

Fundamentals Level – Skills Module

Taxation (Russia)

Tuesday 12 June 2012



Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

ALL FIVE questions are compulsory and MUST be attempted.
Tax rates and allowances are 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.

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

The Association of Chartered Certified Accountants

Paper F6 (RUS)

The ACCA logo, consisting 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. The apportionment to interest should be made in calendar days
3. All apportionments should be made to the nearest month, unless the law requires otherwise
4. All workings should be shown

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.

Personal and children allowances

Standard personal allowance	400 RR (up to 40,000 RR)
Children allowance	1,000 RR per child (up to 280,000 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%
– for architects	30%
– for music writer	40%
– for sculptor	40%

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 (deduction)	2,000,000 RR (upper limit)

Statutory <i>per diem</i> rate for personal income tax	
– for domestic business trips	700 RR per day
– for foreign business trips	2,500 RR per day

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

Foreign currency loans	0.8 of the CBR refinancing rate
Rouble loans received	1.8 of the CBR refinancing rate

Single threshold for social insurance contributions for the year 2012 (several categories of insurance contributions subject to special incentives and reduced rates are not examined)

	Income amount	Rate
For employers (general) and individual entrepreneurs	up to 512,000 RR	30%
For employers (licences, copyrights, civil contracts)	up to 512,000 RR	27.1%

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 are 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 for the reporting period.

Special depreciation ratios

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

Standard	18%
Exports and sales to diplomatic missions	0%
Limit for VAT – exempt promo presents	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 2.2%

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 2012	25%
1 May to 30 September 2012	15%
1 October to 31 December 2012	10%

Number of calendar days in calendar months for the year 2012

January	31
February	29
March	31
April	30
May	31
June	30
July	31
August	31
September	30
October	31
November	30
December	31

ALL FIVE questions are compulsory and MUST be attempted

- 1 ZAO Excelsior CIS ('Excelsior') is a company engaged in providing legal, tax and other consulting services both in Russia and in CIS countries. Excelsior is 85% owned by a Russian company ZAO Cellis and 15% by an Italian company Vicotti S.p.A.

Excelsior 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, Excelsior applies the non-linear method of depreciation for profits tax purposes and its tax policy for the year 2012 stipulates its right to an immediate 30% write-off on non-current asset cost. Excelsior uses the standard social insurance contribution rates without any incentives.

Regarding direct costs, Excelsior's tax policy provides for the immediate write-off of its direct expenses in the relevant reporting period without allocation

The following information is available for the year 2012. All amounts are inclusive of VAT unless stated otherwise. All domestic services provided to clients in Russia during the year 2012 were subject to VAT at the standard rate.

Sales, cash collections and prepayments for the year 2012 (in RR):

Domestic sales of consulting services	174,345,000
Services to diplomatic missions (0% VAT rate)	7,092,000

	1 January	31 December
Sales receivables	14,514,000	15,965,400
Prepayments from domestic clients	8,496,000	9,090,720

Direct costs of services (in RR)

Materials included in cost of sales (all purchased in 2012)	21,830,000
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VAT invoices were received for the value of 70% of these purchases.

Direct remuneration

The table below sets out details of the remuneration paid by Excelsior for the year 2012.

Job title	Annual gross salary per person accrued and paid in 2012	Number of persons	Legal status	Direct or administrative cost
	RR			
Director	4,771,200	2	Employee	Direct
Associate	2,003,904	20	Employee	Direct
Office assistant	1,202,342	7	Civil law contractor	Administrative

Direct IT equipment by category:

Category of equipment	Quantity	Historic cost per unit in RR (VAT inclusive)	Date put into use	Monthly non-linear tax depreciation rate for IT non-current assets
Notebook computers	45	29,500	March 2012	5.6%

Indirect expenses:

In addition to the payments set out above, Excelsior provided both voluntary medical insurance for its permanent employees for 5,940,000 RR and voluntary medical insurance for their relatives for 2,970,000 RR in the year 2012.

Voluntary personal insurance against accident at work was also offered to all permanent employees. The total insurance premium paid by Excelsior for this accident at work insurance in the year 2012 was equal to 3,960,000 RR.

In both cases, the term of the insurance agreement was one year.

Software licences

During the year 2012 Excelsior purchased seven non-exclusive software licences for the total value of 119,000 RR (17,000 RR each), free of VAT.

Advertising expenses

Excelsior incurred 9,153,260 RR for advertising placement in the press. In addition, 3,268,600 RR was spent on the distribution of different advertising promo presents to clients during the year 2012. The cost of each unit of promo presents distributed varied from 200 RR to 1,000 RR. VAT invoices have been received for the value of 65% and 75% respectively of these expenses.

Allowances for receivables

Excelsior decided to post an allowance for receivables as at 31 December 2012. Excelsior had not created any allowances for receivables before this, but did so in 2012 because it wanted to write off a receivable from the domestic debtor Lomier in the amount of 700,000 RR (net of VAT). This receivable was overdue for the period of two and a half years as the debtor had disappeared and Excelsior's lawyers have failed to find out any reference to him.

The results of verification of Excelsior's receivables as at 31 December 2012 revealed that receivables in the amount of 6,136,000 RR (including VAT) were overdue for 55 days and of 5,133,000 RR (including VAT) for the period of 115 days.

Another receivable of 436,600 RR (including VAT) was written off in the year 2012. This receivable was confirmed by Excelsior's lawyers as an uncollectable receivable due to the liquidation procedure undergone by the customer. All confirming documents were kept by the company.

Interest expense

On 7 October 2012 Excelsior received a five-year loan for 1,700,000 EUR from Vicotti S.p.A. with interest at the rate of 7% per annum. Interest is payable on the last date of each quarter (i.e. the first interest instalment was payable on 31 December 2012).

Tax losses brought forward

At 1 January 2012 Excelsior had the following unused tax losses:

2009 year – 400,000 RR

2010 year – 1,500,000 RR

Required:

- (a) Assuming that all the expenses referred to in the scenario are properly confirmed by necessary documents, calculate the taxable profit and corporate profits tax liability of ZAO Excelsior CIS for the year 2012. Show separately all elements of the taxable income and deductible expenses and identify any non-deductible expenses (calculations of non-deductible amounts are not required).

Notes:

1. For social insurance contribution purposes ignore all expenses other than salaries.
2. Ignore property tax.
3. The following notional EUR/RR exchange rates are to be used:

1 October 2012	47.5
7 October 2012	46.5
31 October 2012	47.0
1 November 2012	48.5
30 November 2012	49.5
1 December 2012	48.0
31 December 2012	49.0

(19 marks)

- (b) Recalculate the aggregate direct cost amount to be used in the calculation of taxable profit, if ZAO Excelsior CIS stipulates in its tax policy that direct costs should be allocated based on the services completeness ratio by reference to when the acts of acceptances were signed.

Note: You should assume that:

1. acts of acceptance for services rendered had been signed by domestic customers for 139,706,490 RR (VAT inclusive) out of the total services charged on services-in-progress account of 181,437,000 RR for the year 2012; and
2. Excelsior applies the FIFO method, and as at 31 December 2011 domestic services with the charge-out value of 43,660,000 RR remained on account (not accepted by the clients) and direct expenses in the inventory balance were 24,430,000 RR (net of VAT).

(3 marks)

- (c) Calculate ZAO Excelsior CIS's value added tax (VAT) liability for the year 2012. Show separately all elements of output/input VAT.

(8 marks)

(30 marks)

2 Vladislav works as an insurance agent for the insurance company Agrimon. He is married to Alina and they have one son and two daughters aged seven, ten and 15 years respectively. Vladislav's gross monthly salary is 97,000 RR.

On 14 February 2012 Agrimon paid for voluntary medical insurance policies for its employees under an annual agreement at a 20% discount to the market value of 20,000 RR per person. In addition, Vladislav has chosen the following types of insurance provided by Agrimon at its own account to its employees:

- voluntary medical insurance for the children priced at 15,000 RR each;
- voluntary property insurance against fire of their summer house with the premium of 21,000 RR. The insured value of the summer house is 220,000 RR.

After celebrating the May holidays with fireworks, the summer house was damaged from fire. The actual costs of the repair works confirmed by relevant documents were 175,000 RR. The insurance company (Agrimon) has accepted this incident as complete destruction of the property, being covered by the property insurance policy, and paid the full insured value to Vladislav in 2012.

In 2012 Vladislav paid 37,000 RR for the education of his elder daughter at the skating school and 14,000 RR out of 42,000 RR for his son's professional swimming school respectively. The remainder of the 42,000 RR was paid by his wife Alina.

All the above educational schools are daytime classes and licensed institutions under the law of the Russian Federation.

In addition, Vladislav decided to pay contributions of 5,000 RR under a voluntary pension agreement with a non-pension fund for himself. In 2012 he also paid 22,000 RR for the medical treatment of his mother.

During the year 2012 Vladislav received the following additional benefits from Agrimon:

- Sales acceleration training in St. Petersburg in April 2012, costing 85,000 RR
- Professional photcamera in May 2012 as a gift on his birthday for the value of 27,000 RR
- Material donation as a reimbursement of his medical treatment in June 2012 for the value of 7,000 RR

On 25 February 2012 Vladislav received a car as a gift from his mother. The market value of the car is 420,000 RR.

On 12 May 2012 as a result of participating in a 'Collect and get' promotion campaign arranged by the company GGG, Vladislav won a trip to Croatia as an advertising prize for the value of 50,000 RR.

Also in May 2012 Vladislav and Alina decided to build a new residential house on the plot of land, valued at 1,700,000 RR, received by Alina as an inheritance in February 2012.

In 2012 Vladislav invested 700,000 RR from his personal savings in the construction of this residential house. In addition, on 13 June 2012 Agrimon provided him with a 1,150,000 RR mortgage loan at the interest rate of 3% per annum for a five-year period. Interest is payable on this mortgage loan starting from the year 2013.

Alina works as a creative editor for the TV company YUT. Alina's gross salary is 80,000 RR per month, except for the month of January when she received 35,000 RR gross.

Alina received the following benefits from her employer during the year 2012:

- February 2012 – free of charge vouchers for the canteen for the value of 12,000 RR which are not stipulated in the labour agreement
- March 2012 – gift certificate for the value of 7,000 RR as a gift for Women's Day
- April 2012 – 350,000 RR net was credited to her account as a bonus for the year 2011, which was accrued in December 2011
- June 2012 – free of charge visits to the swimming pool for three months with the value of 15,000 RR

Alina decided to take a loan of 1,000,000 RR for her personal education (needs) from the bank on 23 October 2012. The interest rate for the loan is 5% per annum for a seven-year period. Interest is payable on this loan on a quarterly basis on the last date of each quarter (i.e. interest for the fourth quarter of 2012 is payable on 31 December 2012). The loan principal amount is to be repaid at the end of the loan period, not by instalments.

Vladislav and Alina received joint ownership rights for their newly constructed house in early December 2012. Vladislav managed to submit to his employer, Agrimon, the document from the tax authority confirming his entitlement to property allowance in December 2012. Vladislav has never used his property allowance before, whereas Alina has already used it.

Required:

Assuming that all the expenses incurred by Vladislav and Alina in 2012 are confirmed with proper supporting documents:

- (a) Calculate the personal income tax of Vladislav withheld at source by his employer for the year 2012, assuming that Vladislav has asked Agrimon for all possible deductions to be given. (10 marks)**
- (b) Calculate the final settlement of Vladislav's personal income tax liability (additional payment or refund) upon submission of his 2012 personal income tax return. (6 marks)**
- (c) Calculate the final settlement of Alina's personal income tax liability for the year 2012. (9 marks)**

Notes:

- 1. To the extent possible use all the personal income tax deductions that are potentially available to Vladislav and Alina.
- 2. State separately the amounts of all personal income tax deductions claimed by Vladislav and Alina for the year 2012 and the deductions (if any) carried forward to future years.
- 3. Ignore social insurance contributions and value added tax (VAT).

(25 marks)

3 (a) During the year 2012 ZAO Bars ('Bars') booked the following sales in the process of its operating activity.

Invoice for consulting services to OOO Georgin ('Georgin') issued as of 5 February 2012 for the value of 3,835 notional units, including value added tax (VAT). Georgin booked this invoice on 12 February 2012 in its accounting system.

Based on the agreement with Bars, one notional unit is equal to one USD, invoices are payable in roubles at the USD/RR Central Bank exchange rate on the date of payment. Payment terms are 30 days from the date of invoice.

On 3 March 2012 the above invoice was paid by Georgin to Bars.

In early April 2012 Bars reviewed its operations for Quarter 1 of the year 2012 and realised that cost of service for the invoice issued as of 5 February 2012 should be decreased by a discount of 354 notional units including VAT.

On 3 April 2012 Bars notified its customer Georgin by way of sending the special agreement on providing the above discount for this service. Georgin has signed this agreement.

On 7 April 2012 Bars issued an amended VAT invoice taking into account the above discount.

Required:

- (i) Calculate ZAO Bars output VAT for Quarter 1 of the year 2012, state the amount of the summing difference and its impact (if any) on the output VAT.** (3 marks)
- (ii) Calculate the impact of the amended VAT invoice on both the output VAT and the input VAT for Quarter 2 of the year 2012 for each of OOO Georgin and ZAO Bars respectively.** (2 marks)
- (iii) State the general rule for determining the VAT claw-back date and explain if the VAT claw-back date for OOO Georgin would change if ZAO Bars had notified it about the discount on 30 March 2012, instead of 3 April 2012. Assume all other data in the scenario remained unchanged.** (3 marks)
- (iv) State the period when the amended VAT invoice should be issued.** (1 mark)

Note: The following USD/RR exchange rates (notional) are to be used:

5 February 2012	29
12 February 2012	30.5
29 February 2012	30
3 March 2012	31
3 April 2012	31.5
7 April 2012	32

- (b) OOO Antic ('Antic') conducts activities that are 100% subject to value added tax (VAT) at the general rate.

Antic's treasury manager reviewed its accounts receivable as of 31 May 2012 and, based on the market analysis, decided to sell the accounts receivable from Gera and Dionissiy to the factoring company Zevs, on the following conditions:

Antic accounts receivable sold to Zevs (all amounts are inclusive of VAT):

Name of customer	Date of due payment	Amount RR	Date of sale of receivable	Proceeds from sale of receivable, RR
Gera	27 November 2011	8,555,000	2 June 2012	9,410,500
Dionissiy	12 October 2011	7,262,900	7 June 2012	6,681,868

Regarding another receivable from company Heracle, the following data is available:

A shipment was made to Heracle on 5 May 2012 for the value of 3,068,000 RR (including VAT).

On 10 May 2012 Heracle submitted to Antic a promissory note with the par value of 3,068,000 RR, a redemption date of 45 days from the date of issue, and annual interest on redemption of 30%

Required:

Calculate the output VAT for OOO Antic for Quarter 2 of the year 2012, based on the above transactions. Show separately the elements of output VAT for each item. (3 marks)

- (c) In 2012 OOO Chevalier (Chevalier) started to export goods to Slovenia under a direct contract with a Slovenian customer. The first export shipment and customs clearance took place on 5 April 2012. The total value of this first shipment was 1,200,000 EUR.

The Slovenian customer paid Chevalier 1,000,000 EUR on 30 May 2012 and the remaining balance of 200,000 EUR was paid on 7 June 2012.

The costs incurred by Chevalier before the date of shipment and related to this export shipment were 17,936,000 RR (including value added tax (VAT)) at the general rate.

Chevalier failed to submit the package of documents confirming export by the due date of 2 October 2012.

Required:

(i) **Calculate the amount of VAT payable to the budget by OOO Chevalier for Quarter 2 due to the unconfirmed export;** (1 mark)

(ii) **Calculate the late interest penalty payable by OOO Chevalier for the period up to 30 September 2012.** (2 marks)

Note: The following RR/EUR exchange rates (notional) are to be used:

5 April 2012	40.5
30 April 2012	39
30 May 2012	40
7 June 2012	39.5
2 October 2012	41
31 December 2012	41.5

(15 marks)

- 4 (a) Stas Solnechnyi is an individual entrepreneur, who runs his own café 'Lutch'.

In January 2012 Lutch's bank account was credited with 14,986 RR (including value added tax (VAT)) as a final payment for the birthday celebrated in this café in December 2011.

Revenue received in cash during the year 2012 was equal to 1,416,000 RR (including VAT).

The expenses incurred for the café's employees for the year 2012 were as follows:

Gross monthly salary of head-cook – 30,000 RR

Gross monthly salaries of two waiters – 13,000 RR per each

Gross monthly salary of charwoman – 5,000 RR

All four employees worked in the café for all of the year 2012.

In compliance with the labour agreements, 50% salary should be transferred to the employee's account on the 15th date and other 50% on the 27th date of each month respectively.

In addition, in May 2012 Stas sold one computer which had been acquired in December 2009 at the historic cost of 53,100 RR (including VAT) and depreciated over three years using the linear method. The sales proceeds were received in June 2012 in the amount of 8,260 RR (including VAT).

Social insurance contributions for Stas' own income as an individual entrepreneur were 12,003 RR in the year 2012.

Required:

- (i) Calculate Stas Solnechnyi's personal income tax liability for the year 2012 in his capacity of individual entrepreneur, assuming that Stas used the professional deduction in the amount of actual expenses incurred. (7 marks)

- (ii) Calculate Stas Solnechnyi's taxable income for the year 2012 in his capacity of individual entrepreneur assuming that Stas cannot confirm his actual expenses.

Note: you are not required to calculate the tax liability in part (ii). (1 mark)

- (b) Victor Ozerov approached his employer, Complex, with the request for a loan of 100,000 RR. Complex is prepared to provide the loan to Victor under one of the following alternative sets of terms of conditions:

(1) an interest-free rouble loan which is to be repaid on 30 April 2012;

(2) a rouble loan at an annual rate of interest of 3%, with interest to be paid on 30 June and 31 December respectively and the principal amount to be repaid only in 2013.

Whichever alternative is chosen by Victor, the loan will be provided to him on 28 February 2012.

Required:

- (i) Assuming the loan was for Victor Ozerov's personal consumption needs, calculate the personal income tax impact for Victor of each of the loan alternatives ((1) and (2)) proposed by Complex; (6 marks)

- (ii) Assuming the loan was for the purpose of Victor Ozerov's acquisition of a residential apartment, explain the impact on Victor's personal income tax for the year 2012 if he was granted the loan at 3% interest (alternative (2)). Victor has never used his housing allowance before. (1 mark)

(15 marks)

- 5 (a) OOO Rakurs has the following accounting data (in RR) regarding its non-current assets in 2012:

	1 January	1 February	1 March	1 April
Booking value	870,000	920,000	1,530,000	1,710,000
Depreciation	420,000	490,000	610,000	680,000

Required:

Calculate OOO Rakurs' advance property tax payment for Quarter 1 of the year 2012. (3 marks)

- (b) Vasilij Razumov works as a freelance sculptor. During the year 2012 he concluded an author's agreement with the company Stroymost for creating his new composition for the city exhibition for the remuneration of 1,250,000 RR. Vasilij's actual expenses incurred in the year 2012 in the course of this work were 770,000 RR. All expenses are confirmed by source documents.

Required:

(i) **Calculate Vasilij Razumov's social insurance contributions base for the year 2012 for each of the options available to him;** (4 marks)

(ii) **State what Vasilij Razumov should do to receive deduction at source by Stroymost.** (1 mark)

- (c) OOO Fialka ('Fialka') is 45% owned by OOO Geran ('Geran'). In its turn, Geran is jointly owned by two foreign companies: Begonia (60%) and Barvinok (40%).

Fialka requires debt financing of 2,700,000 EUR. The debt financing could be provided by either Begonia or Barvinok. The required amount will be received by Fialka on 15 May 2012. The interest rate will be 3% per annum and interest will be payable on a quarterly basis on the first day of the following quarter. Interest is not compound.

The following forecasted data of Fialka's assets and liabilities as at 30 June 2012, including any accrued interest on the debt financing, is available:

Assets	117,000,000 RR
Liabilities	87,000,000 RR
Including tax liabilities	7,520,700 RR

Required:

Prepare calculations to show the tax effect of each of the two debt financing options available to OOO Fialka for Quarter 2 of the year 2012 and state which company (Begonia or Barvinok) would be the more tax efficient provider of the debt financing.

Note: The following EUR/RR exchange rates (notional) are to be used:

1 May 2012	40.5
15 May 2012	41.5
31 May 2012	42.0
1 June 2012	42.5
30 June 2012	43.0

(7 marks)

(15 marks)

End of Question Paper