
Answers

Section B

Marks

1 Tudor and Maria

(a) Prepayments of health care insurance contribution and social security contribution due for 2017

Tudor – income quotas

Monthly taxable base for health care insurance contribution prepayments = $\min(240,000/12; 5 * 2,681) = \min(20,000 \text{ lei}; 13,405) = 13,405 \text{ lei}$ 1

Prepayments of health care insurance contribution for 2017 = $(13,405 * 5.5\% * 12) = 8,847 \text{ lei}$ 1/2

Monthly taxable base for social security contribution prepayments = $(240,000/12) = 20,000 \text{ lei}$, which must be compared with minimum and maximum taxable values mentioned by the Tax Code. 1/2

Minimum value of the monthly taxable base for social security contribution prepayments = $(35\% * 2,681) = 938 \text{ lei}$

Maximum value of the monthly taxable base for social security contribution prepayments = $(5 * 2,681) = 13,405 \text{ lei}$

==> Monthly taxable base for social security contribution prepayments = 13,405 lei 1

Prepayments of social security contribution for 2017 = $(10.5\% * 13,405 * 12) = 16,890 \text{ lei}$ 1/2

Maria – real system

Monthly taxable base for health care insurance contribution prepayments = $\min(170,000/12; 5 * 2,681) = \min(14,167; 13,405) = 13,405 \text{ lei}$ 1

Prepayments of health care insurance contribution for 2017 = $(13,405 * 5.5\% * 12) = 8,847 \text{ lei}$ 1/2

Monthly taxable base for social security contribution prepayments = $(35\% * 2,681) = 938 \text{ lei}$ 1/2

Prepayments of social security contribution for 2017 = $(10.5\% * 938 * 12) = 1,182 \text{ lei}$ 1/2

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(b) Final health care insurance contribution and social security contribution due for 2017 and differences to be paid/recovered at end of year settlement

Tudor

Final health care insurance contribution due for 2017 = prepayments = 8,847 lei 1/2

Difference of health care insurance contribution to be paid at end of year settlement = 0 lei

Final social security contribution due for 2017 = prepayments = 16,890 lei 1/2

Difference of social security contribution to be paid at end of year settlement = 0 lei

Maria

Monthly taxable base for final health care insurance contribution = $\min(120,000/12; 5 * 2,681) = \min(10,000; 13,405) = 10,000 \text{ lei}$ 1/2

Final health care insurance contribution for 2017 = $(10,000 * 5.5\% * 12) = 6,600 \text{ lei}$ 1/2

Difference of health care insurance contribution to be recovered at end of year settlement = $(8,847 - 6,600) = 2,247 \text{ lei}$ 1/2

Monthly taxable base for final social security contribution = $\min(\max(120,000/12; 35\% * 2,681); 5 * 2,681) = \min(\max(10,000 \text{ lei}; 938 \text{ lei}); 13,405) = 10,000 \text{ lei}$ 1/2

Final social security contribution for 2017 = $(10.5\% * 10,000 * 12) = 12,600 \text{ lei}$ 1/2

Difference of social security contribution to be paid at end of year settlement = $(12,600 - 1,182) = 11,418 \text{ lei}$ 1/2

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2 Earth SA

(a) General conditions to be met for an item to be recognised as a non-current asset

The general conditions which must be met for an item to be recognised as a fixed asset for tax purposes are:

- To be owned and used for production, the delivery of goods or provision of services, leasing to third parties or for administrative purposes. 1/2
 - To have a fiscal value higher than the limit established by the law, on the date of acquisition (currently 2,500 lei). 1
 - To have a normal useful life longer than one year. 1/2
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(b) Tax depreciation for 2017

Asset	Tax depreciable?	Monthly depreciation lei	Number of months depreciation in 2017	Tax depreciation in 2017 lei	
1. Goodwill	No	0	0	0	1
2. Client list	Yes	100,000 (3,000,000/30)	12	1,200,000	1 1/2
3. Car	Yes	1,500 (min (1,500; 300,000/60)	10	15,000	1 1/2
4. Land improvements	Yes	2,000,000 (240,000,000/120)	9	18,000,000	1
5. Equipment	Yes	18,750 (900,000/48)	5	93,750	1
					<hr style="width: 100px; margin-left: auto; margin-right: 0;"/> 6

(c) The non-depreciated tax value of the car deductible when computing the corporate income tax for 2017

Number of months lapsed tax depreciation = [7 (in 2016) + 10 (in 2017)] = 17 months 1/2

Remaining number of months of the depreciation period at the time of sale = (60 – 17) = 43 months 1/2

The non-depreciated tax value = (1,500 * 43) = 64,500 lei 1

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3 Moon SRL

(a) Value added tax (VAT) rules for deliveries of goods dispatched from one EU member state to another EU member state

When a delivery of goods is accompanied by transport from one EU member state to another EU member state, there are two transactions from a VAT perspective: an intra-EU delivery of goods, in the member state where the transport begins, and an intra-EU acquisition of goods, in the member state where the transport ends. 1

For the intra-EU delivery of goods:

- The place of supply is where the transport begins. 1/2
- The VAT exemption conditions require proof of transport and a valid VAT number for the beneficiary from a member state other than the one where the transport began. 1/2
- The person liable to pay the tax, if the exemption conditions do not apply, is the supplier. 1/2

For the intra-EU acquisitions of goods:

- The place of supply is where the transport ends. 1/2
- There is no general exemption. 1/2
- The person liable to pay the tax is the buyer. 1/2

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(b) VAT transaction, taxable base and input VAT/output VAT to be accounted for in Romania

Type of transaction	Taxable base lei	Input VAT lei	Output VAT lei	
(1) Intra-EU acquisition of goods	80,300	15,257	15,257	2
(2) Acquisition of services	3,000	570	–	1
(3) Transfer of goods assimilated to an intra-EU delivery of goods in Romania and to a intra-EU acquisition of goods in Hungary	83,300	–	–	2
(4) Delivery of goods in Hungary	135,000	–	–	1
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4 Bogdan**(a) Personal income tax prepayments for 2017**

Prepayments of income tax = $(16\% * (260,000 - 180,000)) = 12,800$ lei	1
The amount to be paid at each quarter deadline = $(12,800/4) = 3,200$ lei	1
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(b) Final personal income tax for 2017

	Amount lei	
Gross revenues	84,000	
– Sales revenues $(120,000 * 70\%)$	84,000	1
– Loan from Emma	0	1
Deductible expenses	(13,035)	
– Car depreciation (W1)	(6,000)	1½
– Car fuel $(600 * 5 * 50\%)$	(1,500)	1
– Sponsorship $(\min(20,000; 5\% * (84,000 - 6,000 - 1,500 - 1,800)))$	(3,735)	1½
– Health insurance premium $(\min(2,500; €400 * 4.5 \text{ lei/euro}))$	(1,800)	1
Net income	70,965	
Final income tax at 16%	11,354	½
Prepayments	(12,800)	½
Difference of income tax to be recovered from the State budget	(1,446)	
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W1. Car depreciation

Monthly computed depreciation = $(120,000/60) = 2,000$ lei

Maximum allowed monthly tax depreciation = 1,500 lei

Number of months of depreciation in 2017 = 4 (September – December 2017)

Tax depreciation in 2017 = $(1,500 * 4) = 6,000$ lei

5 Star SRL

(a) Corporate income tax liability 2017

	Amount lei	
Total revenues (5,450,000 + 1,800,000)	7,250,000	1
Total expenses (5,081,000 + 1,625,000)	(6,706,000)	1
Gross profit	544,000	
Non-taxable revenues	(750,000)	
– Dividend revenue	(450,000)	1
– Sale of shares	(300,000)	1
Non-deductible expenses	1,214,891	
– Goods scrapped/missing	98,000	1½
– Inventory impairment	55,000	1
– Fines paid to authorities	100,000	½
– Expenses for the personal benefit of the shareholder	800,000	1
– Cost of shares sold	90,000	½
– General expenses allocated to non-taxable revenues (W1)	11,891	1½
– Corporate income tax	60,000	1
Taxable profit	1,008,891	
Corporate income tax due at 16%, before tax credits	161,423	½
Tax credit	(8,000)	1
Final corporate income tax due for 2017	153,423	
Corporate income tax paid during the year	(20,000)	½
Difference of income tax due at end of year settlement	133,423	
		13

W1. Expenses allocated to non-taxable revenues

Ratio of non-taxable revenues to total revenues = $(750,000/7,250,000) = 10.34\%$

General expenses allocated to non-taxable revenues = $(115,000 * 10.34\%) = 11,891$ lei

(b) Deadlines for declaring and paying corporate income tax in 2017

The deadlines for declaring corporate income tax for the first three quarters are by the 25th of the following month (i.e. 25 April, 25 July, 25 October). ½

For the fourth quarter, Star SRL does not have to declare any corporate income tax, but only the end of year settlement on 25 March 2018. 1

The deadlines for paying the tax are the same as the ones for declaring it. ½

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6 Adrian

(a) Personal income tax liability for employment revenue in August 2017

	Amount lei	
Gross salary	800	½
Holiday expenses	0	1
Spa subscription	600	1
Profit participation	500	1
Stock-option plan	0	1
Total gross revenue	1,900	
Social contributions	(350)	½
Personal deduction (W1)	(300)	1½
Taxable income	1,250	
Income tax at 16%	200	½
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W1. Personal deduction

Number of dependent persons = 1

Personal deduction = $[400 * (1 - (1,900 - 1,500)/1,500)] = 293 = 300$ lei

(b) Personal income tax liability for other revenues in 2017

Monthly taxable pension income = $(2,400 - 132 - 1,050) = 1,218$ lei 1

Total tax on pension income in 2017 = $(1,218 * 16\% * 12) = 2,339$ lei $\frac{1}{2}$

Monthly net taxable income per apartment = $(1,000 - 40\% * 1,000) = 600$ lei 1

Monthly income tax on rent per apartment = $(600 * 16\%) = 96$ lei $\frac{1}{2}$

Total tax on rental income for two apartments = $(2 * 96 * 12) = 2,304$ lei $\frac{1}{2}$

Income tax from the sale of the third apartment = $[6,000 + (2\% * (480,000 - 200,000))] = 11,600$ lei $1\frac{1}{2}$

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(c) The criteria used for classifying an activity of an individual as independent are:

- The individual has the liberty to choose the place and the way in which the activity is performed, as well as the working hours programme.
- The individual has the liberty to work for more than one client.
- The risks of the activity are assumed by the individual performing the activity.
- The activity is performed using the individual's own assets.
- The activity is performed using the intellectual capacity of the individual and/or his/her physical work, according to the type of work.
- The individual is part of a professional institute which governs a certain profession.
- The individual has the liberty to perform his/her activity directly, using employees or subcontractors.

SIX criteria only required, $\frac{1}{2}$ mark for each criterion, up to a maximum of

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