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# Answers

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Section A

**1 3 and 4 only**

Land plots are not deemed tax objects for corporate property tax purposes (sub item 1 of item 4 of article 374 of Russian Tax Code (RTC)).

Immovable property with designation other than office, trading, public catering or household (public) services should be valued at the average accounting net book value according to articles 374 and 378.2 of RTC.

Any non-residential property used for catering is valued at cadastral value for corporate property tax purposes (sub item 2 and 3 of item 1, items 4 and 5 of article 378.2 of RTC).

Buildings used for trading also are deemed property tax objects valued at cadastral value according to sub item 2 of item 1, items 4 and 5 of article 378.2 of RTC.

**2 Injection into equity (charter capital) of a legal entity**

According to sub item 1 of item 2 of article 146 of Russian Tax Code (RTC), transactions listed in item 3 of article 39 of RTC (transactions of investment nature like injection into equity) are not deemed as taxable transactions.

**3 455 RR**

$((4,000 + 3,500) - 4,000) \times 13\% + 0$

\*According to item 28 of article 217 of Russian Tax Code (RTC) excess of gifts value over 4,000 RR (given in Tax Tables) should be included into separate tax base according to sub item 9 of item 2.1 of article 210 of RTC. According to article 211 of RTC any incomes in kind should be valued at market value for PIT purposes.

\*\*Local ballroom dancing competition, organised by a local municipality, is a separate kind of income exempt from PIT, if it does not exceed 4,000 RR.

**4 3 and 4 only**

According to item 1 of article 246 of Russian Tax Code, only Russian legal entities, irrespective of where they are doing business, and foreign legal entities, which receive income from Russian sources, are taxpayers of corporate profits tax (CPT). Individuals and individual entrepreneurs are not taxpayers of CPT. Individuals and individual entrepreneurs can be taxpayers of personal income tax if they do not use special tax regimes.

**5 1 and 4 only**

According to par 2 of item 2 of article 169 of Russian Tax Code (RTC), mistakes in value added tax (VAT) invoices (amended VAT invoices) which are not an obstacle for the tax authority to identify the supplier, customer, goods (services, rights) and their value, tax rate and tax amount, do not prevent the related VAT recovery.

1. Correct name of currency (sub item 6.1 of item 5 of article 169 of RTC) identifies value of goods (services, rights), hence crucial for the VAT recovery.
2. Mistake in a unit of measure in VAT invoice is not an obstacle for tax authority to identify goods (services, rights) and their value.
3. Contract data is not a mandatory detail of a VAT invoice (per 3 of item 2 and item 5 of article 169 of RTC).
4. VAT amount is crucial data for the VAT recovery.

**6 3,480 RR**

$120,000 \times 2.9\%$

According to item 1 of article 424 of Russian Tax Code (RTC), day of accrual of a salary is a day of inclusion of its value into base of social insurance fund contribution.

**7 1,200,000 RR**

(30,000,000 tax base for half 2022 – (12,000,000 Q1 2022 tax base + 12,000,000/3 second quarter monthly advance payment x 3 months Q2 2022 of the monthly advance payments) x 20% corporate profits tax (CPT) rate.)

According to item 2 of article 286 of Russian Tax Code, the amount of monthly advance payment of CPT for the second quarter of a year should be calculated as 1/3 of the advance payment calculated for the first quarter of the year. In other words, the total amount of monthly advance payments made during the second quarter 2022 is equal to the total amount of CPT advance payment for the first quarter of 2022.

According to the last paragraph of item 1 of article 287 of RTC, all advance payments **made** during the reporting period should be subtracted from the CPT amount calculated from the CPT base of this reporting period, resulting in the amount of CPT accrued to pay.

**8 19,800 RR**

$((1,320,000 \times 0.9) \times 10\%) \times 20/120$

According to item 1 of article 156 of Russian Tax Code, only agency fees should be included into the VAT base of an agent. All transactions performed in favour of a principal should be included into the tax base of the principal as seller of the goods.

**9 Compensate OOO Store for the loss calculated as the amount of difference between fuel prices at the network sites and market prices, then stop the practice.**

**10 27,800 RR**

$(8 \times 200,000 - 1,465,000) \times 10\% + 1,465,000 \times 22\% - 308,000$

In September 2022, insurance contribution (IC), including contribution paid into pension fund, is paid in respect of benefits provided/paid to an employee in August 2022. For a period within a calendar year, IC should be calculated using thresholds and rates stated in article 425 of Russian Tax Code (RTC). According to item 1 of article 431 of RTC, IC payable for a month should be calculated as the difference between IC paid in respect of cumulative value of benefits provided/paid from the beginning of the year until the month inclusive and IC paid in respect of value of benefits provided/paid for the previous months of the year. The monthly contribution should be paid by 15th calendar day after the end of a month (item 3 of article 431 of RTC).

**11 Vera is tax resident and should report the dividends irrespective of amount of tax withheld abroad.**

As Vera was in Russia for more than 183 days in the year 2022 (365 days – 97 days – 80 days – 0 job related education/training = 188 days), she is Russian tax resident according to item 2 of article 207 of Russian Tax Code (RTC).

A taxpayer should report in a tax return any incomes received for the year unless related PIT were not withheld by tax agents (Russian taxpayers) or the incomes are not exempt from PIT (in order described in article 229 of RTC).

**12 62,000 RR**

$(10,000 \times 81 \times 20\%) - (1,200,000/120 \times 20/2)$

According to item 4 of article 153 of Russian Tax Code (RTC), if a contractual obligation is stated in RR as equivalent of some currency and tax base arises on delivery of goods, the tax base should be determined at the exchange rate on the day of delivery (property right transfer) and should not be corrected on the date of payment. VAT in respect of goods used for non-VATable transactions should not be recovered (sub item 1 of item 2 of article 170 of RTC). Hence only half of input VAT, attributable to VATable sale, should be recovered according to item 1 of article 171 of RTC.

**13 1,950,000 RR**

0 – 100,000 + 2,050,000

According to item 5 of article 220 of Russian Tax Code (RTC), property deduction in respect of purchase of a residential property should not be provided for the property purchased from an affiliated party (close relative).

Article 219 of RTC does not include any limitations in respect of social deductions of expenses on expensive medical treatment which arose from deals with affiliated parties.

Sub item 2 of item 2 of article 220 of RTC allows to deduct any expenses related to purchase of the property sold. And the deduction cannot exceed related income (item 3 of article 210 of RTC). Actual expenses are more beneficial than 1m RR of the fixed property deduction.

**14 1, 2 and 3 only**

According to article 313, the tax accounting data should reflect among others the calculation of incomes and expenses, taxable and deductible respectively for corporate profits tax (CPT) purposes, the amount of balance of losses to be carried forward. Documents which confirm tax accounting data are any supporting documents (including notes of accountant), analytical registers and calculation of CPT base.

The note of accountant reflects deductible expense on property tax (subitem 1 of item 1 of article 264 of RTC) related to property used for income generating purposes. Customs declaration confirms accrual (and payment) of expenses related to sale of goods. CPT base calculation reflects order of calculation of incomes and expenses for CPT purposes.

Decision of tax authority to unblock a taxpayer's main bank account does not create any incomes or expenses to be accrued for CPT calculation purposes.

**15 1 and 2 only**

According to articles 146, 247 of Russian Tax Code, the sale of a property should be subject to value added tax and corporate profits tax as Castle uses ordinary tax system (by default).

The sale does not create an income of Vasily sourced from OOO Castle which should be included into the base of personal income tax and insurance contributions.

2 marks each

**30**

Section B	Marks
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**1 Corporate profits tax consequences for OOO Onion**

**Option 1**

As Senior Tomato S.R.L. holds more than 25% in Onion, the loan is controlled The loan interest rate is fixed, hence the rate at the date of the loan receipt is compared with the statutory limit (subitem 1 of item 1.3 of article 269 of Russian Tax Code): 6% < (0.2% + 7%) the loan rate is less than upper limit, hence actual interest rate should be applied	RR	½
<i>Note from Examiner: Half mark should be granted to a candidate who states that according to transfer pricing rules the interest should be benchmarked only if amount of incomes (expenses) received (incurred) from the related party exceed 60,000,000 RR in this year.</i>		
Interest for Q4 2022 (10,000,000 x 6% x (83 x (30 – 22) + 86 x 31)/365) (½ for correct exchange rates application, ½ mark for monthly calculation of the interest)	5,473,973	1
Total controlled debt (10,000,000 x 86 + 5,473,973 + 200,000,000) as total controlled debt should include all loan debts to all affiliated parties (½ for inclusion of the interest, 1 mark for inclusion of interest free loan)	1,065,473,973	1½
As total controlled debts exceed net assets x 3, thin capitalisation rules should be applied and deemed dividends calculated (1,065,473,973 > 3 x (700,000,000 – (400,000,000 + 200,000,000)))		½
Capitalisation coefficient (10,000,000 x 86 + 5,473,973 + 200,000,000)/(3 x 100,000,000 net assets x 50% share of Tomato) (½ mark for inclusion of correct amount of controlled debt, ½ mark for correct formulae)	7.1032	1
Interest deductible (5,473,973/7.1032) Deemed dividends (5,473,973 – 770,635) Withholding tax at 15% rate (4,703,338 x 15%) CPT reduction due to the interest deduction of 770,635 x 20%	770,635 4,703,338 705,501 154,127	½ ½ ½ ½

*Note from Examiner: Half mark up to the topic limit should be granted to a candidate who calculated loss of CPT from deemed dividends instead.*

**Option 2**

As the assignment occurs before the due payment date, the loss (difference between face/nominal value of the debt and received settlement) should be deducted within the limit of interest calculated applying CB key rate x 1.25 for the period from the date of assignment until the date of the debt due for payment according to respective contract (item 1 of article 279 of RTC).

(495,000,000 x 5% x 1.25 x (30 – 22 + 31)/365) (½ for application of correct CB key rate with coefficient 1.25, ½ for correct days)	3,305,651	1
Non-deductible loss from the factoring transaction ((500,000,000 – 495,000,000) – 3,305,651)	1,694,349	1
Additional CPT which will be paid due to partial deduction of the loss (1,694,349 x 20%)	338,870	1
		<b>10</b>

		<i>Marks</i>
<b>2</b>	<b>Insurance contributions to be paid in respect of Polina</b>	

	RR	
Salary (12 x 300,000)	3,600,000	$\frac{1}{2}$
Hotel accommodation (exempt)	0	$\frac{1}{2}$
Flight ticket for business trip (exempt)	0	$\frac{1}{2}$
<i>Per diems</i> at rate applicable for European Union for the period 12 June 2022 to 15 June 2022 (4 x (5,000 – 2,500))	10,000	1
<i>(<math>\frac{1}{2}</math> mark for correct number of days, <math>\frac{1}{2}</math> mark for limit application)</i>		
<i>Per diems</i> at rate applicable for Russia for 16 June 2022 (2,200 – 700)	1,500	1
<i>(<math>\frac{1}{2}</math> mark for the difference, <math>\frac{1}{2}</math> mark for limit application)</i>		
Study books (business related)	0	1
<i>Note from Examiner: Full mark should be given if a candidate states that the books are benefit in kind not related to current job of Polina (e.g. a chief accountant is responsible for the reporting in Mercury) and includes the compensation into insurance contributions base.</i>		
Additional insurance contributions for the accumulated portion of the pension (36,000 – 12,000)	24,000	1
Compensation for unused vacation	65,000	1
Support payment in respect of a child adopted above limit of 50,000 RR (100,000 – 50,000)	50,000	1
Sick leave compensation (exempt according to subitem 1 item 1 of article 422 of RTC)	0	$\frac{1}{2}$
<b>Base</b>	<b>3,750,500</b>	
Pension fund contribution below limit (1,465,000 x 22%)	322,300	$\frac{1}{2}$
Pension fund contribution above limit ((3,750,500 – 1,465,000) x 10%)	<u>228,550</u>	$\frac{1}{2}$
Medical insurance contribution (3,750,500 x 5.1%)	550,850	
Social insurance (SIF) (966,000 x 2.9%)	<u>191,276</u>	$\frac{1}{2}$
	28,014	$\frac{1}{2}$
	<u>770,140</u>	
		<b>10</b>

**3 Comparison of Igor's investments**

	RR	RR
<b>Ordinary broker account</b>		
<b>Using the ordinary investment deduction</b>		
Income from sale of shares held for 3 years		
(700,000 x 1.1 x 1.1 x 1.1 (given in scenario))	931,700	$\frac{1}{2}$
Cost of the shares held for 3 years	<u>(700,000)</u>	$\frac{1}{2}$
Positive results from the sale of shares held for more than 3 years		231,700
Maximum investment deduction available (3,000,000 x 231,700 x 3/231,700)	9,000,000	$\frac{1}{2}$
<i>Note from Examiner: Full mark should be granted to a candidate who uses coefficient K in this case (sale of security with the same period of holding) equal to 3 according to item 2 of article 219.1 of RTC without using the full formulae.</i>		
Investment deduction applicable	(231,700)	1
Income from sale of shares held for 2 and 1 years		
(700,000 x (1.1 + 1.1 x 1.1)) (847,000 + 770,000)	1,617,000	1
Cost of the shares held for 2 and 1 years (700,000 x 2)	<u>(1,400,000)</u>	$\frac{1}{2}$
Tax base in respect of the transaction with securities	<u>217,000</u>	
PIT at 13% rate as aggregated tax base does not exceed 5,000,000 RR	28,210	$\frac{1}{2}$

	RR	Marks
<b>Individual investment account (IIA)</b>		
<b>Option 1. Application of fixed investment deduction</b>		
Fixed investment deduction for 3 years in respect of money contribution into IIA, which will be fully utilised against employment income (3 x 400,000)	(1,200,000)	1
Sale of shares (931,700 + 1,617,000)	2,548,700	½
Cost of shares (700,000 x 3 years)	<u>(2,100,000)</u>	½
Tax base in respect of the transaction with securities as IIA account is closed and fixed investment deduction applied*	<u>(751,300)</u>	
PIT at 13% rate as aggregated tax base does not exceed limit of 5,000,000 RR – to be refunded by Igor (751,300 x 13%)	(97,669)	½
*The amount can be refunded as Igor has enough employment income against which the full amount of ordinary investment deductions can be applied. At the same time, the tax base in respect of transactions with securities should be calculated separately as well as the respective amount of PIT.		
<b>Or</b>		
<b>Option 2. Application of investment account gain deduction</b>		
Sale of shares (931,700 + 1,617,000)	2,548,700	½
Cost of shares (700,000 x 3 years)	<u>(2,100,000)</u>	½
Positive result from transactions with securities	448,700	
Investment account gain deduction in amount of the positive result can be applied as Igor's IIA was valid for more than 3 years.	<u>(448,700)</u>	1
Tax base in respect of the transactions with securities	0	
<b>Conclusion</b>		
As can be seen from the calculations above, the application of fixed investment deductions having IIA will be more beneficial (refund of 97,669 RR) in comparison with other types of investment deductions.	1	
	<u><b>10</b></u>	

		<i>Marks</i>
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4 (a) Value added tax (VAT) for quarter 1 2022

	RR	
<b>Sales book</b>		
Claw back of the VAT recovery related to the advance payment attributable to the delivery on 4 February 2022 (According to sub item 3 of item 3 of article 170 of Russian Tax Code (RTC)). $(22,000,000/110 \times 10 \times 50\%)$	1,000,000	1
Claw back of the VAT recovery related to the goods used for non-VATable activities (half of the delivery) $(11,000,000/2/110 \times 10)$	500,000	1
Local delivery of medical goods $(6,600,000/110 \times 10\%)$ <i>(1/2 mark for inclusion into sale ignoring the VAT invoice issue date and payment, 1/2 for correct VAT rate)</i>	600,000	1
Residential house withdrawal – not subject to VAT because this is residential property (sub item 2 of item 2 of article 146 of RTC), the withdrawal for state purposes of a property is not deemed as sale and hence is not subject to VAT (item 1 of article 146 of RTC).	0	1
Sale of VAT exempt services	0	1
Export sale (180 calendar days period is not expired in Q1 2022)	0	1/2
<b>Total output VAT</b>	<b>2,100,000</b>	
<b>Purchase book</b>		
Recovery of VAT related to the prepayment $(22,000,000/110 \times 10)$	2,000,000	1/2
Recovery of VAT related to delivery on 4 February 2022 $(22,000,000/110 \times 10 \times 50\%)$	1,000,000	1
Share of input VAT related to administrative expenses, attributable to VAT able activities $(620,000/120 \times 20 \times (6,000,000 \text{ local sale} + 5,000,000 \text{ export sale})/(4,800,000 \text{ non-VAT able sale} + 6,000,000 \text{ sale of goods on local market} + 5,000,000 \text{ export sale} + 6,000,000 \text{ compensation}))$ <i>(1/2 mark for correct VAT rate, 1/2 for inclusion of export sale, 1/2 mark for correct formulae)</i>	52,141	1 1/2
<b>Total input VAT</b>	<b>3,052,141</b>	
<b>Total VAT refundable for Q1 2022</b>	<b>(952,141)</b>	<b>1/2</b>
		<b>9</b>

(b) Taxpayers with total amount of taxes for previous three years exceeding certain threshold (2 bln RR) and if the taxpayer has been established more than three years ago.

Taxpayers which are in a tax monitoring regime in this year.

Taxpayers who provided to tax authority a bank guaranty or surety.

*Note from Examiner: Half mark should be given for any condition, feature or taxpayer.*

1  
10

		<i>Marks</i>
5	(a) Employment income of Irina	
	Salary (100,000 x 12)	RR 1,200,000
	Performance bonus	300,000
	Children deductions	(2,800)
	In February 2022, the income (2 x 100,000 + 300,000 accrued in February) exceeds limit of 350,000. The deduction is applicable only in respect of student not older than 24 years and other children not older than 18 years according to subitem 4 of item 1 of article 218 of Russian Tax Code (RTC).	
	<i>(1/2 mark for correct income including accrued but not paid bonus, 1/2 mark for correct months calculation applying the limit of 350,000 RR, 1/2 for correct number of children)</i>	
	Medical insurance for Irina exempt according to item 3 of article 213 of RTC	0
	Medical insurance for children of Irina exempt according to item 3 of article 213 of RTC	0
	Dinner exempt (business related)	0
	Hotel accommodation, assuming that full expense was compensated to Irina (husband's half is personal expense, not business related) (800 GBP/2 x 105 RR/GBP)	42,000
	<i>(1/2 mark for inclusion of husband's half into the tax base, 1/2 for correct exchange rate)</i>	
	<i>Note from Examiner: Full mark should be given for a reasonable assumption and respective conclusion regarding to the accommodation expense. For example, room for two was the same price or cheaper than single room hence full amount (800 GBP) should be exempt from PIT or the husband's part of the expense was rejected by the employer or the employer should report the husband's benefit in kind (living in the hotel) to tax authority.</i>	
	Per diem foreign (2 days x (5,000 actual rate of per diem – 2,500 statutory limit for non-taxable per diem))	5,000
	<i>(1/2 mark for correct days, 1/2 for the difference, 1/2 for correct non-taxable limit)</i>	
	Per diem local (2,500 actual rate – 700 statutory limit for non-taxable per diem)	1,800
	Taxable income	<u>1,546,000</u>
	Personal income tax (PIT) (at 13% rate as the income does not exceed 5,000,000 RR)	200,980
	<b>Income taxed at 35% PIT rate</b>	
	As Irina already exercised her right in respect of the property deduction, the interest can be subject to imputed interest (economy on interest or material gain).	
	In January–April 2022 CB key rate of $9\% \times 2/3 >$ the loan rate of 5% hence the difference forms imputed interest $(9\% \times 2/3 - 5\%) \times 5,000,000 \times (31 + 28 + 31 + 30)/365$	16,438
	<i>(1/2 mark for correct CB rate, 1/2 mark for correct formulae, 1/2 for correct days)</i>	
	Starting from 1 May 2022, CB key rate 7% $\times 2/3$ does not exceed the loan rate of 5% ( $7\% \times 2/3 = 4.66\%$ and $5 \times 2/3 = 3.33 < 5\%$ )	0
	Taxable income	<u>16,438</u>
	PIT at 35% rate	5,753
		<u><b>11</b></u>

## (b) Tax return of Irina for 2022 year

	RR	Marks
<b>Aggregated tax base:</b>		
Taxable incomes received from Trade	1,546,000	
Charity lottery income (5,000,000 – 4,000)	4,996,000	1
<i>Note from Examiner: Half mark within the limit should be given for mentioning 15,000 RR as limit excess which requires the organiser of the lottery to withhold the PIT at source.</i>		
<b>Aggregated tax base:</b>	<u>6,542,000</u>	
As income exceeds 5m RR threshold, two tax rates are applicable		
PIT at 13% rate (5,000,000 x 13%)	650,000	½
PIT at 15% rate to be paid by Irina from excess of 5m RR threshold	<u>231,300</u>	½
<b>Total PIT</b>	<u>881,300</u>	
PIT withheld by the lottery organiser at 13%	(649,480)	½
PIT withheld by Trade	<u>(200,980)</u>	½
<b>At 15% rate to be paid by Irina</b>	<u>30,840</u>	1
	<u>4</u>	
	<u>15</u>	

*Note from Examiner: As PIT has been withheld at source at 13% rate from full amount and total income exceeds 5mln RR, the PIT withheld at source should be deducted from total amount of PIT (calculated at both rates – 13% and 15%) and the result will be equal to PIT payable at 15% rate (firstly deducted PIT withheld at source at 13% rate) according to item 2 of article 225 of RTC.*

## 6 Corporate profits tax base of OOO Trend

	RR	
<b>Sale of goods</b>		
Sale of goods by head office (536,880,000/120% x 100%)	447,400,000	½
Sale of goods by the branch (150,000,000/120% x 100%)	125,000,000	1
Sale by the agent always deemed as sale of the principal, ignoring payment and agency report delay (12,000,000/120% x 100%)	10,000,000	1
Shipped batch is not accounted as a sale because property right on the batch is not transferred to the customer	<u>0</u>	½
<b>Total sales</b>	<u>582,400,000</u>	
<b>Direct expenses</b>		
Cost of goods sold (240,000,000 + 24,000,000 + 115,000,000 + 65,000,000) x 100/120 x 80% (½ for summing up data of the divisions, ½ for net of VAT)	(296,000,000)	1
Transportation expenses (10,000,000 + 1,500,000 + 4,500,000 + 1,100,000) x 100/120 x 80% (½ for summing up data of the divisions, ½ for net of VAT)	(11,400,000)	1
<b>Total direct expenses</b>	<u>(307,400,000)</u>	
<b>Indirect expenses</b>		
Salary (10 x 150,000 + 20 x 60,000) x 12	(32,400,000)	½
Agency fees 5% as moment of the accrual not happened in 2022	0	½
Depreciation (Note 1)	(1,722,056)	4½
30% write off (((13,500,000 + 1,200,000)/120 x 100) + 210,000) x 30%	<u>(3,738,000)</u>	½
<b>Total indirect expenses</b>	<u>(37,860,056)</u>	
<b>Non-operating incomes:</b>		
Sale of old component of the line (820,000/120 x 100)	<u>683,333</u>	½
<b>Total non-operating incomes:</b>	<u>683,333</u>	
<b>Non-operating expenses:</b>		
Value of old component of the line, using the market value as no information on separate initial value of the component.	<u>(683,333)</u>	½
<b>Total non-operating expenses:</b>	<u>(683,333)</u>	
<b>Total tax base</b>	<u>237,139,944</u>	

		<i>Marks</i>
	RR	
Tax base attributable to the head office $((19/30) + 6,749,271/(6,749,271 + 6,000,000))/2 \times 237,139,944$ ( $\frac{1}{2}$ for option of salary or average staff count stating that it should be stipulated in tax accounting policy, $\frac{1}{2}$ for option also average net book value, $\frac{1}{2}$ for correct formulae)	137,863,463	$1\frac{1}{2}$
Tax base attributable to the branch $((11/30) + 6,000,000/(6,749,271 + 6,000,000))/2 \times 237,139,944$ ( $\frac{1}{2}$ for option of salary or average staff count stating that it should be stipulated in tax accounting policy, $\frac{1}{2}$ for option also average net book value of fixed assets attributable to head office, $\frac{1}{2}$ for correct formulae)	99,276,481	$1\frac{1}{2}$
<i>Note from Examiner: Half mark should be given to a candidate for using of salary in the formulae.</i>		
		<b>15</b>

**Note 1:**

	RR	
Initial value of the line $(13,500,000/120 \times 100 + 210,000) \times (100\% - 30\%)$ ( $\frac{1}{2}$ for inclusion of assembling expenses, $\frac{1}{2}$ for net of VAT, $\frac{1}{2}$ 30% immediate write-off)	8,022,000	$1\frac{1}{2}$
Depreciation of packaging line for the period between March (next month to month of put into use) and June when the device was replaced $(8,022,000 \times 4/(6 \times 12))$	445,667	$\frac{1}{2}$
Depreciation of packaging line for the period from July (next month after put unto use of the upgraded line) $(8,022,000 + 1,200,000/120\% \times 100\% \times 0.7 - 820,000/120 \times 100) \times 6/(12 \times 6)$ ( $\frac{1}{2}$ for adding value of the new component to initial value, $\frac{1}{2}$ for subtracting value of replaced component of the line, $\frac{1}{2}$ for applying 30% write-off to the new component, $\frac{1}{2}$ for correct months)	669,889	2
Depreciation of the warehouse $(12,130,000 \times 12/(20 \times 12))$	606,500	$\frac{1}{2}$
<b>Total depreciation</b>	<b><u>1,722,056</u></b>	<b><u><math>4\frac{1}{2}</math></u></b>