIT purposes	1
		Deduction applicable for UST purposes	1
			2
		Total	**15**

(1) If the candidate just mentioned potentially included expenses but actually excluded from housing incentive for the year 2009 – full marks should be awarded

		Marks
5	**OOO Myrtel**	
(a)	Test for thin capitalisation rules per each shareholder:	
	Comment on Glad ownership %	$^1/_2$
	Comment on Badan ownership %	$^1/_2$
	Comment on Violet ownership %	$^1/_2$
	Comment on Berry affiliation with Badan and ownership % of Badan	1
	Principal debt amount at correct rate	$^1/_2$
	Correct number of days for the interest	$^1/_2$
	Correct forex rate as at 31 March 2009	$^1/_2$
	Comment on interest rate less than 15%	$^1/_2$
	Correct own capital calculation (adjusted for tax liability)	1
	Correct formula for thin capitalisation test (total debt > own capital * 3)	1
	Correct thin capitalisation ratio for loan from company Badan	1
	Maximum limit of deduction	$^1/_2$
	Comment on part reclassified as dividend and correct dividend % for withholding	1
	Correct thin capitalisation ratio for loan from company Berry	1
	Maximum limit of deduction	$^1/_2$
	Comment on part reclassified as dividend and correct dividend % for withholding	1
	Comment on deductibility of interest expense for Glad and Violet	1
	Conclusion on the most tax effective creditor	$^1/_2$
		13
(b)	**Dividend paid by Myrtel to Berry**	
	Comment on the compliance with the law stated ownership period	$^1/_2$
	Comment on the invested amount above limit stipulated in the law	$^1/_2$
	Comment on Berry's share in Myrtel	$^1/_2$
	Conclude withholding not applicable	$^1/_2$
		2
	Total	**15**