

Fundamentals Level – Skills Module

Taxation (Russia)

Thursday 9 June 2016



Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

This question 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 question 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 question paper.

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

Think Ahead

ACCA

Paper F6 (RUS)

The Association of
Chartered Certified
Accountants

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)
Interest on mortgage loan	3,000,000 RR (upper limit)

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, voluntary life 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)

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

Gains on property sales:

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

Investment deduction Ks*3,000,000 RR (upper limit)

$$Ks = \sum_{i=3}^n Vi \times i \div \sum_{i=3}^n Vi, \text{ where}$$

V_i – 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 contribution limits for personal income tax and social insurance contributions

Additional insurance contributions for the accumulated portion of the pension	12,000 RR
Birth of 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
RR	75% of CBR key rate	125% of CBR key 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%

Thresholds for social insurance contributions for the year 2016

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

	Remuneration per annum	Rate
Pension Fund (PF):	Up to 711,000 RR	22%
	Over 711,000 RR	10%
Social Insurance Fund (SIF):	Up to 670,000 RR	2.9%
	Over 670,000 RR	0%
Federal Fund of Obligatory Medical Insurance (FFOMI):		5.1% (no upper threshold)

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	100,000 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	13%
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	13%

Central Bank refinancing rates (notional)

1 January to 30 April 2016	15%
1 May to 30 September 2016	7%
1 October to 31 December 2016	5%

CBR key rate: (notional) 20%

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 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 AO Virginy has the following balances as at 30 June 2016:

Assets	436,000,000 RR
Liabilities, including the loan below	416,000,000 RR
Tax liabilities	55,000,000 RR

In the second quarter (Q2) 2016, AO Virginy needed finance for new production equipment with a value of 250,000,000 RR. The loan was required from 12 May 2016 and could be funded in one of three alternative ways:

Option 1: AO Emirin, a Russian company which owns 16% of Virginy's share capital, could provide the loan at an interest rate of 7% per annum.

Option 2: Geminay Ltd, a UK resident company which owns 84% of Virginy's share capital, could provide the loan at an interest rate of 7% per annum.

Option 3: AO Lumiere Bank, a Russian bank which is not affiliated to Virginy, could provide the loan at an interest rate of 27% per annum (without any bank guarantees from any affiliated parties).

In the case of all three options, the loan agreement provided for:

- (1) the interest to be accrued monthly and paid on the fifth day following the end of the preceding quarter (i.e. the first interest for May and June would be paid on 5 July); and
- (2) any interest accrued and outstanding to be added to the principal amount.

Required:

For each of the three options, calculate the deductible interest expense, the dividend (if any) deemed to be payable and the withholding tax (if any) applicable for the second quarter (Q2) 2016.

(10 marks)

2 Pavel works under a labour agreement for OOO Alivia (Alivia). The following information relates to his salary and benefits from Alivia for the year 2016:

	RR
Gross monthly salary	71,000
Professional training in Sochi	32,000
Annual voluntary medical insurance for himself	18,000
Half-year voluntary personal insurance	7,000
Annual voluntary medical insurance for his wife	23,000
Compensation for unused vacation	105,000

Alivia reorganised its activities in 2016 and Pavel left the company on 31 August 2016. He received a one-off terminal wage, equal to his average monthly remuneration for four months, of 344,000 RR from Alivia.

After leaving Alivia, Pavel participated as a speaker in various regional conferences under a civil law agreement with OOO Luksor (Luksor). During the four months September to December 2016, Pavel received the following from Luksor:

Speaker's fees	120,000 RR gross per month
Reimbursement of his expenses incurred for the lectures provided, including hotel expenses and tickets	80,000 RR for the entire period

Pavel has not been registered as an individual entrepreneur.

Required:

Calculate the annual amount of social insurance contributions (SIC) to be paid in respect of Pavel for the year 2016:

(a) On behalf of OOO Alivia; (7 marks)

(b) On behalf of OOO Luksor. (3 marks)

Note: Clearly identify any items referred to in the question on which SIC are not payable.

(10 marks)

- 3 (a)** In May 2016, Vladimir and Malvina, a married couple, purchased a new apartment in joint ownership from an unrelated party for 10,000,000 RR. Vladimir's employer gave Vladimir 5,000,000 RR as a material aid for this acquisition and the residual amount was paid by the couple from their own funds. When Vladimir and Malvina applied to the tax authorities for the housing allowance, they declared shares of 70% and 30% respectively in the apartment acquisition expenses incurred for the year 2016.

Required:

- (i) State the maximum amounts of housing allowance available to each of Vladimir and Malvina for the year 2016 and the amounts to be carried forward to future years (if any).** (3 marks)
- (ii) State, giving reasons, the impact on the housing allowances available to each of Vladimir and Malvina for this purchase if the apartment had been purchased from Vladimir's brother Gregory.** (1 mark)
- (b)** Kristina, a registered individual entrepreneur, runs a training business. The following information relates to her business for the year 2016:

Gross business income (including value added tax (VAT))	3,776,000 RR
Basic salary for two employees (trainers)	59,000 RR per month per employee
Rent expense (net of VAT)	100,000 RR per month
Social insurance contributions (SIC) paid on her own income as an individual entrepreneur	13,200 RR

Required:

Calculate Kristina's personal income tax (PIT) liability for the year 2016 in her capacity as an individual entrepreneur if:

- (i) she uses the actual expenses incurred; and** (4 marks)
- (ii) she does not keep a record of her actual expenses incurred.** (2 marks)

(10 marks)

- 4 (a) On 15 February 2016, AO Serial (Serial) made a shipment of medical products to Italy with a value of 25,000 EUR. These products were customs cleared and the export regime was confirmed on the same date. In the first quarter (Q1) 2016, Serial incurred expenses of 258,420 RR (inclusive of value added tax (VAT)) in respect of this export.

Required:

Calculate the value added tax (VAT) liability of OOO Serial, disclosing both the output VAT and input VAT figures for each of the first three quarters (Q1, Q2 and Q3) 2016 if:

- (i) OOO Serial provided the tax authorities with a full set of all the relevant documents confirming the export on 5 August 2016. (2 marks)
- (ii) OOO Serial did not provide the tax authorities with a full set of all the relevant documents confirming the export until 15 September 2016. (4 marks)
- (b) OOO Lama sold a fixed asset to an unrelated party on 16 May 2016. The selling price was 800,000 RR (excluding VAT). The fixed asset was acquired in October 2015 for 1,062,000 RR (inclusive of VAT), and put into use in November 2015. The useful life of this fixed asset was five years.

Required:

Calculate the VAT liability on the sale of the fixed asset if:

- (i) Input VAT was included in the cost booked for the fixed asset. (3 marks)
- (ii) Input VAT was recovered at the point of acquisition. (1 mark)

Notes:

There is no difference between the accounting and tax reporting value of this fixed asset.

Relevant (notional) EUR/RR exchange rates are:

15 February	77
28 February	78
1 March	80
31 March	81
5 August	79
30 August	77.5
1 September	76
15 September	74
30 September	73
1 October	72
15 October	70
31 October	75

(10 marks)

5 Anastasiya works for OOO Wellbee (Wellbee). She is married to Denis and they have two children, a daughter aged seven years and a son aged 16 years. In the year 2016, in addition to her gross salary of 100,000 RR per month, Anastasiya received the following benefits from her employer:

- Annual voluntary medical insurance for herself of 15,000 RR
- Annual voluntary medical insurance for her children of 25,000 RR
- Annual subscription to a pilates course of 50,000 RR, paid in March 2016
- Professional training in Singapore of 70,000 RR, paid in October 2016
- Meals reimbursement of 5,000 RR per month for the whole year.

Anastasiya asked Wellbee to provide her with a loan for personal needs of 300,000 RR. On 27 May 2016, Wellbee agreed to provide this loan at an interest rate of 5% per annum payable from October 2016 on the third day following the end of the relevant month (i.e. for May to October on 3 November).

Anastasiya made the following payments in the year 2016:

- Contributed 80,000 RR in respect of her father’s surgical procedure in a licensed hospital.
- Paid 54,000 RR out of total fees of 70,000 RR to a licensed sports school for her son. The residual amount was paid by her husband.
- Paid 27,000 RR to a figure skating school for her daughter.
- Made a cash donation to a local orphanage of 15,000 RR and also presented toys and books to the children with a value of 10,000 RR.

Anastasiya has decided to include her medical and educational spending in her annual personal income tax return for the year 2016.

Required:

- (a) Calculate the personal income tax (PIT) for Anastasiya withheld at source by OOO Wellbee for the year 2016, assuming that she asked for all possible deductions to be given at source. (6 marks)
- (b) Calculate the final settlement of Anastasiya’s PIT liability (additional payment or refund) upon submission of her PIT return for the year 2016. (5 marks)
- (c) Advise Anastasiya on the other options available to her with respect to the social deduction for her father’s medical expenses and the educational deductions for her children. State the criteria to be satisfied and the effective period of application (if any).

Note: Calculations are not required for this part. (2 marks)

- (d) Denis would like to sell an apartment which he acquired in April 2016 with the value of 12,000,000 RR.

Required:

State the period after which Denis will be able to sell the apartment with a minimal (or nil) PIT liability, if he acquired the apartment when:

- (i) he inherited the apartment from his grandmother; (1 mark)
- (ii) he purchased the apartment from an independent seller. (1 mark)

Note: Calculations are not required for this part.

(15 marks)

6 AO Laveymer (Laveymer) manufactures luxury products for sale in Russia and for export. According to its tax policy, Laveymer:

- applies the accruals method and uses quarterly tax reporting for corporate profits tax;
- uses the non-linear method to depreciate its tangible non-current assets; and
- applies the immediate 30% write-off on the cost of its tangible non-current assets.

The following data relates to Laveymer for the year 2016. All amounts are stated inclusive of value added tax (VAT) unless stated otherwise.

Sales and prepayments for the year 2016:

Domestic sales	828,360,000 RR		
Export sales (confirmed)	15,200,000 RR		
		1 January	31 December
Prepayments from domestic customers	57,985,200 RR		60,884,460 RR

Only 70% of the products manufactured in the year were sold before 31 December 2016, the rest were held in the year-end stock. The opening inventory of finished products as at 1 January 2016 was nil.

The value of work in progress on both 1 January and 31 December 2016 was also nil.

Direct expenses incurred for the year 2016:

Direct raw materials	71,980,000 RR
Direct wages of 400 workers engaged in manufacturing (gross)	30,000 RR per person per month

Production line:

Acquisition date	Initial value	Tax depreciation rate per month	Month put into use
September 2015	82,600,000 RR	1.8%	October 2015

Indirect expenses for the year 2016:

50 administrative employees with a gross salary of 45,000 RR per person per month.
 Three directors in management with a gross salary of 250,000 RR per person per month.

Insurances provided and paid for Laveymer’s employees in 2016:

- Annual voluntary medical insurance of 9,000,000 RR
- Annual voluntary personal insurance against accidents at work of 7,000,000 RR
- Five years voluntary life insurance of 17,000,000 RR as an annual payment to a Russian licensed insurance company. The agreement with this company stipulates the condition that no payments should be provided during the five-year term except on incident or death.

Advertising expenses incurred in 2016:

- Participation in various types of exhibition of 106,200,000 RR
- Internet advertising of 179,360,000 RR
- Free of charge prizes to customers during an advertising campaign with a value of 10,000,000 RR

All Laveymer’s expenses were confirmed by supporting documents.

Required:

Calculate the taxable profit and corporate profits tax liability of AO Laveymer for the year 2016. Show separately all elements of income and expenses, clearly identifying the amounts of any non-deductible expenses.

Notes:

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

(15 marks)

End of Question Paper