

Fundamentals Level – Skills Module

Taxation (Russia)

Thursday 10 December 2015



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.

The Association of Chartered Certified Accountants

Paper F6 (RUS)

The ACCA logo consists 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. 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)
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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%
– designer, photographer, architect	30%
– musician, sculptor	40%
– creator of literary works, including theatre, cinema, circus	20%

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	2,000,000 RR (upper limit)
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Investment deduction	Ks*3,000,000 RR (upper limit)
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$$Ks = \sum_{i=3}^n Vi \times i \div \sum_{i=3}^n Vi, \text{ where}$$

Vi – 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 contributions for personal income tax and social insurance contributions

Limit of exempt contributions to the non-state pension fund – 12,000 RR

Limit of exempt payments in case of giving birth to 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
Russian roubles in 2015	75% of CBR refinancing rate	180% of CBR refinancing 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%

Single threshold for social insurance contributions for the year 2015

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

	Remuneration per annum	Rate
For employers (general) and individual entrepreneurs	up to 624,000 RR	30%
For civil law contract income (licences, copyrights, service contracts)	up to 624,000 RR	27.1%
For all categories of payers	excess over 624,000 RR	10%
Under the simplified tax system		14%

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	40,000 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	9%
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	9%

Central Bank refinancing rates (notional)

1 January to 30 April 2015	15%
1 May to 30 September 2015	7%
1 October to 31 December 2015	5%

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 A – ALL 15 questions are compulsory and MUST be attempted

Please use the grid provided on page two of the Candidate Answer Booklet to record your answers to each multiple choice question. Do not write out the answers to the MCQs on the lined pages of the answer booklet. Each question is worth 2 marks.

1 The following information is available in respect of the assets owned by 000 Regus in 2015:

	1 January '000 RR	1 February '000 RR	1 March '000 RR	1 April '000 RR
Intangible assets				
Historic cost	750	500	350	500
Accumulated accounting amortisation	250	150	75	125
Accumulated tax amortisation	350	250	175	200
Office premises				
Cadastral value	5,000	5,000	5,000	5,000
Accumulated accounting depreciation	500	520	540	560

What is the advance property tax payable by 000 Regus in respect of Quarter 1 of 2015?

- A 16,763 RR
- B 18,750 RR
- C 20,813 RR
- D 20,297 RR

2 Company X received an authorised decision dated 16 November 2015 for the coming field social insurance contributions (SIC) tax audit starting on 19 November 2015. Company X has five regional only subdivisions without individual balances.

Which of the following statements in respect of Company X's social insurance contributions (SIC) tax audit is/are correct?

- (1) The field audit may cover the period 2013 to 2015
- (2) The field audit can last up to 19 February 2016 without any special reasons
- (3) None of Company X's regional only subdivisions will be subject to a separate field audit

- A 1 and 2
- B 2 and 3
- C 1 and 3
- D 3 only

3 In January 2015, 000 Inter shipped goods with a value of 1,416,000 RR and 3,675,700 RR to its Russian customers Akkord and Major respectively. Value added tax (VAT) is included in these values. Both these debts were still outstanding in November 2015 and 000 Inter sold the debts to 000 Maki for 1,515,120 RR and 3,582,250 RR respectively. All of 000 Inter's activities are subject to VAT at the standard rate.

What is 000 Inter's total output value added tax (VAT) for Quarter 4 of 2015 as a result of the above transactions?

- A 15,120 RR
- B 777,565 RR
- C 17,842 RR
- D 865 RR

- 4 Where a tax return is amended (refiled) more than two years after the original tax return filing date, the tax authorities have the right to request the source documents confirming the amendments as well as the analytical tax accounting registers confirming the data before and after the amendments.

Which of the following types of amendments to a refiled tax return are valid legal triggers for the above requirement?

- (1) The taxable profit has increased
- (2) The amount of a tax loss has increased
- (3) The taxable profit has decreased
- (4) The amount of a tax loss has decreased

- A** 1 and 2 only
- B** 1, 2, 3 and 4
- C** 2 and 3 only
- D** 3 only

- 5 Pavel concluded a civil law agreement for his work as an investigator with OOO Shuvans. In the year 2015, OOO Shuvans paid Pavel annual remuneration of 700,000 RR, and, in addition, reimbursed to Pavel actual expenses incurred during his work of 120,000 RR.

What is the amount of social insurance contributions (SIC) to be paid by OOO Shuvans in respect of the civil law agreement with Pavel?

- A** 194,800 RR
- B** 176,704 RR
- C** 222,220 RR
- D** 188,704 RR

- 6 On 7 July 2015 after an internal tax review, OOO Dilema decided to submit an adjusted 2014 annual profits tax return showing additional tax due of 250,000 RR. This amount (together with the late interest charges) was paid in full on 7 July 2015.

What is the total amount of late interest charges and penalties (if any) payable by OOO Dilema in respect of the amended 2014 annual profits tax return?

- A** 8,033 RR
- B** 5,833 RR
- C** 58,033 RR
- D** 55,833 RR

- 7 000 More started construction of a new warehouse, using its own workforce. The warehouse is to be used in activities subject to value added tax (VAT) at the standard rate. The following costs (inclusive of VAT (where relevant)) were incurred on the construction of the warehouse in Quarter 4 of 2015:

	RR
Services provided by third parties	640,740
Materials invoiced	566,400
Own labour expenses (net of social insurance contributions)	325,000
Social insurance contributions	97,500

What is the output value added tax (VAT) of 000 More for Quarter 4 of 2015 in respect of the construction of the warehouse?

- A** 275,785 RR
B 293,335 RR
C 260,190 RR
D 220,500 RR
- 8 **Which of the following items are wholly exempt from personal income tax (PIT)?**
- (1) State pension
(2) Alimony income
(3) Material aid provided to employees by their employers
(4) Amounts paid from an employer's profits after taxation for rendering medical services in favour of employees
- A** 2, 3 and 4 only
B 1 only
C 1, 2 and 4 only
D 1, 2, 3 and 4
- 9 In May 2015, 000 Malika made a shipment of goods to 000 Rodford. The payment deadline under the sales agreement was 31 July 2015. 000 Malika did not receive payment on time and sold the receivable to 000 Zagreb on 7 August 2015 at a loss.

Which of the following statements are true in terms of the loss to be recognised for corporate profits tax for the nine months of 2015 by 000 Malika?

- A** 100% of the loss at 7 August 2015
B 50% of the loss at 7 August 2015
C 50% of the loss at 21 September 2015 (45 days after)
D 50% of the loss at 7 August 2015 and 50% of the loss at 21 September 2015
- 10 During the year 2015, Luiza received the following gifts and inheritances:
- (1) From her brother, the gift of a pendant
(2) From her father, on the occasion for her birthday, the gift of a car
(3) From her grandmother, an inheritance in the form of a share in a summer house

Which of the above transactions will give rise to a personal income tax (PIT) liability on Luisa?

- A** 2 only
B 1, 2 and 3
C 1 and 2 only
D None of the above

11 000 Vostok has the following data on losses to be brought forward to the year 2015:

Year	Amount of tax profit/(loss) RR	Amount of accounting profit/(loss) RR
2012	(16,500,000)	(10,500,000)
2013	(5,900,000)	(1,900,000)
2014	(4,300,000)	1,000,000

For the year 2015, 000 Vostok's taxable profit before any loss utilisation is 21,000,000 RR.

What is the total amount of losses for corporate profits tax purposes to be carried forward by 000 Vostok to the year 2016?

- A 5,700,000 RR
- B 0 RR
- C 10,200,000 RR
- D 22,500,000 RR

12 After a local business trip within Russia, Ivan submitted his expense report to his employer's accounting department showing the following breakdown of expenses (all inclusive of value added tax (VAT)), together with all supporting documents:

Airfare – 17,700 RR

Laundry services – 6,136 RR

Hotel accommodation – 10,620 RR

Mini-bar services in the hotel – 2,478 RR

Neither the laundry services nor the mini-bar services were recognised as deductible expenses for profits tax purposes by Ivan's employer.

What is the amount of value added tax (VAT) recoverable by Ivan's employer based on his expense report?

- A 5,634 RR
- B 4,320 RR
- C 5,256 RR
- D 5,098 RR

13 In 2015, Alexander paid 18,000 RR for one year of education for his eight-year-old daughter at a licensed art design school. In addition, Alexander invested 53,000 RR in his own education and paid 43,000 RR to help his 25-year-old brother to finish his education in the cinematography faculty.

What is the total amount of social deductions Alexander can claim in his annual personal income tax (PIT) return for 2015?

- A 114,000 RR
- B 111,000 RR
- C 68,000 RR
- D 71,000 RR

- 14** 000 Rentals is engaged in leasing premises. In September 2015, in accordance with the rental contract, 000 Rentals issued a VAT invoice for a rent prepayment for the value of 2,950,000 RR to its customer, BLB. This invoice related to rental fees for the period October–December 2015. On 31 December 2015, BLB received a final VAT invoice from 000 Rentals for the rental services rendered in the period October–December 2015 for the same amount.

What is BLB's VAT liability in Quarter 4 based on above transactions?

- A** 0 RR
 - B** 531,000 RR
 - C** 450,000 RR
 - D** 900,000 RR
- 15 Which of the following items should be treated as an intangible asset in the tax books of a company and amortised for profits tax purposes?**
- A** Research and development (R&D) costs incurred for work done, but without a positive outcome result
 - B** A software licence with a value of 25,000 RR
 - C** The exclusive right to audio-visual works with a value of 152,000 RR
 - D** Annual licence fee for the right of using trademark LLL

(30 marks)

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 (a) A Russian company, OOO Goodwin (Goodwin), is owned by the following shareholders:

- 65% by a Russian company, OOO Almaz (holding acquired in June 2012);
- 15% by a foreign legal entity, Berkshir; and
- 20% by a Russian company, OOO Galogen.

In May 2015, Goodwin decided to pay total dividends equal to 15% of its 2014 distributable profits to its shareholders in accordance with their share participation. In the year 2014, Goodwin's profit before tax was 345,500,000 RR. Interim dividends received by Goodwin from other Russian companies in 2015 were equal to 5,700,000 RR

Required:

Calculate the withholding tax on the dividend payable by OOO Goodwin to each of its shareholders in 2015. If no tax should be withheld, state why. (7 marks)

(b) On 2 November 2015, OOO Goodwin (Goodwin) received a 200,000 EUR loan from Berkshir with an interest rate of 7% per annum. The interest is payable on a monthly basis on the third day of the following month (for instance, interest for November is payable on 3 December 2015). The principal amount is not repayable in the year 2015. Goodwin applies quarterly tax reporting for profits tax purposes.

Required:

Calculate the foreign exchange loss or gain on both the loan and the interest for the purposes of OOO Goodwin's annual tax return for 2015.

Note: Relevant (notional) EUR/RR exchange rates are:

2 November	80
30 November	87
3 December	90
31 December	95

(3 marks)

(10 marks)

- 2 (a) Oleg works as a photographer under an author's agreement with OOO Znak. The amount of net remuneration received by Oleg for the year 2015 under this agreement was 1,260,000 RR. Oleg provided a written request to OOO Znak for application of the professional deduction for personal income tax (PIT) purposes. Oleg's total 2015 actual expenses incurred and confirmed by the relevant documents (including social insurance contributions (SIC) paid in 2015 in respect of the previous year) were equal to 520,000 RR.

Required:

Calculate the social insurance contributions (SIC) base for the year 2015 and the annual amount of SIC to be paid by OOO Znak in respect of Oleg under each of the two options available to him. Advise Oleg on the most beneficial option and calculate the SIC saving (if any). (6 marks)

- (b) During the year 2015, Angelina received the following benefits from her employer, OOO Kometa, where she works under a labour agreement:

- A gross monthly salary of 97,000 RR
- Sick leave pay in compliance with the Russian legislation of 28,000 RR
- Reimbursement of interest paid by Angelina on a mortgage loan of 54,000 RR
- Material aid of 12,000 RR

Required:

Calculate the social insurance contributions (SIC) base for the year 2015 and the annual amount of SIC to be paid by OOO Kometa in respect of Angelina.

Note: You should list all of the items referred to in this part of the question and indicate by the use of a zero (0) any items which are not subject to SIC. (4 marks)

(10 marks)

- 3 Mark is employed by OOO NLC (NLC) as an operational director. His gross monthly salary is 290,000 RR.

In recognition of Mark's contribution to the company's results, NLC rewarded him with 2,000 of the company's shares at the special price of 900 RR per share during 2015. NLC's shares are not quoted on any stock exchange. Mark paid NLC the 1,800,000 RR for these shares at the time they were awarded. The reference price at the transaction date was 1,350 RR per share. As at 31 December 2015 Mark still holds these NLC shares.

On 15 June 2014, Mark received 5,000 shares in another company, OOO BBM (BBM), from his wife, Valentina, as a gift. The market value of each BBM share at this date was 1,400 RR per share. Valentina's acquisition expenses in respect of the shares, as confirmed by relevant documents, were equal to 700 RR per share in March 2012. BBM's shares are quoted on the Russian stock exchange. Mark sold all of these BBM shares on 17 December 2015 for a selling price of 1,600 RR per share.

Required:

- (a) **Calculate the personal income tax (PIT) which OOO NLC should have withheld at source from Mark's salary in the year 2015.** (3 marks)

- (b) (i) **Calculate Mark's final PIT liability for the year 2015 as a result of all the above transactions.** (4 marks)

- (ii) **Explain the impact on Mark's final PIT liability for the year 2015 if he had received the 5,000 OOO BBM shares as a gift from non-close relative (not his wife).**

Note: You should give an example of a non-close relative as part of your answer. (3 marks)

(10 marks)

- 4 (a) OOO Medart (Medart) engages in distribution activities taxable at the standard rate of value added tax (VAT).

In December 2015, Medart decided to make an in-kind donation of special medical equipment with a market value of 6,041,600 RR to a federal budget organisation. This donation is treated as a VAT exempt sale. The following data is available for Quarter 4 of 2015:

Revenue (including donation) (VAT inclusive)	Direct expenses (related to taxable activity) (VAT inclusive)	Direct expenses (related to exempt activity) (VAT exempt)	General and administrative expenses (VAT inclusive)
30,208,000 RR	15,104,000 RR	2,560,000 RR	4,531,200 RR

Required:

Calculate for OOO Medart the input value added tax (VAT) which is recoverable and the input VAT which should be included in costs (if any) related to OOO Medart's exempt sales in Quarter 4 of 2015. (6 marks)

- (b) OOO Valta (Valta) recorded the following sales as part of its operating activities:

Goods were shipped to its customer, OOO Zebra (Zebra), on 25 September 2015 and a VAT invoice was raised for 6,726 EUR, including value added tax (VAT). Zebra recorded the goods received in its accounting records on 28 September 2015.

The sales agreement between Valta and Zebra provides that invoices are payable in roubles at the EUR/RR Central Bank exchange rate on the date of the payment. Payment terms are 15 days from the date the invoice is issued. The invoice issued on 25 September was paid in full by Zebra on 7 October 2015.

In October 2015, Valta reviewed its records and realised that September's invoice to Zebra should have contained a total discount on the selling price of 471 EUR, including VAT.

On 10 October 2015, Valta sent Zebra a special agreement notifying Zebra of the above discount to the selling price of the products sold. Zebra accepted the agreement and on 12 October 2015, Valta issued an amended VAT invoice with the above discount.

Required:

Calculate the value added tax (VAT) of OOO Valta for Quarter 3 and Quarter 4 of 2015 in respect of the original and amended invoices issued to OOO Zebra.

Note: Relevant (notional) EUR/RR exchange rates are:

25 September	77	
28 September	75	
7 October	79	
10 October	80	
12 October	82	(3 marks)

- (c) **Explain whether a branch or independent subdivision of an entity is treated as a separate taxpayer for value added tax (VAT) purposes. (1 mark)**

(10 marks)

- 5 Anna works as an art designer for OOO Kogen. She is married to Vasiliy and they have three children, a three-year-old son and two daughters aged six and seventeen years respectively. In 2015, Anna received a gross monthly salary of 100,000 RR in January, 175,000 RR in February and 180,000 RR in each of the months March to December.

In February 2015, Anna received a gift certificate from her employer on the occasion of her birthday with a value of 7,000 RR.

In May 2015, Anna and Vasiliy purchased a new apartment for the whole family for 22,000,000 RR. They agreed that Anna will be the sole proprietor of this apartment.

In order to finance the acquisition of this new apartment, the following transactions occurred:

- (1) In April 2015, Anna sold her old apartment for the market price of 9,300,000 RR. Anna had acquired this old apartment in August 2012 for 5,100,000 RR and the acquisition cost is confirmed by documentation.
- (2) Anna asked OOO Kogen to provide her with a mortgage loan and she received the loan principal amount of 7,000,000 RR on 17 April. The interest rate on this loan is 5% per annum and the interest is payable quarterly on the second day following the end of the preceding quarter (for instance, interest for Quarter 2 is payable on 2 July). The loan agreement contains a provision for a possible change in the interest rate. The principal amount is to be repaid starting from the year 2016.
- (3) The remainder of the purchase price all came from Anna's own savings.

Anna has never used the housing allowance before. She received confirmation of her entitlement to housing allowance from the tax authorities in December 2015. However, she did not manage to provide the relevant documents to OOO Kogen before the year-end and, therefore, decided to submit these to the tax authorities along with her annual tax return for the year 2015.

In November 2015, Anna won a lottery prize in an advertising campaign with a value of 50,000 RR.

Required:

- (a) Calculate the personal income tax (PIT) of Anna withheld at source by OOO Kogen for the year 2015, assuming that she asked for all possible deductions to be given at source.

Note: You should list all of the items referred to in the question and indicate by the use of a zero (0) any items which are not subject to PIT. (8 marks)

- (b) Calculate the final settlement of Anna's PIT liability (additional payment or refund) upon submission of her personal income tax return for the year 2015.

Notes:

1. Where possible, use all the personal income tax deductions which are potentially available to Anna.
2. State separately the amounts of all personal income tax deductions claimed by Anna for the year 2015. (7 marks)

(15 marks)

- 6 000 Galaktika (Galaktika) provides repair and maintenance services to the Russian market, using its own production facilities. Galaktika is 70% owned by a Russian company, 000 Polyarnaya Zvezda, and 30% owned by a Dutch company, Andromeda BV.

Galaktika always applies the accruals method for both value added tax (VAT) and corporate profits tax purposes. According to Galaktika's tax policy, direct costs should be allocated based on the services completion ratio. The completion date is the date when the act of acceptance for the services is accepted and signed by the customer.

Galaktika applies the non-linear method for depreciation and does **not** use the 30% of immediate write-off deduction for profits tax purposes.

All the services provided to Russian customers by Galaktika during the year 2015 were subject to Russian VAT at the standard rate.

The following data is available for Galaktika in respect of the year 2015. All amounts are inclusive of VAT (where relevant) unless stated otherwise.

Sales and prepayments for the year 2015

Domestic revenue from services	241,900,000 RR	
	1 January	31 December
Prepayments from domestic customers	120,360,000 RR	218,300,000 RR

Inventory

Galaktika uses the first-in, first-out (FIFO) method of inventory valuation. As at 31 December 2015, repair services rendered with an invoice value of 88,736,000 RR were awaiting acceptance by customers.

At 31 December 2014, the inventory balance had been equal to 0 RR.

Purchased direct materials put into production during 2015 were valued at 30,326,000 RR.

Direct labour costs

Galaktika has 105 employees involved in production activities. In 2015, the monthly gross salary per production employee was 25,000 RR.

In addition, Galaktika provided its employees engaged in production activities with annual voluntary insurance against accidents at work. The total insurance premium paid in 2015 was 2,000,000 RR.

Direct production equipment

Category of equipment	Quantity	Historic cost	Date put into use	Monthly non-linear tax depreciation rate
Production equipment	1	143,960,000 RR	5 March 2013	2.7%

Indirect expenses

Monthly salaries of 18,000 RR were paid to 15 administrative employees. In addition, three general management employees received 100,000 RR per month.

Loan received

On 17 December 2015, Galaktika received a loan from its Dutch shareholder, Andromeda BV, of EUR 1 million, at an interest rate of 5% per annum. Interest is accrued on a monthly basis and payable on the fifth day following the end of quarter (for instance, the interest for Quarter 1 is payable on 5 April). The principal amount is repayable starting from the year 2016.

Net assets position as at 31 December 2015

Total assets	615,000,000 RR
Total liabilities (including the tax liabilities and the loan from Andromeda BV)	320,000,000 RR
Tax liabilities	61,000,000 RR

Required:

- (a) Determine whether or not the thin capitalisation rules will apply to the loan made to OOO Galaktika by Andromeda BV.

Note: Relevant (notional) EUR/RR exchange rates are:

17 December	86	
31 December	90	
5 January 2016	92	(3 marks)

- (b) Assuming that all the expenses referred to in the scenario are properly confirmed by the necessary documents, calculate the taxable profit and corporate profits tax liability of OOO Galaktika for the year 2015. Show separately all elements of taxable income and deductible expenses and identify (but do not calculate) any non-deductible or non-taxable items.

Notes:

1. Ignore the effect of the transfer pricing rules.
2. Ignore social insurance contributions.
3. Ignore property tax.
4. The relevant (notional) EUR/RR exchange rates are as noted above. (12 marks)

(15 marks)

End of Question Paper