
Answers

Section A

1 C

2 B

Social security contribution = $10.5\% \times (20,000 - (20\% \times 20,000)) = 1,680$ lei
Healthcare contribution = $5.5\% \times (20,000 - (20\% \times 20,000)) = 880$ lei

3 D

Prize – income tax = $16\% \times (1,300 - 600) = 112$ lei
Pension – income tax = $16\% \times (2,000 - 1,000) = 160$ lei
Total income tax = 272 lei

4 C

5 B

During 2013 and 2014, the tax loss may not be offset against the profits as the company paid 3% tax on its revenues.
Tax loss to be carried forward to 2015 = $20,000 - 3,000 = 17,000$ lei
Taxable base = $19,000 - 17,000 = 2,000$ lei
Income tax = $16\% \times 2,000 = 320$ lei

6 A

Due date = 25 April 2015
Payment date = 20 June 2015
Number of days of delay = 56
Interest and penalties = $2,500 \times 56 \times 0.03\% + 2,500 \times 56 \times 0.02\% = 70$ lei

7 D

Input VAT = $(10,000 + 7,000) \times 24\% = 4,080$ lei
Output VAT = $10,000 \times 24\% = 2,400$ lei

8 A

Taxable income = $(3,000 \times 11) - (1,200 \times 12) = 33,000 - 14,400 = 18,600$ lei
Income tax = $16\% \times 18,600 = 2,976$ lei

9 D

Only the 10-year-old child may be considered a dependent person.
Personal deduction = $350 \times (1 - (2,200 - 1,000) / 2,000) = 140$ lei

10 B

Social expenses = 900 lei
Limit of deductibility for social expenses = $2\% \times 25,000 = 500$ lei
Non-deductible social expenses = $900 \text{ lei} - 500 \text{ lei} = 400$ lei

11 B

12 D

Taxable revenues = 500,000 + 10,000 = 510,000 lei

Tutorial note: *The 10,000 lei of dividends received from a Romanian company are not exempt as the shares have not been held for at least one year.*

13 A

Social security contribution = $26.3\% \times 1,000 \times 3 = 789$ lei

Healthcare contribution = $5.5\% \times 28,000 / 4 = 385$ lei

14 C**15 C**

2 marks each

30

1 Mrs Singer

(a) Tax prepayments 2015

Estimated net income = Estimated gross revenues – Estimated deductible expenses

Estimated net income = 85,000 – 40,000 = 45,000 lei 1

Prepayments of tax payable at each quarter = $16\% \times 45,000 / 4 = 1,800$ lei 1

2

(b) Final income tax due 2015

	lei	
Gross revenue	160,000	1/2
Deductible expenses	93,792	
– materials	90,000	1/2
– subscription to professional association (W1)	1,392	2
– sponsorship (W2)	2,000	1 1/2
– depreciation of sewing machine (W3)	400	1
Net realised income	66,208	
Final income tax due at 16%	10,593	1/2
		6

WORKINGS

(1) Subscription to professional association

Computation base for deductibility = Gross revenues – All deductible expenses, except sponsorship, protocol and subscriptions to professional associations

Computation base for deductibility = 160,000 – 90,000 – 400 = 69,600 lei

Limit of deductibility = $2\% \times 69,600 = 1,392$ lei

Subscription expenses = 10,000 lei

⇒ Deductible subscription = 1,392 lei

(2) Sponsorship

Computation base for deductibility = 69,600 lei (same as in W1)

Limit of deductibility = $5\% \times 69,600 = 3,480$ lei

Sponsorship expenses = 2,000 lei

⇒ Deductible sponsorship = 2,000 lei

(3) Depreciation

Value of asset = 24,000 lei

Period of depreciation = 120 months (November 2015–October 2025)

Monthly depreciation = $24,000 / 120 = 200$ lei

Number of months of depreciation in 2015 = 2

Depreciation in 2015 = $200 \times 2 = 400$ lei

(c) Tax due on settlement

Maximum amount of charitable gift = $2\% \times \text{Final tax due} = 2\% \times 10,593 \text{ lei} = 212 \text{ lei}$ 1

Tax prepayments for 2015 = $1,800 \times 4 = 7,200 \text{ lei}$ 1/2

Tax due on settlement = $10,593 - 212 - 7,200 = 3,181 \text{ lei}$ 1/2

2

10

2 Guitar SRL

(a) Types of revenue not included in the corporate income tax base for very small companies

- (i) Revenues related to the cost of goods in inventory.
- (ii) Revenues related to the cost of services in progress.
- (iii) Revenues related to the capitalisation cost of tangible non-current assets.
- (iv) Subsidies.
- (v) Revenues from provisions and impairments.
- (vi) Revenues from the reimbursement or cancelling of interest and penalties which were previously non-deductible for corporate income tax.
- (vii) Compensations received from insurance companies for damage to the company's own assets.
- (viii) Revenues resulting from exchange rate differences.
- (ix) Financial revenues registered when clearing accounts receivable or payable at a different exchange rate than the one at which they were registered.
- (x) Trade discounts given after the initial invoicing of goods and services.

Only two required, ½ mark each, maximum

1

(b) Corporate income tax for very small companies due each quarter of 2015

The corporate income tax for very small companies is computed based on the quarterly revenues.

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	lei
Taxable base (W1)	40,000	20,000	57,800	52,000	5
Corporate income tax (at 3%)	1,200	600	1,734	1,560	1
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WORKINGS

Quarter 1 (Q1)

Taxable base in Q1 = 40,000 lei

Quarter 2 (Q2)

Taxable base in Q2 = 20,000 lei

Quarter 3 (Q3)

Taxable base in Q3 = 60,000 – 2,200 = 57,800 lei

Quarter 4 (Q4)

Total exchange rate revenues in 2015 = 1,200 + 2,100 + 900 + 800 = 5,000 lei

Total exchange rate expenses in 2015 = 2,000 + 100 + 200 + 700 = 3,000 lei

Exchange rate revenues > Exchange rate expenses ⇒ the positive difference is added to the taxable base.

Taxable base in Q4 = 50,000 + (5,000 – 3,000) = 52,000 lei

Tutorial notes:

1. Revenues from exchange rate differences are not included in the taxable base in Q1, Q2 and Q3. In Q4, the total annual revenues from exchange rate differences are to be offset against the total annual expenses from exchange rate differences and only the positive difference is to be added to the taxable base.
2. Revenues from cancelling provisions are never included in the taxable base.
3. Expenses do not decrease the taxable base, except for the expense relating to the electronic cash register in the quarter when the electronic cash register is used for the first time (Q3).

(c) Conditions to be fulfilled on 31 December 2015 to continue to apply the special scheme of corporate income tax for very small companies

- (i) Guitar SRL must have no revenues from the following activities: banking, insurance and gambling.
- (ii) Revenues from consultancy and management activities must be less than 20% of total revenues.

- (iii) Revenues must be below €65,000.
- (iv) None of the company's share capital must be owned by the state and/or local authorities.
- (v) Guitar SRL must not be in liquidation, as registered at the Trade Office or the courts, according to the law.

Only three required, 1 mark each, maximum

3

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3 Mr Keyboard

(a) Social contributions due by Band SA (as employer) and Mr Keyboard (as employee)

	lei	
Gross salary	20,500	1/2
Meal tickets	0	1/2
Daily allowance $(500 - (2 \cdot 5 \cdot 13)) \cdot 3$	1,403	1
Taxable base for social contributions	21,903	
Employee social contributions		
Social security contribution $(10 \cdot 5\% \cdot \text{lower of } 21,903 \text{ and } (5 \cdot 2,298))$	1,206	1
Healthcare contribution $(5 \cdot 5\% \cdot 21,903)$	1,205	1/2
Unemployment contribution $(0 \cdot 5\% \cdot 21,903)$	110	1/2
Employer social contributions		
Social security contribution $(15 \cdot 8\% \cdot \text{lower of } 21,903 \text{ and } (5 \cdot 2,298))$	1,815	1
Healthcare contribution $(5 \cdot 2\% \cdot 21,903)$	1,139	1/2
Unemployment contribution $(0 \cdot 5\% \cdot 21,903)$	110	1/2
Work accident fund contribution $(0 \cdot 4\% \cdot 21,903)$	88	1/2
Health insurance indemnities fund contribution $(0 \cdot 85\% \cdot \text{lower of } 21,903 \text{ and } (12 \cdot 900))$	92	1
Fund for guaranteeing salary payments contribution $(0 \cdot 25\% \cdot 21,903)$	55	1/2
	8	

(b) Social contributions due on intellectual property right revenue

As Mr Keyboard also has revenues from employment in May 2015, he is not liable to pay any social contributions on his intellectual property income.

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(c) Social contributions due on civil contract revenue

As Mr Keyboard also has revenues from employment in May 2015, he is only liable to pay the healthcare contribution on his civil contract income.

Healthcare contribution = $5 \cdot 5\% \cdot 10,000 = 550$ lei

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4 Bass SRL

(a) Date of chargeability to value added tax (VAT)

Transaction	Date of transaction	Date when invoice was issued	Date of VAT chargeability	
Sale of goods to Romanian customers	25 May 2015	10 June 2015	25 May 2015	1/2
Sale of goods transported from Romania to Bulgaria, to customers registered for VAT in Bulgaria	31 May 2015	12 June 2015	12 June 2015	1
Sale of services to Romanian customers	10 June 2015	31 May 2015	31 May 2015	1
Purchase of goods from Romanian suppliers	15 May 2015	30 May 2015	15 May 2015	1/2
Purchase of goods transported from Hungary to Romania, from suppliers registered for VAT in Hungary	10 June 2015	31 May 2015	31 May 2015	1
				4

(b) Output VAT, input VAT and net VAT due to/from the tax authorities for May 2015

Output VAT = $(30,000 + 25,000 + 18,000) \times 24\% = 17,520$ lei

1½

Input VAT = $(10,000 + 18,000) \times 24\% = 6,720$ lei

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VAT due to the tax authorities = $17,520 - 6,720 = 10,800$ lei

½

3**(c) 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**

The impact on a taxable person who is deregistered for VAT purposes *ex-officio* by the tax authorities due to failure to submit VAT returns is as follows:

(i) On the date of deregistration, the person must make adjustments for the VAT deducted on all goods and services in stock at that time.

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(ii) For any acquisition made during the deregistration period, input VAT is non-deductible.

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(iii) For any sale made during the deregistration period, VAT must still be charged.

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The impact on the customers of a taxable person who is deregistered for VAT purposes *ex-officio* by the tax authorities due to failure to submit VAT returns is that the input VAT on any acquisition made during the deregistration period is non-deductible.

½

3**10****5 Drums SRL****Corporate income tax due at each quarterly deadline in 2015**

The computation of corporate income tax is made based on the cumulated values from the beginning of the year until the end of the quarter for which the computation is made.

	1 January to 31 March 2015	1 January to 30 June 2015	1 January to 30 September 2015	lei 1 January to 31 December 2015	
Total revenues	302,000	962,000	1,162,000	1,262,000	1
Total expenses	(380,000)	(990,000)	(1,435,000)	(1,640,000)	1
Accounting profit/(loss)	(78,000)	(28,000)	(273,000)	(378,000)	
Non-taxable revenues		(100,000)	(100,000)	(100,000)	2
Non-deductible expenses	65,625	151,250	596,250	656,875	
Interest expenses (W1)	65,625	151,250	246,250	306,875	5
Expenses during the tax inactive period			350,000	350,000	2
Taxable profit/(loss)	(12,375)	23,250	223,250	178,875	
Income tax at 16% on cumulated value	0	3,720	35,720	28,620	2
Income tax to be paid for the quarter	0	3,720	32,000	0	2
					15

WORKINGS**(1) Interest expense**

Monthly interest computed by reference to the Romanian National Bank (NBR) rate = $3,000,000 \times 3.25\% \times 1/12 = 8,125$

Debt-to-equity ratio = 2.5 \Rightarrow interest expenses within the NBR reference rate are deductible in 2015.

1 January to 31 March 2015

Interest expenses = 90,000 lei

Maximum deductible interest = $8,125 \times 3 = 24,375$ lei

\Rightarrow non-deductible interest expenses = $90,000 - 24,375 = 65,625$ lei

1 January to 30 June 2015

Interest expenses = 200,000 lei

Maximum deductible interest = $8,125 \times 6 = 48,750$ lei

\Rightarrow non-deductible interest expenses = $200,000 - 48,750 = 151,250$ lei

1 January to 30 September 2015

Any expense recorded in the third quarter is fully non-deductible, as Drums SRL was tax inactive \Rightarrow for the first nine months of 2015, the value of deductible interest expenses is equal to the value of deductible expenses for the first six months.

Interest expenses = 295,000 lei

Maximum deductible interest = $8,125 \times 6 = 48,750$ lei

\Rightarrow non-deductible interest expenses = $295,000 - 48,750 = 246,250$ lei

1 January to 31 December 2015

Any expense recorded in the third quarter is fully non-deductible, as Drums SRL was tax inactive \Rightarrow for 2015, the value of deductible interest expenses is equal to the value of deductible expenses for nine months (January to June + October to December).

Interest expenses = 380,000 lei

Maximum deductible interest = $8,125 \times 9 = 73,125$ lei

\Rightarrow non-deductible interest expenses = $380,000 - 73,125 = 306,875$ lei

6 Mrs Microphone

(a) Income tax on employment income for April 2015

	lei	
Gross revenue	3,000	$\frac{1}{2}$
Use of company car ($1.7\% \times 45,000 \times 30\%$)	230	1
Easter present	500	1
Apartment rent	1,500	$\frac{1}{2}$
Voluntary pension insurance premium ($1,900 - (4.5 \times \text{€}400)$)	100	1
Healthcare insurance premium	1,300	1
Gross employment revenue	6,630	
Social contributions	(1,094)	$\frac{1}{2}$
Social security contribution (10.5%)	(696)	
Healthcare contribution (5.5%)	(365)	
Unemployment contribution (0.5%)	(33)	
Net income	5,536	
Personal deduction	0	$\frac{1}{2}$
Union contribution	(200)	$\frac{1}{2}$
Taxable income	5,336	
Income tax at 16%	854	$\frac{1}{2}$
		<u>7</u>

(b) Income tax on non-employment income for 2015

Income tax on rental income

Gross revenue in 2015 = $1,100 \times 6 = 6,600$ lei

Lump-sum expenses = $6,600 \times 25\% = 1,650$ lei $\frac{1}{2}$

Taxable revenue = $6,600 - 1,650 = 4,950$ lei $\frac{1}{2}$

Income tax = $16\% \times 4,950 = 792$ lei $\frac{1}{2}$

Income tax on apartment sales

Apartment in Ploiesti

Income tax = $2\% \times 190,000 = 3,800$ lei 1

Apartment in Bucharest

Income tax = $6,000 + 2\% \times (220,000 - 200,000) = 6,400$ lei 1

4

	Marks
(c) The obligation to pay and declare the tax due	
Income tax on employment income	
For income tax on employment income, the employer (Music SA) has the obligation to pay and declare the income tax for Mrs Microphone.	$\frac{1}{2}$
Both the declaration and payment must be made by the 25th of the month following that in which the employment revenue is received.	$\frac{1}{2}$
Income tax on rental income	
Mrs Microphone has to declare an estimated revenue within 15 days of the rental contract being signed, and declare the realised income by 25 May of the next year (i.e. in this case 25 May 2016).	1
Mrs Microphone has to make quarterly prepayments of the income tax by the 25th of the last month of each quarter and then pay the difference between the final tax and the prepayments within 60 days after receiving the decision from the Tax Authorities.	1
Income tax on apartment sales	
The notary who legalised the transactions has the obligation to declare, withhold and pay the tax due on the sales.	$\frac{1}{2}$
The deadline for both declaring and paying the tax is the 25th of the month following the month of sale.	$\frac{1}{2}$
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	<hr/> 15