

Fundamentals Level – Skills Module

Taxation (Romania)

Tuesday 2 June 2015



Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

This 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 on pages 2–5.

Do NOT open this 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 exam paper.

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

The Association of Chartered Certified Accountants

Paper F6 (ROM)

ACCA

SUPPLEMENTARY INSTRUCTIONS

1. Calculations and workings should be made to the nearest lei, unless instructed otherwise.
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

Personal income tax

General tax rate 16%

Income from employment

Benefits

Limit for non-taxable gifts 150 lei/person/occasion
 Limit for non-taxable voluntary pension contributions paid by the employer €400/year
 Limit for non-taxable per diem allowance 2.5 x public institutions' threshold
 The allowance accepted for public institutions' employees for trips within Romania 13 lei/day/person

Deductions

Deduction allowed for voluntary pension contributions paid by the employee €400/year

Personal deduction

Number of dependent persons for the taxpayer	Monthly gross income (MI) – lei		
	Below 1,000	Between 1,000 and 3,000	Above 3,000
0 persons	250	$250 \times \left(1 - \frac{MI - 1,000}{2,000}\right)$	0
1 person	350	$350 \times \left(1 - \frac{MI - 1,000}{2,000}\right)$	0
2 persons	450	$450 \times \left(1 - \frac{MI - 1,000}{2,000}\right)$	0
3 persons	550	$550 \times \left(1 - \frac{MI - 1,000}{2,000}\right)$	0
4 persons and more	650	$650 \times \left(1 - \frac{MI - 1,000}{2,000}\right)$	0

Note: The value of the personal deduction resulting from the calculation should be rounded up to 10 (e.g. both 212 and 217 should be rounded to 220).

Income from the sale of immovable property owned by an individual

For immovable properties sold in less than three years from their acquisition

Income	Tax rate
Up to 200,000 lei	3%
Above 200,000 lei	6,000 lei + 2% of the amount exceeding 200,000 lei

For immovable properties sold in a timeframe longer than three years from their acquisition

Income	Tax rate
Up to 200,000 lei	2%
Above 200,000 lei	4,000 lei + 1% of the amount exceeding 200,000 lei

Income from renting

Lump-sum deductible expenses quota	25%
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Copyright income

Lump-sum deductible expenses quota for:	
– monumental works of art	25%
– other	20%

Self-employed income

The limit of deductibility for protocol expenses	2%
The limit of deductibility for compulsory subscription expenses	5%
The limit of deductibility for subscription expenses other than compulsory ones	2%
The limit of deductibility for sponsorship expenses	5%
The limit of deductibility for social expenses	2%
Reference interest rate set by the Romanian National Bank for loans denominated in lei	3·25%

Investment income

Tax rate for capital gains from the sale of shares	16%
Tax rate for interest received by individuals	16%
Tax rate for dividends received by individuals	16%

Prize income

Tax rate for prize income	16%
Non-taxable value	600 lei/day/prize

Pension income

Non-taxable pension income	1,000 lei
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Corporate income tax

General tax rate	16%
Reference interest rate set by the Romanian National Bank for loans denominated in lei	3·25% p.a.
Maximum accepted interest rate set by the Tax Code for loans denominated in foreign currency	6% p.a.
Inflation rate for prepayments of corporate income tax	2·4% p.a.
Maximum value of deductible expenses for employees:	
– voluntary pension contributions	€400/tax year/employee
– private healthcare insurance contributions	€250/tax year/employee
Maximum value of deductible expenses for subscriptions to non-profit organisations other than those which are compulsory or due to the chambers of commerce and to employers' organisations	€4,000/year
The limit of deductibility for protocol expenses	2%
The limit of deductibility for social expenses	2%
Maximum value of tax credit for sponsorship expenses	20% of the corporate income tax but not more than 3‰ of sales revenue

Corporate income tax for very small companies

Tax rate	3%
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Straight-line depreciation periods (for tax and accounting purposes)

Class of asset	Period in years
Buildings	50
Machines and equipment	10
Computers	3
Cars	5

Note: The straight-line depreciation method for the above periods should be used in all cases, except where a question specifically indicates another method and/or period is to be used.

The minimum value of an asset for tax depreciation purposes is 2,500 lei.

Tax on dividends paid to legal persons

For dividends paid to legal persons resident in Romania, EU or EFTA countries	16% or 0%
For dividends paid to other non-residents	16%

Social security and other insurance contributions

Employed persons

	Employee	Employer
Social security fund	10.5%	15.8%
Healthcare insurance fund	5.5%	5.2%
Unemployment fund	0.5%	0.5%
Work accident fund	–	0.15%–0.85%*
Health insurance indemnities fund	–	0.85%
Fund for guaranteeing salary payments	–	0.25%

Self-employed persons

Social security fund	26.3%
Healthcare insurance fund	5.5%
Unemployment fund	1%
Work accident fund	0.15%–0.85%*
Health insurance indemnities fund	0.85%

Persons obtaining rent income

Healthcare insurance fund	5.5%
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Persons obtaining intellectual property revenues and revenues based on Civil Code contracts

Social security fund	10.5%
Healthcare insurance fund	5.5%

Average monthly earnings	2,298 lei
Minimum monthly salary	900 lei

* The exact value will be specified in the question, where necessary.

Note: These rates should be used in answering the questions, irrespective of the time period the question refers to.

Value added tax (VAT)

Standard rate	24%
Reduced rates	9% and 5%
Annual threshold for VAT registration	220,000 lei
Annual threshold for a monthly tax period	€100,000
Annual threshold for applying the cash accounting scheme	2,250,000 lei

Exchange rate

Euro/lei	€1 = 4.50 lei
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Note: This rate should be used in all cases except where a question specifically indicates another rate is to be used.

Interest and penalties

Interest rate for late tax payments	0.03%/day
Penalty level for late tax payments	0.02%/day

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 Which of the following are characteristics of indirect taxes?

- (1) Indirect taxes are raised on individuals' income
- (2) If consumption rises and tax rates stay the same, revenues from indirect taxes will decrease
- (3) Indirect taxes are levied on consumption
- (4) Indirect taxes include value added tax (VAT) and excise duties

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

2 Tudor received intellectual property revenues from a publishing house for writing a book in 2015. The gross amount due was 20,000 lei and the publishing house withheld both final income tax and social contributions at source. Tudor received no revenue other than the intellectual property revenue.

What is the value of the social security contribution and healthcare contribution withheld by the publishing house?

	Social security contribution	Healthcare contribution
A	2,100 lei	1,100 lei
B	1,680 lei	880 lei
C	5,260 lei	1,100 lei
D	0 lei	0 lei

3 In May 2015, Dan won a gross prize of 1,300 lei on a TV show and received gross pension income of 2,000 lei. Dan's revenues are not subject to social contributions liability.

What is the total amount of income tax payable by Dan on both sources of revenue?

- A** 528 lei
- B** 432 lei
- C** 336 lei
- D** 272 lei

- 4 On 20 May 2015, following a tax inspection performed between 1 April and 30 April 2015, Control SRL received the decision of the tax authorities that additional corporate income tax of 2,000 lei was due. Control SRL does not agree with the additional tax assessed and has decided to make an appeal.

Which of the following statements are true in relation to the outcome of the tax inspection?

- (1) The deadline to make the appeal is 30 days from the date the tax inspection was finalised, i.e. from 30 April 2015
- (2) The deadline to make the appeal is 30 days from the date the company received the decision, i.e. from 20 May 2015
- (3) The deadline to pay the additional tax is 20 June 2015
- (4) The deadline to pay the additional tax is 25 June 2015

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

- 5 Micro SRL, a company based in Romania, has recorded the following results:

Year	2011	2012	2013	2014	2015
Year's accounting profit/(loss) (lei)	(20,000)	3,000	5,000	6,000	19,000

The taxable profit was equal to the accounting profit in all five years. In 2013 and 2014 Micro SRL applied the special scheme for corporate income tax for very small companies; in all the other years it applied the normal corporate income tax rate.

What is the corporate income tax liability of Micro SRL at the end of 2015?

- A** 3,040 lei
- B** 320 lei
- C** 2,080 lei
- D** 0 lei

- 6 Macro SA declared its pre-payment of corporate income tax due for the first quarter of 2015 as 2,500 lei on 25 May 2015. This amount was not paid until 20 June 2015.

What is the deadline for payment of the first quarter's pre-payment of corporate income tax and the amount of the interest and penalties due by Macro SA, if any?

	Deadline	Interest and penalties
A	25 April 2015	70 lei
B	25 April 2015	42 lei
C	25 May 2015	33 lei
D	25 May 2015	20 lei

- 7** Taxis SRL is a company registered for value added tax (VAT) purposes and applies the cash accounting scheme for VAT. The company entered into the following transactions during 2015. All amounts are stated exclusive of the standard rate of VAT.
- (1) Made an intra-community acquisition for 10,000 lei on 10 June 2015, and paid for it on 15 July 2015
 - (2) Bought goods from a non-affiliated VAT registered supplier in Romania for 7,000 lei on 17 May 2015 and paid for them on 30 June 2015
 - (3) Sold goods to a non-affiliated VAT registered customer in Romania for 30,000 lei on 25 June 2015 and received payment for the invoices on 10 July 2015

What is the value of Taxis SRL's input VAT and output VAT for the month of June 2015?

	Input VAT	Output VAT
A	2,400 lei	7,200 lei
B	1,680 lei	0 lei
C	0 lei	9,600 lei
D	4,080 lei	2,400 lei

- 8** Andrei started a self-employed activity on 1 January 2015. Andrei applies the real system for computing his personal income tax and is not registered for value added tax (VAT) purposes. In 2015, Andrei had sales of 3,000 lei each month, which were paid for by his clients in the following month. He had one employee, who was paid monthly on the last day of the month and the monthly salary expenses (including gross revenue and employer's contributions) were 1,200 lei. Andrei made prepayments of tax during 2015 of 2,500 lei. No other revenue or expenses were recorded. No social contributions are applicable.

What is Andrei's total income tax liability in respect of the income realised from his self-employed activity in 2015?

- A** 2,976 lei
- B** 3,456 lei
- C** 5,760 lei
- D** 2,576 lei

- 9** During 2015, Cezar earned gross revenues from employment of 2,200 lei per month. Cezar is married and has two children:
- a 10-year-old child who receives a scholarship of 1,000 lei per month; and
 - a 16-year-old child who is employed and earns a monthly salary of 900 lei per month.

Neither of Cezar's children are considered to be dependent persons for the purposes of Cezar's wife's personal deduction.

What is the value of the monthly personal deduction to which Cezar is entitled?

- A** 180 lei
- B** 0 lei
- C** 100 lei
- D** 140 lei

10 In 2015, Socialul SRL, a company subject to corporate income tax, incurred the following expenses:

- Gross salaries of 25,000 lei
- Employer social contributions of 7,000 lei
- Presents for employees of 900 lei
- Presents for clients of 1,200 lei

What is the value of Socialul SRL's non-deductible social expenses in 2015?

- A** 260 lei
- B** 400 lei
- C** 1,460 lei
- D** 1,600 lei

11 On 1 June 2015, Maria signed a contract with a magazine for writing articles. According to the contract, the magazine shall pay her 10% of the magazine's sales as intellectual property revenue. The standard tax treatment shall apply to Maria's intellectual property revenue.

Which of the following statements are true in relation to Maria's income tax obligations?

- (1) The magazine has to declare to the tax authorities the pre-payments of income tax on Maria's revenue in 2015
- (2) Maria has to declare to the tax authorities her estimated income for 2015 by 15 June 2015
- (3) Maria has to declare to the tax authorities the realised income for 2015 by 25 May 2016
- (4) The magazine has to declare to the tax authorities the difference of income tax for 2015 by 25 May 2016

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

12 In 2015, Naturis SA recorded the following revenues:

Type of revenue	Lei amount
Sales revenue	500,000
Dividends from a Romanian company (25% of share capital owned since 1 March 2015)	10,000
Dividends from an EU company (15% of share capital owned since 2013)	12,000
Cancellation of non-tax deductible provisions	8,000

What is the value of Naturis SA's taxable revenues for the purposes of corporate income tax in 2015?

- A** 530,000 lei
- B** 522,000 lei
- C** 500,000 lei
- D** 510,000 lei

13 Cristina started her self-employed activity in January 2015. Cristina's declared monthly taxable base for social security contribution is 1,000 lei, and her estimated net income for 2015 is 28,000 lei.

What is the value of the social security contribution and healthcare contribution which Cristina should pay at each quarterly deadline in 2015?

	Social security contribution	Healthcare contribution
A	789 lei	385 lei
B	1,841 lei	385 lei
C	1,841 lei	165 lei
D	789 lei	165 lei

14 Which of these statements regarding the tax treatment of expenses for corporate income tax are true?

- (1) Interest expenses are always deductible, no matter the creditor or the period of the loan
- (2) Corporate income tax is never tax deductible
- (3) The daily allowance given to employees for business trips is deductible, provided the number of days is computed correctly and the trip is for business purposes, whatever the level of the daily allowance
- (4) Depreciation allowances for all types of assets are always deductible, whatever the value of the monthly depreciation or the method used

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

15 Which of the following items of information must be given on an invoice, for the invoice to be compliant with the VAT legislation?

- (1) The word 'invoice'
- (2) The date when the invoice was issued
- (3) The date when the invoice is due for payment
- (4) A reference to an invoice issued previously, if there is more than one invoice issued for the same transaction

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

(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** Mrs Singer has been a self-employed person in the field of tailoring since 1 January 2015. Mrs Singer applies the real system for determining her income tax and for 2015 estimated her gross revenues as 85,000 lei and deductible expenses as 40,000 lei.

During 2015, Mrs Singer actually realised gross revenues of 160,000 lei and incurred the following expenses:

- (1) Materials (fabric, thread and others) of 90,000 lei.
- (2) A 10,000 lei subscription to the Tailors' Association. Membership of this association is not imposed by the law, but it helps Mrs Singer's professional activity.
- (3) Sponsorship of 2,000 lei of the National Young Tailor contest.
- (4) Purchase of a professional sewing machine on 19 October 2015 for 24,000 lei. Mrs Singer immediately started using the sewing machine in her professional activity.

Required:

- (a) Calculate the tax prepayments due by Mrs Singer at each quarterly deadline in 2015.** (2 marks)

- (b) Calculate the final income tax due by Mrs Singer for 2015.**

Note: Ignore any social contributions which may be due. (6 marks)

- (c)** Mrs Singer is concerned about the protection of the environment, and in 2015 will make a charitable gift from her personal income tax liability to an association for environmental protection.

Required:

Calculate the maximum amount of charitable gift which Mrs Singer can make within the limits established by the law and the tax still to be paid at settlement of final income tax for 2015 on the assumption that she makes the maximum charitable gift. (2 marks)

(10 marks)

- 2 Guitar SRL is a company based in Bucharest, Romania which will apply the special scheme for corporate income tax for very small companies in 2015. The revenues and expenses recorded and estimated by Guitar SRL for each quarter of 2015 (in lei) are as follows:

Quarter	1	2	3	4
Revenues	41,200	24,100	60,900	50,800
Sales of goods	40,000	20,000	60,000	50,000
Revenues resulting from exchange rate differences	1,200	2,100	900	800
Revenues resulting from cancelling provisions		2,000		
Expenses	27,000	18,100	36,400	23,700
Materials and services	25,000	18,000	34,000	23,000
Expenses resulting from exchange rate differences	2,000	100	200	700
Expenses resulting from the purchase of an electronic cash register (<i>casa de marcat</i>)			2,200	

Note: All values are given per individual quarter and are **not** cumulated from the beginning of the year.

The electronic cash register was bought on 15 July 2015 and Guitar SRL started using it in its business on the same day.

Required:

- State any TWO types of revenue which are NOT included in the taxable base when computing corporate income tax for very small companies.** (1 mark)
- Calculate the corporate income tax for very small companies due by Guitar SRL for each quarter of 2015.** (6 marks)
- State any THREE conditions which Guitar SRL will have to fulfil on 31 December 2015 if it wishes to continue to apply the special scheme of corporate income tax for very small companies in 2016.** (3 marks)

(10 marks)

- 3** Mr Keyboard is a Romanian citizen living in Brasov, Romania. He is employed by Band SA, a company which operates in the field of consultancy.

In May 2015, Mr Keyboard received the following from his employer:

- Gross employment income of 20,500 lei;
- Ten meal tickets of 9.35 lei each; and
- A daily allowance of 500 lei per day for a three-day business trip to Oradea, Romania.

Mr Keyboard was Band SA's only employee in the month of May 2015.

In May 2015, Mr Keyboard also received the following gross revenues:

- 20,000 lei as an intellectual property right for a sculpture considered to be a monumental work of art from the City Hall of Bucharest; and
- 10,000 lei for a feasibility study performed based on a civil contract with Strings SRL.

Mr Keyboard chose to have income tax withheld from both these revenues, as the final tax.

Required:

- (a) Calculate the social contributions due for May 2015 by both Band SA and Mr Keyboard on his employment income.**

Note: The work accident fund contribution rate is 0.4%.

(8 marks)

- (b) Calculate the social contributions due on Mr Keyboard's intellectual property right revenue.**

(1 mark)

- (c) Calculate the social contributions due on Mr Keyboard's civil contract revenue.**

(1 mark)

(10 marks)

- 4 Bass SRL is a company registered for value added tax (VAT) purposes which does **not** apply the cash accounting scheme for VAT. All of Bass SRL's suppliers and customers are registered for VAT purposes and also do **not** apply the cash accounting scheme for VAT.

Bass SRL is a monthly VAT payer and entered into the following transactions in the months of May and June 2015:

Transaction	Value of transaction (exclusive of VAT) (lei)	Date of transaction	Date when the invoice was issued
Sold goods to Romanian customers	30,000	25 May 2015	10 June 2015
Sold goods which were transported from Romania to Bulgaria, to customers registered for VAT purposes in Bulgaria	40,000	31 May 2015	12 June 2015
Sold services to Romanian customers	25,000	10 June 2015	31 May 2015
Bought goods from Romanian suppliers	10,000	15 May 2015	30 May 2015
Bought goods which were transported from Hungary to Romania, from suppliers registered for VAT purposes in Hungary	18,000	10 June 2015	31 May 2015

The standard rate of VAT is applicable to all transactions.

Required:

- (a) For each transaction, state when chargeability to value added tax (VAT) occurred. (4 marks)
- (b) Calculate the output VAT, input VAT and net VAT due to/from the tax authorities by Bass SRL for May 2015. (3 marks)
- (c) Explain the impact of VAT deregistration *ex-officio* by the tax authorities due to failure to submit VAT returns on a taxable person and its customers. (3 marks)

(10 marks)

- 5 Drums SRL is a company based in Bucharest, Romania. The company's revenues and expenses recorded for each quarter of 2015 (in lei) are as follows:

Quarter	1	2	3	4
Revenues	302,000	660,000	200,000	100,000
Sales revenue	300,000	550,000	200,000	100,000
Interest revenue	2,000	10,000		
Dividend revenue		100,000		
Expenses	380,000	610,000	445,000	205,000
Material and service	290,000	500,000	350,000	120,000
Interest expenses	90,000	110,000	95,000	85,000

Note: All values are given per individual quarter and are **not** cumulated from the beginning of the year.

The dividend revenue was obtained from another Romanian company, Tambourine SRL, which has been entirely owned by Drums SRL since 2011. In 2014, Drums SRL took out a three-year loan for 3,000,000 lei from Tambourine SRL. This loan, which is repayable in full at the end of the three-year period, generated all of the interest expenses recorded by Drums SRL in 2015. The debt-to-equity ratio computed for Drums SRL for the entire year 2015 is 2.5.

On 1 July 2015, Drums SRL was declared an inactive taxpayer by the Romanian tax authorities. Drums SRL corrected this situation and again became an active taxpayer on 1 October 2015.

Drums SRL constituted its legal reserve entirely in 2010.

Required:

Calculate the corporate income tax due by Drums SRL for each quarter of 2015.

Note: Calculations are required for all quarters, including the fourth quarter.

(15 marks)

- 6** Mrs Microphone has been employed by Music SA, a company with premises in Bucharest, Romania, throughout 2015. Mrs Microphone does not have any children or any other dependent persons.

The following information relates to the revenues and benefits in kind received by Mrs Microphone in April 2015:

- (1) Gross employment revenue of 3,000 lei.
- (2) The use of a company car. The company car is owned by Music SA and is used by Mrs Microphone 30% for personal purposes and 70% for business purposes. The acquisition value of the company car was 45,000 lei.
- (3) A present of 500 lei for Easter.
- (4) The rent of 1,500 lei for the Bucharest apartment in which Mrs Microphone lives, paid by Music SA each month. Mrs Microphone lived in Ploiesti, Romania, before being employed by Music SA, and was relocated to Bucharest by them for this job.
- (5) A premium of 1,900 lei for Mrs Microphone's voluntary pension insurance and a premium of 1,300 lei for Mrs Microphone's private healthcare insurance. These amounts were both paid in April 2015 and represent the total value which will be paid by Music SA for Mrs Microphone's insurances in 2015.

Mrs Microphone is a member of the employees' union within Music SA and she pays a monthly contribution of 200 lei to the union.

Since 1 January 2015 when she left her home town of Ploiesti to take up the job with Music SA, Mrs Microphone rented out her apartment in Ploiesti to tenants for a monthly rent of 1,100 lei. Mrs Microphone had owned this apartment since 2010, when she bought it for 120,000 lei. On 1 July 2015, Mrs Microphone ceased the rent contract and sold the apartment in Ploiesti for 190,000 lei and bought another apartment in Bucharest for 250,000 lei. After buying this Bucharest apartment, Mrs Microphone realised that she was not pleased with her choice and on 15 December 2015 she also sold the apartment in Bucharest for 220,000 lei.

Required:

- (a) Compute the income tax due by Mrs Microphone on her employment income for the month of April 2015.**

Note: You should list all of the items referred to in notes (1) to (5) in your computation, indicating by the use of a zero (0) any item which has no impact on the computation of gross employment income. (7 marks)

- (b) Compute the final income tax liability of Mrs Microphone on her non-employment income for the year 2015.**

(4 marks)

- (c) For each of Mrs Microphone's sources of income in 2015, state who has the obligation to declare and pay the tax due, clearly identifying the due date(s) of declaration and payment.**

(4 marks)

(15 marks)

End of Question Paper