Answers

Section A

1 **B** 5,000*1/4*1.5%*1,000 = 18,750 RR

Tutorial note: *Property tax is not payable on intangible assets. The property tax base for office premises is the cadastral value.*

2 **D**

Tutorial note: *Only subdivisions with individual balances, bank accounts and accrued payments to employees can be subject to a separate field audit.*

3 **A** (1,515,120 – 1,416,000)*18/118 = 15,120 RR

4 **C**

5 **B** (624,000*27.1%) + ((700,000 – 624,000)*10%) = 176,704 RR

6 **A** Interest

	RR
29 March–30 April 2015	
250,000*(31 – 28 + 30)*1/300*15%	4,125
1 May 2015–6 July 2015	
250,000*(31 + 30 + 6)*1/300*7%	3,908
	8,033

Tutorial note: *Late payment interest is payable from 29 March 2015 (the day following the final tax payment date for 2014) to 6 July 2015. No penalties are payable as OOO Dilema discovered the underpayment itself and paid the outstanding amounts before filing the amendment.*

7 **C** ((640,740*100/118) + (566,400*100/118) + 325,000 + 97,500)*18% = 260,190 RR

8 **C**

Tutorial note: *Material aid provided to employees by their employers is only exempt up to the amount of 4,000 RR per year per employee.*

9 **A**

10 **D**

11 **A**

	RR
2015 taxable profits	21,000,000
Less: 2012 loss	(16,500,000)
Less: 2013 loss	(4,500,000)
	–
Carry forward to 2016	
2013 loss (5,900,000 – 4,500,000)	1,400,000
2014 loss	4,300,000
	5,700,000

Marks

12 B (17,700 + 10,620)*18/118) = 4,320 RR

13 D 18,000 + 53,000 = 71,000 RR

Tutorial note: *No deduction is available to Alexander in respect of the costs of his brother's education as his brother is not under 24 years old.*

14 A **Quarter 4 – VAT liability**

	RR
Final tax invoice – 2,950,000*18/118	(450,000)
Add: clawback of previously recovered Input VAT in September (Q3)	450,000
	0

15 C

2 marks each **30**

Section B *Marks*

1 OOO Goodwin

(a) Withholding tax on dividend distribution

	RR	Marks
Profit before tax	345,500,000	½
Tax at 20%	(69,100,000)	½
Profit after tax available for distribution	276,400,000	
Total dividend value (15%)	41,460,000	½
Less: dividends received by Berkshir (41,460,000*15%)	(6,219,000)	1
Total dividends due to be allocated in favour of Russian companies	35,241,000	
Less: dividends received from Russian companies	(5,700,000)	1
Dividends tax base	29,541,000	

Withholding tax:

OOO Galogen:

29,541,000*(20%/(100% – 15%))*9% 625,574 1
(½ for correct shareholding, ½ for 9%)

OOO Almaz:

29,541,000*65%*0% 0 ½

The 0% dividend tax rate applies to the distribution to OOO Almaz as the two criteria have been met, as follows:

– ownership period exceeds one year; ½
– ownership share is more than 50%. ½

Berkshir:

6,219,000*15% 932,850 1

7

(b) Foreign exchange loss for the year 2015

Interest
The interest liability for November is accrued on 30 November and paid on 3 December, hence the forex loss on interest is:

200,000 EUR*7%*((30 – 2)/365)*(87 – 90) = 3,222 RR 1½
(½ for 7%, ½ for correct rates, ½ for correct dates)

No exchange difference on the interest for December will be calculated since interest is only accrued (not paid) at 31 December 2015. ½

Loan
Since the principal loan has not been repaid at 31 December 2015, the foreign exchange loss on the loan will be: 200,000 EUR*(80 – 95) = 3,000,000 RR 1

3

10

2 (a) Social insurance contributions (SIC) for Oleg under an author's agreement

Gross remuneration = Y
PIT = (Y – 0.3Y)*13%
Net remuneration received = 1,260,000 RR

Y – (0.7Y*13%) = 1,260,000
Y – 0.091Y = 1,260,000
0.909Y = 1,260,000
Y = 1,260,000/0.909 = 1,386,139 RR
(Solving the ratio with the correct gross remuneration) 2

Marks

Option 1 – SIC base taking into account the 30% professional deduction:

1,386,139*0.7 = 970,297 RR ½

SIC: (624,000*27.1%) + ((970,297 – 624,000)*10%) = 203,734 RR 1

Option 2 – SIC base taking into account the actual expenses incurred:

1,386,139 – 520,000 = 866,139 ½

SIC: (624,000*27.1%) + ((866,139 – 624,000)*10%) =193,318 RR 1

Advice:

Option 2 is more beneficial option and the SIC saving is 10,416 RR (203,734 – 193,318). 1

6

(b) Social insurance contributions (SIC) for Angelina under a labour agreement

	RR	
Salary (97,000*12)	1,164,000	½
Sick leave pay in compliance with the Russian legislation (exempt)	0	1
Reimbursement of expenses paid for the mortgage loan (exempt)	0	½
Material aid	12,000	½
Deduction	(4,000)	½
Total SIC base	1,172,000	
SIC: (624,000*30%) + ((1,172,000 – 624,000)*10%)	242,000	1
		4
		10

3 Mark

(a) Personal income tax (PIT) to be withheld by OOO NLC in 2015

	RR	
Gross salary (290,000*12)	3,480,000	½
Imputed income is the market price, which for unquoted shares is the reference price discounted by 20%		
Taxable income = market price – actual acquisition price.		
((1,350 – (1,350*20%) – 900)*2,000)	360,000	2
(½ for correct reference price, 1 for deduction of 20%, ½ for deduction of actual expenses)		
Taxable base	3,840,000	
PIT at 13%	499,200	½
		3

(b) (i) Final PIT liability for the year 2015

	RR	
Taxable base from employer (from part (a))	3,840,000	½
Sales proceeds from shares in BBM (5,000*1,600)	8,000,000	½
Acquisition costs (5,000*700)	(3,500,000)	1
No imputed income in 2014 on shares received from his wife (a close relative)	0	½
No investment deduction (holding period is less than three years)	0	½
Taxable base	8,340,000	
Total PIT at 13%	1,084,200	½
PIT withheld by employer (from part (a))	(499,200)	½
PIT due to budget	585,000	
		4

	Marks
(ii) Impact on final PIT liability for the year 2015 – gift from non-close relative	
If Mark had received the 5,000 OOO BBM shares as a gift from a non-close relative rather than from his wife, he would have been liable to personal income tax (PIT) on the imputed income of 7,000,000 RR (5,000*1,400 RR) in 2014 when the shares were received.	1
As a result, when Mark came to sell the shares in the year 2015, the deductible expenses for capital gains purposes would have included both the imputed income of 7,000,000 RR assessed in 2014 and the PIT withheld at the time he acquired the shares of 910,000 RR (7,000,000*13%).	1
This would have resulted in a lower final PIT liability for the year 2015.	½
An example of a non-close relative for PIT purposes would be a cousin or an aunt or uncle.	½
	3
	10

4 (a) OOO Medart – value added tax (VAT) – Quarter 4 of 2015

	RR	Marks
Exempt revenue/Total revenue without VAT: 6,041,600/(30,208,000 – (30,208,000 – 6,041,600)*18/118) = 22.78% *(½ for deducting 6,041,600, ½ for 18/118)*		1
Expenses allocated to exempt supplies		
(Direct expenses (exempt) + general expenses without VAT apportioned to exempt sales):		
Direct expenses (VAT exempt)	2,560,000	½
Add: allocated to exempt sales ((4,531,200*100/118)*22.78%) *(½ for net of VAT, ½ for appropriate %)*	874,752	1
	3,434,752	
Total expenses: vatable + exempt: ((4,531,200 + 15,104,000)*100/118) + 2,560,000 = 19,200,000 RR		1
Expenses related to exempt sales/total expenses 3,434,752/19,200,000 = 17.89% > 5% test		½
Irrecoverable VAT to be included in costs: (4,531,200*18/118)*22.78% = 157,455 RR *(½ for 18/118, ½ for 22.78%)*		1
VAT recoverable: (15,104,000 + (4,531,200*(100% – 22.78%))*18/118) = 2,837,745 RR *(½ for correct % for recoverability, ½ for 18/118)*		1
		6

(b) OOO Valta

Value added tax (VAT) for Quarter 3 and Quarter 4 of 2015

	Marks
Quarter 3 The original invoice should be recognised on the shipment date, i.e. 25 September 2015.	
Output VAT will be 6,726*77*18/118 = 79,002 RR *(½ for 18/118, 1 for correct rate on 25 September)*	1½
Quarter 4 The effect of the amended invoice will be to increase the input VAT for Quarter 4.	
The increase in input VAT will be: 471*77*18/118 = 5,532 RR *(½ for 18/118, 1 for correct exchange rate on 25 September)*	1½
	3

	Marks
(c) Branches and subdivisions are not treated as separate VAT taxpayers since VAT should be paid by the head office to the Federal budget without allocation to branches.	1
	10

Marks

5 Anna

(a) Personal income tax (PIT) withheld at source by OOO Kogen for the year 2015

	RR	Marks
Tax at 13%		
Gross salary ((180,000*10) + 100,000 + 175,000)	2,075,000	1
Children allowance (her income including gift income for January and February was: (100,000 + 175,000 + 7,000 – 4,000) = 278,000, it exceeds 280,000 RR in March): ((2*1,400) + 3,000)*2	(11,600)	2
(½ for correct number of children, ½ for 3,000 with respect to the third child, 1 for correct amount of income)		
Gift certificate	7,000	½
Gift allowance	(4,000)	½
Taxable base	2,066,400	
Tax withheld at 13%	268,632	½
Tax at 35%		
Imputed interest income on mortgage loan (since Anna did not submit the relevant documents to 000 Kogen before the year end):		
17 to 30 April		
(7,000,000*(2/3*15% – 5%)*(30 – 17)/365)	12,466	1½
(½ for 2/3, ½ for 15%, ½ for correct days)		
1 May to 30 September		
2/3*7% = 4.67% < 5%, therefore no imputed income	0	1
(½ for 7%, ½ for no imputed income)		
1 October to 31 December		
Current rate is equal to CBR rate, so no imputed income for this period	0	½
Total imputed income	12,466	
Tax withheld at 35%	4,363	½
Total PIT withheld at sources (268,632 + 4,363)	272,995	
		8

(b) Final settlement of PIT liability for the year 2015

	RR	Marks
Tax at 13%		
Taxable base (from part (a))	2,066,400	
Proceeds from old apartment sold	9,300,000	½
Actual costs confirmed by documents	(5,100,000)	1
(Maximum deduction of 1 million RR (due to ownership period) is less efficient than using the actual costs incurred)		
Housing allowance for new apartment acquisition	(2,000,000)	1
Mortgage interest paid during the year 2015 (Note 1)	(159,178)	1½
Taxable base	4,107,222	
Tax at 13%	533,939	½
Tax at 35%		
Lottery prize	50,000	½
Less: prize deduction	(4,000)	½
There will be no imputed loan interest income, because Anna claims the housing allowance	0	½
Total income	46,000	
Tax at 35%	16,100	½
Total tax for 2015 (533,939 + 16,100)	550,039	
Tax withheld by employer (from part (a))	(272,995)	½
Tax due to the budget	277,044	
		7
		15

Note 1	RR	Marks
Quarter 2: 7,000,000*5%*(30 – 17 + 31 + 30)/365	70,959	*½*
Quarter 3: 7,000,000*5%*(31 + 31 + 30)/365	88,219	*½*
Interest for Quarter 4 is not payable until 2 January 2016, so no recognition for Quarter 4	0	*½*
Total actual interest paid	159,178	*1½*

6 OOO Galaktika

(a) Loan from Andromeda BV – thin capitalisation rules

Andromeda owns 30% of the shares in Galaktika which is more than 20%, so the loan should be treated as a controlled debt.	½
Net assets as at 31 December 2015: (615,000,000 – 320,000,000 + 61,000,000) = 356,000,000 RR	1
Net assets*3 = 356,000,000*3 = 1,068,000,000 RR	½
Loan as at 31 December 2015: 1,000,000*90 = 90,000,000 RR	½
The thin capitalisation should not be applied (90,000,000 < 1,068,000,000).	½
	3

(b) Corporate profits tax liability for the year 2015

	RR	
Domestic sales of services (net of VAT) (241,900,000*100/118)	205,000,000	½
Prepayments from domestic customers (non-taxable)	0	½
Total sales	205,000,000	
Direct expenses:		
Direct purchased materials (30,326,000*100/118)	(25,700,000)	½
Direct salaries (105*25,000*12)	(31,500,000)	½
Direct depreciation (Note 1)	(19,223,480)	3
Voluntary personal insurance against accident at work (105*15,000 = 1,575,000 < 2,000,000)	(1,575,000)	1
Work in progress adjustment (Note 2)	20,933,232	2½
Total direct expenses after adjustment	(57,065,248)	
Indirect expenses:		
Indirect salaries ((18,000*15*12) + (3*100,000*12))	(6,840,000)	1
Non-sale expenses:		
Forex loss on loan at 31 December 2015: 1,000,000 EUR*(86 – 90)	(4,000,000)	1
Interest expense:		
December 2015 (1,000,000*5%*(31 – 17)/365*90)	(172,603)	1
	(4,172,603)	
Taxable base	136,922,149	
Tax at 20%	27,384,430	½
		12
		15

Note 1 – Direct depreciation

NBV at 31 December 2014
143,960,000*100/118*(1 – 2.7%)^(9 + 12) = 68,664,060 RR *1½*
(½ for net of VAT, ½ for correct formula, ½ for correct months)

NBV at 31 December 2015
68,664,060*(1 – 2.7%)^12 = 49,440,580 RR *1*
(½ for correct formula, ½ for correct months)

	Marks
Depreciation for the year 2015: (68,664,060 – 49,440,580) = 19,223,480 RR	½
	3

Note 2 – Work in progress adjustment

Completeness ratio: 205,000,000/(205,000,000 + (88,736,000*100/118)) = 73.162% (½ for adjustment for VAT, 1 for correct ratio)	1½
Adjustment for services not accepted by customers at year-end: (25,700,000 + 31,500,000 + 19,223,480 + 1,575,000)*(1 – 73.162%) = 20,933,232 RR	1
	2½