
Answers

Section B

Marks

1 Zenobi Miotła

Net cash salary paid into his bank for October 2015

	PLN	
Gross salary	8,000	0.5
Medical package (80%*250)	200	1
Meals	500	0.5
Travel allowance (2*(50 – 30))	40	1
Hotel allowance (2*(300 – (30*150%)))	510	1
Total emoluments	9,250	
Social security (ZUS) at 13.71%	(1,268)	1
Health service contribution (HSC) base	7,982	
Employee cost	(111)	0.5
Tax base	7,871	
Tax at 18% (rate per month start applies)	1,417	1
Less: 556/12	(46)	0.5
Less: HSC (7.75%*7,982)	(619)	1
Tax withheld	752	
Net salary after deductions		
Gross salary	8,000	
Less:		
Social security (ZUS)	(1,268)	0.5
HSC (9%*7,982)	(718)	1
Tax withheld	(752)	0.5
Bank transfer	5,262	
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2 Zadłużona Sp. z o.o.

Taxable income for corporate income tax (CIT) purposes for 2015

	PLN	
Taxable income	430,000	0.5
Interest allowed on loan to shareholder (W1)	(2,748)	W
Interest allowed on bank loan (W2)	(8,500)	W
Forex on repayment $(40,000 \cdot (4.2 - 4.5))$	(12,000)	1
Depreciation $((500,000 + 24,500 + 1,000 \cdot 4.2) \cdot 14\% \cdot 2 \cdot 5/12)$	(61,682)	2.5
Taxable income for CIT purposes	<u>345,070</u>	

W1 Interest on loan to shareholder

	PLN	
Interest allowed		
Equity	30,000	1
Debt $(60,000 + 6,000 \cdot 11/12)$	65,500	2
Part allowed $(30/65.5)$	0.45802	0.5
Interest allowed $(6,000 \cdot 0.45802)$	2,748	0.5

W2 Interest on bank loan

	PLN	
Interest paid on 30 September $(100,000 \cdot 9/12 \cdot 10\% \cdot 4.4)$	33,000	1
Interest capitalised $(100,000 \cdot 7/12 \cdot 10\% \cdot 4.2)$	(24,500)	1
Interest cost allowed	<u>8,500</u>	

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Tutorial note: With effect from 1 January 2015, the law requires the debt-equity ratio to be calculated as at the last day of the month preceding the month in which the interest is paid, i.e. in this case on 30 November 2015.

3 Zdzisław Pacuła

Value added tax (VAT) return for the fourth quarter (October to December) 2015

Output VAT	Value (excluding VAT) PLN	VAT at 23% PLN	
Pre-payment received from Janiak on 3 October	1,500	345	1
Sale to Nowak (unpaid)	0	0	1
Sale to Kowalski on 12 November	8,000	1,840	1
Part payment on sale to Kanapex Sp. z o.o. received on 23 November (remainder unpaid)	2,900	667	1
Payment received from Maliniak on 30 November	32,000	7,360	1
Sale to Oborniak – more than 180 days	2,500	575	1
Sale to Karolak – no effect (180 days fell in the third quarter)	0	0	1
Sale to Wiercinex – no effect (more than 180 days but VAT payer)	0	0	1
Total		<u>10,787</u>	

Input VAT	Value (including VAT) PLN	VAT at 23% PLN	
Payment for goods purchased made on 6 October	24,000	5,520	1
Purchase of goods on 10 October (unpaid)	0	0	1
		<u>5,520</u>	

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4 Transfer pricing documentation

(a) (i) Two or more companies (or partnerships) may be identified as related parties if:

- the same persons or entities manage both entities;
- persons with a family, employment or capital relationship to each other manage directly or indirectly both entities; or

		Marks
–	there is a common shareholder controlling directly or indirectly at least 5% of the shares in the entities.	<u>3</u>
(ii)	Transfer pricing documentation must be prepared in the case of transactions with non-related parties who are resident in countries creating harmful tax competition (tax havens).	<u>1</u>
(b)	Transfer pricing documentation should address the following issues:	
–	the role of the parties to the transaction (including assets invested and risk taken);	
–	an estimation of all expected costs of the transaction (including payment terms);	
–	the method of calculation of the profit and transaction price;	
–	an indication of the economic strategy driving the transaction (if the transaction was driven by business strategy);	
–	an indication of other factors impacting the transaction/its value (if applicable); and	
–	the expected benefits from the acquired services (in the case of an acquisition of intangible services).	
	ANY FIVE items, 1 mark each – maximum	<u>5</u>
(c)	Where the transfer pricing documentation is present, any additional taxable income assessed will be taxed at the standard rate of 19%.	0·5
	Where no transfer pricing documentation is present, the additional income will be taxed at the penalty rate of 50%.	0·5
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Tutorial note: In addition, if the documentation is missing, the person responsible for tax settlements of the entity may face personal sanction based on the Penal Fiscal Code.

5 Aktywna Sp. z o.o.

Corporate income tax (CIT) for 2015

	PLN	PLN	
Net income per accounts		1,137,000	
Dividend from Bulgaria company (EU excluded in full)	75,000		1
US dividend gross up for withholding tax (40,000*10/90)		4,444	1
Interest accrued difference (43,000 – 22,000)	21,000		1
Penalty interest refunded	25,000		0·5
EU grant	10,000		1
Forex valuation gain (unrealised)	480,000		1
Low value fixed asset costs (3,000*15)	45,000		1
Depreciation adjustment (45,000*20%*11/12)		8,250	1
General bad debt reserve increase (78,000 – 40,000)		38,000	1
Loss on sale of deposit receivable (40,000 – 15,000)		25,000	1
Donation		70,000	0·5
Sum of adjustments	656,000	1,282,694 (656,000)	
Taxable income		626,694	
Donation (maximum – 10% of base)		(62,669)	1
Tax loss carried forward (50%*700,000)		(350,000)	1
Tax base		214,025	
Tax at 19%		40,665	0·5
Less: tax credit for withholding tax on dividend		(4,444)	1
Less: tax instalments paid – 2012 base (140,000*12/7*19%)		(45,600)	1·5
Tax refundable		9,379	
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6 Roman

(a) Personal income tax (PIT) for 2015

	PLN	PLN	
Services contract revenue (600*12)	7,200		0.5
Less: personal services cost at 20%	(1,440)		1
		5,760	
House			
Rent (5,000*11)	55,000		0.5
Depreciation (504,000*1.5%*11/12)	(6,930)		1.5
Depreciation of improvement (36,000*1.5%*9/12)	(405)		1
Repairs	(3,000)		0.5
Utilities (covered by tenant)	0		0.5
		44,665	
Apartment			
Rent (3,000*12)	36,000		0.5
Depreciation (450,000*1.5%)	(6,750)		1
Mortgage interest	(1,500)		0.5
Utilities (500*12)	(6,000)		0.5
Insurance payment (exempt)	0		1
		21,750	
Total income		72,175	
Tax at 18% less PLN 556		12,436	0.5
	PLN	PLN	
Sale of house taxed separately			
Sale price		600,000	0.5
Acquisition cost			
– notary fees and improvement (4,000 + 36,000)	(40,000)		
Less: depreciation to date (6,930 + 405)	7,335	(32,665)	1
Income on sale		567,335	0.5
Reinvested for housing purposes		(540,000)	1
Taxable income		27,335	
Tax at 19%		5,194	0.5

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- (b) Roman is not obliged to register and pay social security contributions on his income from personal services because he is a student under 26 years old.

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Roman does not need to remit social security contributions in respect of his rental income because the renting of houses and apartments does not automatically constitute an individual business activity.

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