Answers

Section A

1 **C**

2 **C**

3 **D**

4 **B**

5 **C** 160,000*70%*27.1% = 30,352 RR

6 **B** (18,240,000*100/120 + 7,000,000 + 7,000,000*30%)*20% = 4,860,000 RR

7 **D** (780,000 + 8,000 – 4,000)*30% = 235,200 RR

8 **A** (17,100,000*1.6%) – 205,000 = 68,600 RR

9 **B** 5,000*(67*(28 – 16)/365 + 69*31/365)*9%*35% = 1,270 RR

10 **A** 14,400,000*20/120/10 =240,000 RR

11 **A** (1,100,000 – 400,000)*0.13 = 91,000 RR

12 **B** (16,920,000 – 12,360,000)*20/120 = 760,000 RR

13 **C** 1,344,000*100/120 + 2,016,000*100/120 + 25,200,000*100/120*1% = 3,010,000 RR

14 **C** 20,000 + 80,000 = 100,000 RR

15 **D** 1,250,000*70%/84*9 = 93,750 RR

Section B	*Marks*
1 OOO Hosta (Hosta)	
Option 1	
Since Flower Ltd owns 80% of Hosta, the loan will be considered as a controlled debt.	½
Check the maximum interest limitation:	
125%*7% = 8.75%, i.e. 10% will not be deductible in full, only 8.75% will be deductible.	½
7,000,000*8.75%*(31 – 7 + 30)/365 = 90,616 RR	½
Total interest under 10%:	
7,000,000*10%*(31 – 7 + 30)/365 = 103,562 RR	½
Principal amount + interest = 7,000,000 + 103,562 = 7,103,562 RR	½
Net assets*3 = 3,000,000*3 = 9,000,000 RR	½
Since 7,103,562 < 9,000,000, thin capitalisation rules do not apply.	½
Deductible interest in part only: 90,616 RR	
Option 2	
Loan from OOO Lily (Lily):	
5% will be deductible in full from the Russian company Lily.	½
Since Lily ownership is 20%, the loan is not controlled, no thin cap rules will be applicable.	½
2,000,000*5%*(31 – 7 + 30)/365 = 14,795 RR	½
Loan from Flower Ltd:	
125%*7% = 8.75%, i.e. 4% will be deductible in full.	½
5,000,000*4%*(31 – 7 + 30)/365 = 29,589 RR	½
Principal amount + interest = 5,000,000 + 29,589 = 5,029,589 RR	½
Since 5,029,589 > 1,000,000*3, thin capitalisation rules will be applied.	½
Thin cap ratio: 5,029,589/(3,000,000*80%) = 2.0957	1
Deductible interest: 29,589/2.0957 = 14,119 RR	½
Imputed dividends: 29,589 – 14,119 = 15,470 RR	½
Withholding tax on dividends at 15%: 15,470*15% = 2,321 RR	½
Total deductible interest: 14,795 + 14,119 = 28,913 RR	½
	10

2 (a) Insurance contributions in respect of Karina	
Remuneration: 500,000*(22% + 5.1%) = <u>135,500 RR</u>	
Pension fund 22% (remuneration does not exceed 1,150,000 RR)	½
Social insurance fund – exemption	½
Federal fund of obligatory medical insurance 5.1%	½
Reimbursement of business expenses – exempt	½
	2

Marks

(b) Alexander: insurance contributions under a labour agreement

	RR	
Salary (97,000*12)	1,164,000	½
Support payment on the birth of his son	54,000	½
Exemption	(50,000)	1
Reimbursement of relocation expenses to Samara within limits – exempt	0	½
Annual voluntary medical insurance – exempt	0	½
Annual voluntary medical insurance for his son – where stipulated in the labour agreement with the employer	12,000	½
Professional training on digital investigations – exempt	0	½
Compensation of unused vacation	105,000	1
Professional swimming reimbursement	7,000	1
Total insurance contributions base	1,292,000	
Insurance contributions payable by employer:		
Pension fund: (1,150,000*22% + (1,292,000 – 1,150,000)*10%)	267,200	1
Social fund: 865,000*2.9%	25,085	½
Federal fund of obligatory medical insurance: 1,292,000*5.1%	65,892	½
Total insurance contributions:	358,177	
		8
		10

Note: *If assumed not in labour agreement, an answer with '0' value should be given the ½ mark.*

3 (a) Dmitriy

Personal income tax liability

Option 1

	RR	
Revenue	610,000	
Actual expenses	(100,000)	½
Insurance contributions	(97,000)	½
Taxable base	413,000	
PIT at 13%	53,690	½

Option 2

	RR	
Revenue	610,000	
Business deduction (20%)	(122,000)	½
Taxable base	488,000	
PIT at 13%	63,440	½
In terms of tax efficiency, option 1 should be chosen.		½
		3

(b) (i) Ivan

	RR	
Sale of shares: 1,000*4,000	4,000,000	½
Acquisition expenses	(1,000,000)	½
Broker's fee	(40,000)	½
Interest expense (Note 1)	(44,876)	1½
Total taxable base	2,915,124	
PIT at 13%	378,966	½
Taxable base at 35% rate		

		Marks
Imputed interest income 13 January–30 April (2/3*15% – 7%)*900,000*(31 – 13 + 28 + 31 + 30)/365 = 7,915 RR *(½ for 2/3, ½ for correct CBR rate, ½ for correct days)*		1½
No imputed interest up to 31 December 2019 due to CBR rate*2/3< interest rate (7% or 5%).		½
Tax at 35%	7,915*35% = 2,770 RR	½
		6

Note 1

Q1
900,000*7%*(31 – 13 + 28 + 31)/365 = 13,290

Q2
900,000*7%*(30 + 31 + 30)/365 = 15,707

Q3
900,000*7%*(31 + 31 + 30)/365 = 15,879

(ii) Ivan should sell the shares from 1 February 2025 (ownership period should exceed five years), for which he will then receive an exemption equal to the total proceeds amount. No PIT will be due to the budget. 1

10

4 (a) (i) OOO Leto and OOO Fermer

Q2

	RR	
OOO Leto (agent)		
Output VAT (remuneration)		
16,524,000*20/120*1% =	27,540	1
(½ for 20/120, ½ for 1%)		
VAT due to budget	27,540	
OOO Fermer (principal)		
Input VAT		
On purchases 16,524,000*20/120 =	2,754,000	½
On commission	27,540	½
VAT due from budget	(2,781,540)	**2**

(ii) OOO Fermer is obliged to register VAT invoices reissued from the agent in its purchase book in the quarter when the conditions for VAT recovery are met – Q2 in this case. ½

The way of VAT payment to the budget for Q2 by OOO Leto could be done in three equal instalments:

27,540/3 = 9,180 RR each ½

Relevant max deadlines for the above instalments should be the following:

by 25 July 2020, by 25 August 2020 and by 25 September 2020. 1
(1 mark is allocated when all three dates are correct, ½ mark is given when only one or two dates are correct)

2

(b) OOO Med and OOO Perga

Q1

OOO Perga

Output VAT
5,520,000*20/120 = 920,000 RR ½

OOO Med

Input VAT
5,520,000*20/120*95% = 874,000 RR 1

		Marks
Q2		
OOO Perga		
Input VAT		
Issued amended invoice		
552,000*20/120 = 92,000		½
OOO Med		
	RR	
Output VAT		
VAT claw back from amended invoice received in Q2	92,000	1
Input VAT		
5,520,000*20/120*5%	(46,000)	1
	46,000	
		4

(c) **OOO Tango**

Since there are no direct costs related to exempt activities,	½
share of general and administrative expenses for exempt activities is equal to 0%	½
and total value of expenses related to exempt activities is equal to 0, meaning less than 5% of total expenses,	½
input VAT on general and administrative expenses should be 100% recoverable – 500,000 RR.	½
	2
	10

5 **Valeriya**

(a) **Personal income tax to be withheld by her employer for the year 2020**

	RR	
Gross income 70,000*12	840,000	½
Children allowance for 2 children 1,400*2*4	(11,200)	1
Children allowance for 3rd child 3,000*4	(12,000)	½
Interest deduction (5 September–30 November)		
1,000,000*4%*(30 – 5 + 31 + 30)/365	(9,425)	1
Reimbursement of accommodation – exempt	0	½
Statutory *per diems* for 4 days + 1 day for return back – exempt	0	½
Per diems exceeding the statutory limit:		
14,000 – (4*2,500 + 700) =	3,300	½
Taxable base	810,675	
Property allowance (out of max 2,000,000)	(810,675)	1
(½ for 2,000,000, ½ for the correct amount adhered to her 13% income)		
Taxable base	0	

No imputed interest income due to confirmation of her eligibility to property allowance from the tax inspection.	½
	6

Marks

(b) Final personal income tax for Valeriya for the year 2020

	RR	
Inherited plot of land and a 50% share in house – exempt *(½ per each of the above type of property)*		1
Sales proceeds for the plot of land (> 0.7 of cadastral value)	3,600,000	½
Property deduction (< 3 years)	(1,000,000)	½
Sales proceeds re 50% old house (Note 1)	1,120,000	
Property allowance (2,000,000 – 810,675)	(1,189,325)	½
Educational deduction for the son (out of 54,000)	(50,000)	1
Charity deduction in value (< 25% total income) *(½ for 25% income, ½ for amount)*	(100,000)	1
Taxable base	2,380,675	
Personal income tax at 13%	309,489	½

Note 1

3,200,000*50% = 1,600,000 RR ½

0.7*cadastral value = 0.7*1,600,000= 1,120,000 RR ½

As selling the old house for the price (1,600,000*0.5) less than 0.7*cadastral value, tax base should be 1,120,000 RR 1

7

(c) Since Valeriya inherited the property in February 2020, it would be more tax efficient to wait for three years. Thus, from March 2023, she would be able to sell this property and receive 100% property exemption. 1

Assuming that Valeriya acquired the above property, it would be more tax efficient to wait for five years. Thus, from March 2025, she would be able to sell this property with 100% tax exemption. 1

2

15

		Marks

6 OOO Pastila

Corporate profits tax for the year 2020

	RR	
Sales to domestic customers 852,000,000*100/120	710,000,000	½
Export sales	248,500,000	½
Prepayments from domestic customers: non-taxable	0	½
Total sales	958,500,000	
Direct expenses:		
Direct materials and ingredients 319,500,000*100/120*70%	186,375,000	1
Direct wages 84,000,000*70%	58,800,000	½
One-off write-off 1,440,000,000*30%*100/120	360,000,000	1
Direct depreciation (Note 1)	103,028,297	
Total direct expenses	(708,203,297)	
Indirect expenses:		
Indirect salaries 5*12*16,500	(990,000)	½
Voluntary medical insurance		
Limited to 6%*(58,800,000 + 990,000)	(3,587,400)	1
Portion of non-deductible: 3,900,000 – 3,587,400 = 312,600	0	½
Voluntary personal insurance against accidents at work		
Limited to 15,000*(5 + 200)	(3,075,000)	½
Portion of non-deductible: 3,400,000 – 3,075,000 = 325,000	0	½
Reimbursement of mortgage loan expenses: 3%*(58,800,000 + 990,000)	(1,793,700)	1
*(½ for 3%, ½ for 0.7*direct wages)*		
Portion of non-deductible: 2,000,000 – 1,793,700 = 206,300	0	½
Total indirect deductible expenses	(9,446,100)	
Non-sale expenses:		
Bad debts provision (Note 2)	(72,420,000)	
Total expenses	(790,069,397)	
Dividend income from OOO Kalach: 7,000,000		
Since two criteria are met:		
(1) Owned more than 365 days from 2016		½
(2) Share of ownership exceeds 50%, i.e. 70%		½
Dividends should be exempt from profits tax		½
Taxable base	168,430,603	
Tax at 20%	33,686,121	½

Note 1

1,440,000,000*70%*100/120 = 840,000,000 RR	1
840,000,000*(1 – 1.3%)^10 = 736,971,703 RR	1
Depreciation: 840,000,000 – 736,971,703 = 103,028,297 RR	½

Note: *Where candidates calculate depreciation by using the 70% allocation of direct expenses, the same marks should be given. This should be stipulated in the tax policy.*

Note 2

	RR	
Debtor A < 45 days, no provision		½
Debtor B (within 45–90 days), 59,640,000*50% =	29,820,000	½
Debtor C (> 90 days) 100% will go to provision	42,600,000	½
Total provision	72,420,000	
Maximum of bad debts provision:		
10%*958,500,000 = 95,850,000 RR		½
		15