

Fundamentals Level – Skills Module

Taxation (Russia)

Tuesday 2 June 2015



Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

This paper is divided into two sections:

Section A – ALL 15 questions are compulsory and MUST be attempted

Section B – ALL SIX questions are compulsory and MUST be attempted

Tax rates and allowances are printed on pages 2–4.

Do NOT open this paper until instructed by the supervisor.

During reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.

Do NOT record any of your answers on the exam paper.

This question paper must not be removed from the examination hall.

The Association of Chartered Certified Accountants

Paper F6 (RUS)

The ACCA logo consists of the letters 'ACCA' in a bold, white, sans-serif font, centered within a solid black square.

SUPPLEMENTARY INSTRUCTIONS

1. Calculations and workings need only be made to the nearest RR
2. All apportionments should be made to the nearest month, unless the law requires otherwise
3. All workings should be shown in Section B

TAX RATES AND ALLOWANCES

The following tax rates and allowances are to be used in answering all questions on this paper unless the question states otherwise.

Children allowances

First and second child (up to 280,000 RR)	1,400 RR per child
Third child (up to 280,000 RR)	3,000 RR

General limitation on 'property' allowance

Investments in residential property and land for tax purposes	2,000,000 RR (upper limit)
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Statutory exclusions from taxable income

Prizes and awards	4,000 RR (upper limit)
Gifts at work	4,000 RR (upper limit)
Support payments	4,000 RR (upper limit)

Maximum limit for social deductions listed below 120,000 RR
(medical, personal educational, non-state pension insurance, voluntary pension insurance and additional insurance contributions for the accumulated part of labour pension – subject to certain conditions set out in the law)

Educational deduction for children	50,000 RR (upper limit)
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Professional deduction – general	20%
– designer, photographer, architect	30%
– musician, sculptor	40%
– creator of literary works, including theatre, cinema, circus	20%

Charity deduction	up to 25% of income
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Gains on property sales:

– immovable property	1,000,000 RR (upper limit)
– movable property	250,000 RR (upper limit)

Housing allowance	2,000,000 RR (upper limit)
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Investment deduction	Ks*3,000,000 RR (upper limit)
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$$Ks = \sum_{i=3}^n Vi \times i \div \sum_{i=3}^n Vi, \text{ where}$$

Vi – gain from sale (redemption) of all securities in the tax period with the ownership period of i years

n – quantity in full years of ownership periods for securities subject to sale/redemption in the tax period as a result of which the taxpayer becomes eligible for this deduction

Statutory *per diem* rate for personal income tax:

– for domestic business trips	700 RR per day
– for foreign business trips	2,500 RR per day

Exempt employer contributions for personal income tax and social insurance contributions

Limit of exempt contributions to the non-state pension fund – 12,000 RR

Limit of exempt payments in case of giving birth to a child – 50,000 RR for each birth

Threshold interest rates for personal income tax purposes

Rouble bank deposits	CB refinancing rate increased by 5%
Foreign currency bank deposits	9%
Rouble loans	2/3 of the CB refinancing rate
Foreign currency loans	9%

Threshold interest rates for profits tax purposes for controlled bank loans:

Loan currency	Lower limit	Upper limit
Russian roubles in 2015	75% of CBR refinancing rate	180% of CBR refinancing rate
GBP	GBP LIBOR + 4%	GBP LIBOR + 7%
EUR	EURIBOR + 4%	EURIBOR + 7%
USD	USD LIBOR + 4%	USD LIBOR + 7%
CHF	CHF LIBOR + 2%	CHF LIBOR + 5%
Other currencies	USD LIBOR + 4%	USD LIBOR + 7%

Single threshold for social insurance contributions for the year 2015

(Note: several categories of insurance contributions subject to special incentives and reduced rates are not examined.)

	Remuneration per annum	Rate
For employers (general) and individual entrepreneurs	up to 624,000 RR	30%
For civil law contract income (licences, copyrights, service contracts)	up to 624,000 RR	27.1%
For all categories of payers	excess over 624,000 RR	10%
Under the simplified tax system		14%

Expenses for profits tax purposes

Voluntary medical insurance expenses (subject to conditions set out in the law) are limited to 6% of labour costs.

Voluntary life insurance expenses (subject to conditions set out in the law) are limited to 12% of labour costs.

Voluntary personal insurance against accidents at work resulting in death or permanent physical disability is limited to 15,000 RR per employee per annum.

Certain advertising expenses are limited to 1% of sales revenue.

Reimbursement of interest on employees' mortgage loans is limited to 3% of labour costs.

Entertainment expenses (subject to conditions set out in the law) are limited to 4% of labour costs.

Special depreciation ratios

Non-current assets received under financial leasing	3 (upper limit)
Historic costs of non-current assets	40,000 RR (minimum)

Allowances for receivables

General limitation	10% of sales
Aged 0 to 44 days	0% of receivables
Aged 45 to 90 days	50% of receivables
Aged more than 90 days	100% of receivables

Value added tax (VAT)

Standard rate	18%
Reduced rate	10%
Exports	0%

Limit for VAT – exempt promo prizes – 100 RR (upper limit)

General profits tax rate

20%

Tax on dividends for residents	9%
Tax on dividends for foreign companies	15%

Property tax rate

General rate	2.2%
Office premises and shopping centres	1.5%

Personal income tax rates

Basic rate	13%
Higher rate	35%
Tax on dividends for residents	9%

Central Bank refinancing rates (notional)

1 January to 30 April 2015	15%
1 May to 30 September 2015	7%
1 October to 31 December 2015	5%

Number of calendar days in calendar months (assumed for all years)

January	31
February	28
March	31
April	30
May	31
June	30
July	31
August	31
September	30
October	31
November	30
December	31

Section A – ALL 15 questions are compulsory and MUST be attempted

Please use the grid provided on page two of the Candidate Answer Booklet to record your answers to each multiple choice question. Do not write out the answers to the MCQs on the lined pages of the answer booklet.

Each question is worth 2 marks.

- 1 Valeria wrote a scenario for a cinema production company and received 1,570,000 RR (gross) for her work under an author's agreement in 2015. The expenses she incurred for this work were 430,000 RR. Valeria received no other income from the cinema production company.

What is the amount of the social insurance contributions (SIC) which should be paid by Valeria under the author's agreement for the year 2015?

- A 232,304 RR
- B 220,704 RR
- C 250,400 RR
- D 238,800 RR

- 2 000 Rozmarin held the following assets on its non-current asset register during the year 2015:

	1 January RR	1 February RR	1 March RR	1 April RR
Movable non-current assets at historic cost	1,270	1,370	1,470	1,970
Accumulated depreciation	430	500	600	770
Immovable non-current assets at historic cost	3,250	3,350	3,450	3,550
Accumulated depreciation	1,700	1,750	1,800	1,850

None of the assets owned by 000 Rozmarin are used as office premises or shopping centres. All movable non-current assets were acquired after 1 January 2013.

What is 000 Rozmarin's property tax base for the first quarter (Q1) of 2015?

- A 1,625 RR
- B 2,570 RR
- C 2,460 RR
- D 1,600 RR

- 3 On 12 May 2015, 000 Kentava, a bank, provided its subsidiary with a loan of 50 million RR for a period of one year. Interest on the loan is charged at 7.5% per annum and is payable on 12 January 2016.

What is the amount of 000 Kentava's taxable interest income for profits tax purposes for the year 2015?

- A 2,393,836 RR
- B 2,517,123 RR
- C 2,160,959 RR
- D 2,078,767 RR

- 4 On 7 February 2015, Vladimir received a consumer loan of 450,000 RR from the bank. Interest is payable on the loan at a rate of 5% per annum. Both the loan principal and interest must be paid in full in 70 days.

What is the amount of personal income tax (PIT) due to the budget by Vladimir in respect of the loan transaction for the year 2015?

- A 561 RR
- B 1,510 RR
- C 1,122 RR
- D 3,021 RR

- 5 Renat went on a business trip from Moscow to his employer company's factory in Orel, Russia for three days and travelled by train. According to his employer company's business trip policy, the *per diem* allowance is 2,500 RR per day. Renat submitted an expense claim as follows:

	RR
(1) Return railway ticket	2,100
(2) <i>Per diem</i> allowance (2,500 x 3)	7,500
(3) Hotel accommodation	3,000
(4) Laundry services	450
(5) Taxi to visit Tolstoy museum one evening	1,000

What is the amount deductible for corporate profits tax purposes by Renat's employer company in respect of his expense claim?

- A 12,600 RR
B 7,200 RR
C 14,050 RR
D 7,650 RR
- 6 On 15 February 2015, 000 Serial made an export shipment of goods with the value of 100,000 EUR. Payment for the goods was received on 31 July 2015. 000 Serial did not manage to submit the set of documents confirming the export until 7 November 2015. If the goods had been sold on the domestic market, the standard rate of value added tax (VAT) would have applied to the sale.

Relevant (notional) EUR/RR exchange rates are as follows:

15 February	48
28 February	50
30 November	53
31 December	51.5

What is the amount of output value added tax (VAT) payable as a result of the unconfirmed export?

- A 864,000 RR
B 900,000 RR
C 954,000 RR
D 927,000 RR
- 7 000 Latte, a quarterly taxpayer for corporate income tax, submitted its profits tax return for the nine months of 2015 on 27 December 2015. The profits tax amount due to the budget of 23 million RR was also paid on 27 December 2015.

What is the penalty amount which would be charged on 000 Latte for the late submission of its corporate profits tax return?

- A 1,150,000 RR
B 6,900,000 RR
C 1,000 RR
D 2,300,000 RR

- 8 000 Untiva (the supplier) has a supply of goods agreement with 000 Lx (the customer). Due to difficulties with financing, 000 Untiva decided to accept the sales proceeds in the form of a promissory note from 000 Lx with a nominal value of 1,652,000 RR and an annual interest rate of 20%. The promissory note was transferred to 000 Untiva on 1 April 2015. Both the nominal value and interest were paid in full on 31 July 2015.

What is the amount of value added tax (VAT) on the interest paid by 000 Lx on the promissory note?

- A 10,925 RR
- B 16,708 RR
- C 4,177 RR
- D 9,258 RR

- 9 000 Sherat provided its employees with a flu vaccination programme in 2015 under one of the following options:
- (1) vaccination as a part of an annual voluntary medical insurance agreement; or
 - (2) vaccination under a direct service agreement between 000 Sherat (the employer) and a licensed medical centre.
- Flu vaccination is in compliance with the health management law requirement.

Which of the flu vaccination programme options will be subject to social insurance contributions (SIC)?

- A Option 1 only
- B Option 2 only
- C Neither of the options
- D Both options 1 and 2

- 10 000 Fetta, acting in its own name as a commissioner, renders services to the principal. The principal asked 000 Fetta to acquire trading equipment. During the first quarter (Q1) of 2015, the principal transferred the following amounts (excluding any applicable value added tax (VAT)) to 000 Fetta's bank account:
- (1) 1,200,000 RR for the acquisition cost of the trading equipment
 - (2) 300,000 RR for the commissioner's fee
 - (3) 560,000 RR for expenses related to the transportation of the equipment to the principal's warehouse

What is the total amount of value added tax (VAT) payable by 000 Fetta based on the above transactions?

- A 216,000 RR
- B 54,000 RR
- C 100,800 RR
- D 0 RR

- 11 000 Merinos is engaged in both taxable and exempt activities for value added tax (VAT) purposes. The standard rate of VAT applies to all of 000 Merinos' taxable sales and to all of its direct and indirect expenses.

During the second quarter (Q2) of 2015, 000 Merinos' revenue from sales of taxable goods was 708,000 RR and revenue from exempt goods was 63,720 RR. Indirect expenses used for both its taxable and exempt operations amounted to 212,400 RR. Direct expenses related to taxable goods were 354,000 RR and direct expenses related to exempt goods were 29,500 RR. All amounts are stated inclusive of VAT, where applicable.

What is the amount of 000 Merinos' irrecoverable value added tax (VAT) in respect of indirect expenses subject to allocation in the second quarter (Q2) of 2015?

- A 2,676 RR
- B 3,158 RR
- C 3,110 RR
- D 3,441 RR

- 12** On Friday 6 February, Sergey received a requirement from the tax authorities in terms of a desk profits tax audit. The requirement, which was dated 5 February 2015, stipulated that a response should be provided within ten days.

What is the final deadline for Sergey to comply with the tax authorities' requirement?

- A** 20 February
- B** 16 February
- C** 14 February
- D** 19 February

- 13 Which of the following statements are true in terms of the treatment of social deductions for personal income tax purposes under the Tax Code?**

- (1) All social deductions are applied to ordinary income taxed at 13%
- (2) Unused social deductions can be carried forward to future years
- (3) Social deductions are allowable at work for contributions under voluntary pension agreements and/or under non-state pension security agreements, provided the employer withholds and pays the above contributions to the relevant funds
- (4) Social deductions not claimed at work are allowed to an individual at his written request upon submission of the annual tax declaration

- A** 1, 2, 3 and 4
- B** 2 and 4 only
- C** 1, 3 and 4 only
- D** 1 only

- 14** In March 2015, Maria decided to sell her garage to her brother, Dmitriy, and sold it for 1,500,000 RR. The garage had been acquired by Maria in April 2012 for 900,000 RR. Dmitriy paid for the garage in full in May 2015 and received the ownership documents in September 2015.

What is the amount of personal income tax (PIT) due to the budget by Maria in respect of the sale of the garage?

- A** 65,000 RR
- B** 78,000 RR
- C** 162,500 RR
- D** 0 RR

- 15** In the year 2015, OOO Chocolate had the following transactions:

- (1) Received non-current assets to be used in the production of chocolate free of charge from OOO Maison
- (2) Acquired a one-year right for the use of trademark X from OOO Maison for 1,000,000 RR. According to the agreement, OOO Chocolate should pay 250,000 RR to OOO Maison for each quarter during the year 2015
- (3) Commenced the modernisation of some of its non-current tangible assets at a cost of 20,000,000 RR. The modernisation period is nine months

Which of the items will affect OOO Chocolate's 2015 depreciation costs for corporate profits tax purposes?

- A** 1 and 3
- B** 1 and 2
- C** 3 only
- D** 2 and 3

(30 marks)

Section B – ALL SIX questions are compulsory and MUST be attempted

Please write your answers to all parts of these questions on the lined pages within the Candidate Answer Booklet.

- 1** Delans SA, a French company, owns 50% of the ordinary shares in OOO Domino, a Russian company. On 7 February 2015, OOO Domino received a five-year loan of 5,000,000 EUR from Delans SA to finance its production activities. The interest rate on the loan is 4.5% per annum and interest is accrued on a monthly basis and paid on the seventh day following the end of the relevant quarter (i.e. interest for the first quarter (Q1) is to be paid on 7 April 2015). No repayments of the principal will be made during 2015. The following information relates to OOO Domino's assets and liabilities at the end of Q1 of 2015:

Assets	340,000,000 RR
Liabilities, including	270,000,000 RR
Tax liabilities	7,500,000 RR

Required:

- (a) Calculate the interest deductible for profits tax purposes, deemed dividend payable and applicable withholding taxes (if any) in respect of the loan provided to OOO Domino by Delans SA for the first quarter (Q1) of 2015.**

Notes:

1. Relevant (notional) EUR/RR exchange rates are as follows:

1 February	51
7 February	50
28 February	47
1 March	48
31 March	49
1 April	48.5
7 April	49

2. You should ignore the transfer pricing rules. (9 marks)

- (b) Explain how the answer to part (a) would change if the same loan (with the same terms) had instead been received from another foreign company, Supdelans Co, which owns 12% of the ordinary shares in OOO Domino.**

Note: No calculations are required for part (b). (1 mark)

(10 marks)

- 2 (a)** Alexander works for OOO Krokus under a labour agreement and receives a gross monthly salary of 90,000 RR. During the year 2015, OOO Krokus also provided Alexander with the following benefits:
- Voluntary annual medical insurance for Alexander with a value of 32,000 RR.
 - Voluntary annual medical insurance for his wife and daughter with a value of 27,000 RR and 18,000 RR respectively.
 - Weekly yoga courses with a value of 10,000 RR.
 - Reimbursement of relocation expenses to Kazan, Russia (within the state limits) of 180,000 RR.
 - One-off payment made on the birth of his son in October 2015 of 55,000 RR.
 - Reimbursement of his business trip expenses (all confirmed by documents) of 100,000 RR.
 - Non-state pension insurance contributions of 43,000 RR related to additional insurance contributions for the accumulated portion of the pension.
 - Compensation for unused vacation of 97,000 RR.
 - A professional seminar on clinical studies with a value of 18,000 RR.

Required:

Calculate the social insurance contributions (SIC) base for the year 2015 and the annual amount of SIC to be paid by OOO Krokus in respect of Alexander.

Note: You should list all of the items referred to in the question and indicate by the use of a zero (0) any items which are not subject to SIC. (8 marks)

- (b)** Boris works for OOO Krokus under a civil law agreement. His remuneration is 90,000 RR per month, and his actual business expenses, all of which are reimbursed by OOO Krokus, are 65,000 RR per month.

Required:

Calculate the annual amount of social insurance contributions (SIC) to be paid by OOO Krokus in respect of Boris. (2 marks)

(10 marks)

- 3 (a)** Eugeniya, a Russian musician, concluded an author's agreement with OOO Alpha for the recording of her music for a forthcoming jazz festival. Eugeniya's net remuneration for her work done in 2015 based on the author's agreement was 750,000 RR. This net remuneration figure is after deduction of personal income tax (PIT) at source by OOO Alpha. Eugeniya's actual expenses incurred in 2015 were 160,000 RR. Eugeniya has submitted an application to OOO Alpha to receive her professional deduction at source. She is not registered as an individual entrepreneur.

Required:

- (i) Calculate Eugeniya's personal income tax (PIT) for the year 2015, applying the relevant allowances in the most tax-efficient way.**

Note: Ignore social insurance contributions (SIC). (4 marks)

- (ii) Advise Eugeniya on the procedure and deadline for receiving the same level of deductions for the year 2015 if she failed to request the professional deduction at source from OOO Alpha as the tax agent.**

(1 mark)

- (b)** Maxim, a licensed interpreter, is registered as an individual entrepreneur for the year 2015. His gross business income for the year 2015 is 520,000 RR, and his business expenses confirmed by documents are equal to 100,000 RR. In addition, Maxim paid social insurance contributions (SIC) of 85,720 RR.

Required:

- (i) Calculate Maxim's personal income tax (PIT) liability under each of the two options for the professional deduction calculation and state the most tax-efficient option.**

Note: Ignore value added tax (VAT). (4 marks)

- (ii) State the PIT tax base if Maxim's business expenses exceed his business income, together with whether (and if so how) such a loss can be utilised.**

Note: No calculations are required for part (ii). (1 mark)

(10 marks)

4 (a) 000 Novis decided to sell some of its goods under a commission agreement with 000 Rains, a company which trades under its own name and has a wide network of regional warehouses. The commission fee is fixed at 4.5% of sales. In February 2015, 000 Novis delivered goods with a sales price of 2,784,800 RR (including value added tax (VAT) at the standard rate) to 000 Rains' warehouse. All of these goods were sold to the final customers in April 2015 and the sales proceeds from the customers were received in full in July 2015. In June 2015, 000 Rains submitted a commissioner's report with all supporting documents to 000 Novis. On 30 June 2015, 000 Rains issued a VAT invoice for its commission fee; the invoice was received by 000 Novis on 2 July 2015.

Required:

(i) Calculate the value added tax (VAT) liability of the principal 000 Novis for each of the first three quarters of 2015 (Q1, Q2 and Q3), clearly indicating the amount of any input VAT and/or output VAT and the timing of the VAT recognition. (3 marks)

(ii) Describe the invoicing procedure in terms of the VAT invoices to be issued by 000 Rains and state the types of invoices which should be indicated in the sales book and relevant journals (if any). (3 marks)

(b) 000 Master began the construction of a new building using its own workforce. The building is to be used in the manufacture of goods subject to value added tax (VAT). The following costs of construction were incurred by 000 Master in the first quarter (Q1) of 2015. All figures are inclusive of VAT at the standard rate, where applicable:

	RR
Materials invoiced	749,300
Own labour expenses (net of social insurance contributions (SIC))	630,000
Services provided by third party subcontractors	706,230

The monthly wages of the employees involved in the construction do not exceed 52,000 RR per person.

VAT invoices were received for 100% of the materials and for 77% of the value of the services provided by third party subcontractors.

Required:

Calculate the value added tax (VAT) liability of 000 Master for the first quarter (Q1) of the year 2015, indicating separately the output VAT and the input VAT. (4 marks)

(10 marks)

5 Sergey works as a marketing director for OOO Smiles. He is married to Anna and has three children, aged one, nine and 12 years respectively. Sergey's monthly gross salary in 2015 is 310,000 RR per month except for January when his gross salary was 275,000 RR. OOO Smiles also provided him with the following benefits during the year 2015:

- At the end of March 2015, a quarterly bonus for the first quarter (Q1) of 2015, of 700,000 RR gross.
- In April 2015, a birthday gift with the value of 25,000 RR (inclusive of value added tax (VAT)).
- In May 2015, coaching training in Shanghai, China with a value of 45,000 RR.
- In September 2015, a payment of 62,000 RR to a recreational facility in Sochi, Russia for Sergey and his family. This benefit was provided out of OOO Smiles' after tax profits.

OOO Smiles offers annual voluntary medical insurance to all of its employees as an additional benefit with a market value of 21,000 RR and for their relatives with a market value of 27,000 RR. Sergey decided to choose insurance from his employer for himself only. In respect of his children he purchased, at his own expense, an insurance policy valued at 45,000 RR in total for the three children at a licensed clinic located close to his apartment.

In addition, OOO Smiles provided Sergey with voluntary life insurance under a five-year agreement with annual contributions of 14,500 RR. The insurance agreement does not provide for any payments in favour of the insured employees.

Sergey decided to acquire a new apartment for his large family and requested a loan of 9,000,000 RR from his employer. OOO Smiles provided him with a corporate loan on 17 February 2015 at an interest rate of 5% per annum for a period of seven years. The interest is payable on the fifth day following the end of the relevant month (i.e. interest for March is payable on 5 April). Interest for the second quarter (Q2) of 2015 was reimbursed to Sergey by OOO Smiles. OOO Smiles treated this reimbursed interest as deductible for profits tax purposes. The principal loan amount will become payable effective from 2016.

Sergey purchased the new apartment in his own name in February 2015 for 10,000,000 RR. The documents confirming Sergey's 100% entitlement to housing allowance were only received from the tax authorities in January 2016 and so Sergey did not manage to provide them to his employer before the year end. He therefore decided to apply for this deduction in his annual tax return.

In 2015, Sergey paid 25,000 RR for a licensed sports school for his son and 38,000 RR for a licensed music school for his elder daughter. In addition, Sergey made a charitable donation in cash to the state hospital of 15,000 RR.

Required:

(a) Calculate the personal income tax (PIT) of Sergey withheld at source by OOO Smiles for the year 2015, assuming that he asked for all possible deductions to be given at source.

Note: You should list all of the items referred to in the question and indicate by the use of a zero (0) any items which are not subject to PIT. (9 marks)

(b) Calculate the final settlement of Sergey's PIT liability (additional payment or refund) upon the submission of his 2015 personal income tax return. (6 marks)

Notes:

1. Where possible, use all the personal income tax deductions which are potentially available to Sergey.
2. State separately the amounts of all personal income tax deductions claimed by Sergey for the year 2015.

(15 marks)

6 000 Toskana ('Toskana') is a trading company engaged in the sale of different types of household products both in Russia and abroad. Toskana is 90% owned by an Italian company and 10% by a Russian company.

Toskana always applies the accruals method for both value added tax (VAT) and corporate profits tax purposes and uses a quarterly profits tax reporting period.

In respect of non-current assets, Toskana applies the linear method of depreciation for profits tax purposes and stipulates this fact in its tax policy for the year 2015. The tax policy also stipulates its right to an immediate 30% write-off on both non-current assets cost and capital improvements.

The following information is available for the year 2015. All amounts are inclusive of VAT unless stated otherwise. All purchases of inventory and products sold in Russia during the year 2015 were subject to the standard rate of VAT.

Sales and prepayments for the year 2015:

Domestic sales of products		771,720,000 RR
Confirmed export sales to other countries		7,575,000 RR
	1 January	31 December
Prepayments from domestic customers	19,293,000 RR	11,575,800 RR

Merchandise inventory

The balance of inventory as at 1 January 2015 was 43,896,000 RR. During the year, Toskana purchased 115,758,000 RR of inventory but only 85% of both the opening inventory and purchases inventory were sold in the year 2015.

In addition, Toskana incurred transportation expenses of 8,103,060 RR. The balance of transportation expenses brought forward as at 1 January 2015 was 3,072,720 RR.

Wages and salaries for the year 2015

Salaries paid to employees in 2015 were as follows:

- 300 employees directly involved in trading activities with an annual salary of 400,000 RR per person;
- 150 administrative employees with an annual salary of 200,000 RR per person; and
- three employees in management with an annual salary of 635,000 RR per person.

In addition to the salary payments (as above), Toskana provided the following types of insurance for all of its employees during the year 2015:

- annual voluntary medical insurance for employees of 9,500,000 RR;
- semi-annual medical insurance for employees' business trips abroad of 2,500,000 RR; and
- annual voluntary personal insurance against accidents at work for all permanent employees with the total insurance premium of 7,200,000 RR.

Non-current assets as at 1 January 2015

Category	Quantity	Historic cost per unit	Date put into use	Years of depreciation
Coolers	100	106,200 RR	March 2013	5

In February 2015, 250 software licences were purchased for 36,580 RR each. The software licences are exempt from VAT.

Capital improvements

In 2015, Toskana decided to enlarge its rented office premises and made some capital improvements with a value of 17,936,000 RR. These improvements were put into use on 16 March 2015. The landlord of the building approved the capital improvements but did not reimburse the cost to Toskana.

The current rental agreement with the landlord of the building is for a seven-year term. The tax useful life of the improvements is ten years. The total useful life of the rented premises is 35 years.

Toskana's monthly rental expense is 26,314,000 RR.

Allowances for receivables

In December 2015, Toskana received 4,630,320 RR from OOO Formula in payment of a debt which had been outstanding since 1 August 2014. Toskana had not created any allowances for receivables for tax purposes for the years 2014 to 2015. Toskana also received an additional 500,000 RR (non-deductible item) from OOO Formula in December 2015, based on an amicable and informal agreement between OOO Formula and Toskana, as a penalty for late payment.

Required:

Assuming that all the expenses referred to in the scenario are properly confirmed by the necessary documents, calculate the taxable profit and corporate profits tax liability of OOO Toskana for the year 2015. Show separately all elements of the taxable income and deductible expenses and identify (but do not calculate) any non-deductible or non-taxable items.

Notes:

1. Ignore social insurance contributions
2. Ignore property tax.

(15 marks)

End of Question Paper