Answers

Section A

1 **B**

2 **A** 4,500,000 RR

(112,500,000*4% = 4,500,000 RR < (3,776,000 + 472,000 + 1,416,000)*100/118 = 4,800,000 RR)

3 **B** 30,600 RR

((112,100 + 88,500)*18/118)

4 **C** 55,000 RR

5 **D** 0 RR

6 **D**

7 **D**

8 **A** 281,159 RR

(34,500,000*150/365*(20% – 7%)*18/118)

Tutorial note: *The new Government Statement 1340 dated 8 December 2015 requires that the Key rate should be applied instead of the CBR refinancing rate from 1 January 2016. In compliance with the ACCA cut-off date of 30 September 2015, the CBR refinancing rate has been used for June and December 2016 sessions.*

Candidates using the Key rate in the calculation received the same marks as those using the CBR refinancing rate. In this case the correct answer would be ***C*** *0 RR.*

9 **B** 3,860,100 RR

(10*250,700 + (1,504,200 – 250,700*3) + 601,000)

10 **B**

11 **D**

12 **A** 150,450,000 RR

(49,914,000 + 100,536,000)

13 **C**

14 **C** 39,900,000 RR

(7,500,000 + 32,400,000)
(270,000,000*6% = 16,200,000 > 7,500,000; 270,000,000*12%=32,400,000 < 34,000,000)

Marks

15 A 35,250 RR

(24,750 + 10,500)
(29 March to 30 April: 1,500,000*(3 + 30)*1/300*15%; 1 to 30 May: 1,500,000*30*1/300*7%)

2 marks each **30**

Section B *Marks*

1 (a) AO Fervest (Fervest)

(i) Option 1 – Free contribution from Veter GmbH

Veter GmbH owns more than 50% of Fervest's share capital. Therefore, the contribution will be exempt from profits tax and no taxable income need be recognised by Fervest. 1

(½ for mentioning 50%, ½ for exemption)

(ii) Option 2 – Loan from AO Orange Bank

A loan from a third party Russian bank with a guarantee from a foreign shareholder (Veter GmbH) with an ownership interest exceeding 20% is treated as a controlled loan. ½

Lower limit of interest rate: 75%*20% = 15% ½

10% is below the lower limit, so is deductible at the actual interest rate. ½

Interest due on loan at 30 September 2016:
(500,000,000*10%*(30 – 15)/365) = 2,054,795 RR 1

Net assets as at 30 September 2016:
(806,000,000 – 730,000,000 + 77,000,000) = 153,000,000 RR 1

Net assets*3 = (153,000,000*3) = 459,000,000 RR ½

(500,000,000 + 2,054,795) = > 459,000,000 ½

Capitalisation ratio: (loan + interest)/(net assets*3*55%)

((500,000,000 + 2,054,795)/(459,000,000*55%)) = 1.98873 > 1 1

Interest deductible for profits tax purposes: (2,054,795/1.98873) = 1,033,220 RR ½

Portion of interest which will be reclassified as dividends:
(2,054,795 – 1,033,220) = 1,021,575 RR ½

Withholding tax: (1,021,575*13%) = 132,805 RR ½

7

(iii) Option 3 – Loan from Friendly Ltd

A loan provided from a foreign shareholder who owns more than 20% of Fervest's share capital is treated as a controlled loan (Friendly owns 45%). ½

In this case, the withholding tax on the dividends will be at the rate of 15%. ½

1

(b) Withholding tax at the rate of 0% can be applied to a dividend paid to a Russian resident shareholder if both the following criteria are met:

(1) the Russian resident shareholder owns more than 50% of the Russian company; and
(2) the Russian resident shareholder has owned the shares for more than one year. 1

10

Marks

2 Social insurance contributions for the year 2016

(a) Victoria, under a labour agreement

	RR	Marks
Salary (97,000*12)	1,164,000	½
Semi-annual voluntary medical insurance for herself	10,000	½
Annual medical insurance for her son (exempt)	0	½
Reimbursement of her business trip expenses (exempt)	0	½
Additional contributions for the accumulated pension paid by Raduga (45,000 – 12,000)	33,000	1
Material aid (booked as a non-deductible expense) (30,000 – 4,000)	26,000	1
Total tax base for SIC	1,233,000	
Social insurance contributions (SIC):		
Pension fund: (711,000*22% + (1,233,000 – 711,000)*10%)	208,620	1
Social security fund: (670,000*2.9%)	19,430	½
Federal fund of obligatory medical insurance: (1,233,000*5.1%)	62,883	½
Total SIC	290,933	6

(b) Dmitriy, under a licence agreement

(i) Documents confirming his actual expenses

	RR	Marks
Remuneration	660,000	½
Actual expenses	(350,000)	½
SIC tax base	310,000	
SIC:		
Pension fund: (310,000*22%)	68,200	½
Federal fund of obligatory medical insurance: (310,000*5.10%)	15,810	½
Total SIC	84,010	

(ii) No documents confirming actual expenses

	RR	Marks
Remuneration	660,000	
Professional deduction 660,000*40%	(264,000)	½
SIC tax base	396,000	
SIC:		
Pension fund: (396,000*22%)	87,120	½
Federal fund of obligatory medical insurance: (396,000*5.1%)	20,196	½
Total SIC	107,316	
No social fund contributions.		½
		4
		10

3 (a) Natalia

Personal income tax (PIT) implications of each option

Option 1: Bank loan

Interest expenses for the month of March 2016
1,300,000*16%*31/365 — 17,666 RR — ½

No imputed income arises because 16%> CBR rate. — ½

Option 2: Sale of garage

The garage will be sold more than three years from its date of acquisition, therefore, the income from the sale will be exempt from PIT. — 1

Marks

Option 3: Corporate (company) loan

Interest expense incurred:

The actual interest rate is less than 2/3 of the CB rate of 15%, therefore, the deemed income will be recognised at the end of March 2016, no matter the actual date of the interest payment.		1
Imputed income (1,300,000*(2/3*15% – 6%)*31/365) *(½ for 2/3, ½ for 15%, ½ for correct days)*	4,416 RR	1½
PIT at 35%	1,546 RR	½
		5

(b) Maxim

(i) Personal income tax (PIT) liability

	RR	
Insurance value	1,500,000	½
Repair works confirmed	(1,000,000)	½
Insurance premium paid	(70,000)	1
Expenses related to the investigation (not taken into account)	(0)	½
Tax base	430,000	
PIT at 13%	55,900	½
		3

(ii) In compliance with the Tax Code, the insurance company acting as a tax agent should accrue, withhold and pay the PIT to the budget. 1

The PIT should be transferred to the budget by no later than the day following the insurance value payment, i.e. by 16 June 2016. 1

2

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4 (a) OOO Ambassador

(i) Value added tax (VAT) liability for Quarter 4 (Q4) 2016

The date of defining the VAT base is the last date of each tax period: ½
i.e. in this case, 31 December. ½

	RR	
Materials written off (1,457,300*100/118)	1,235,000	½
Wages and salaries of workers and engineers	1,700,000	½
Social insurance contributions	510,000	½
Depreciation of fixed assets used in construction	45,000	½
VAT base	3,490,000	
Output VAT at 18%	628,200	½
Input VAT		
Materials (1,457,300*18/118)	(222,300)	½
VAT on warehouse accrued (as above)	(628,200)	1
VAT refund	(222,300)	
		5

(ii) If the materials were transferred to a third party contractor under a tolling agreement:

– no input VAT would arise on this toll transfer of materials; ½
– VAT would arise only on the part built by Ambassador's own workforce, i.e. excluding the part built by the toll contractor. ½

1

			Marks
(b)	**OOO Kamchatka**		
	The tax base is defined as the market value of the goods subject to the transfer.		½
	Since Kamchatka provided the coffee machines to its employees on a free of charge basis, the date of the VAT tax base recognition would be the date of the transfer to the employees, i.e. 25 November 2016.		1
		RR	
	Tax base on the 10 coffee machines purchased: 21,240*10*100/118	180,000	½
	Input VAT: 180,000 at 18%	(32,400)	½
	Output VAT: 180,000 at 18% *(½ for including free of charge transfer, ½ for 18%)*	32,400	1
	VAT liability	0	
	A VAT invoice should be issued by Kamchatka for the free of charge transfer.		½
			4
			10

5 Valeriya

(a)	**Personal income tax (PIT) withheld by employer OOO Drive**		
		RR	
	Gross salary (70,000*12)	840,000	½
	Children allowance:		
	Income exceeds 280,000 RR in April (1,400*3*2) *(½ for 3, ½ for 2 children)* *If the candidate included an additional 3,000 RR*3 months for 3rd daughter (with explanation <24 years and daily student), the same marks should be given.*	(8,400)	1
	Professional seminar in Sochi – exempt	0	½
	Semi-annual voluntary medical insurance for herself	12,000	½
	Annual voluntary insurance for her children – exempt	0	½
	Gift certificate	35,000	½
	Gift allowance	(4,000)	½
	Maximum deductions claimed at source (except for housing deduction):		
	Educational deduction for her son and daughter – swimming school (within 50,000 RR limit per each child) (12,000*2) *(½ per each child)*	(24,000)	1
	Educational deduction for her daughter – maximum	(50,000)	1
	Total taxable income	800,600	
	PIT withheld at 13%	104,078	½
	Imputed interest income on mortgage loan (entitlement for housing allowance has not been received by employer in year 2016)		
	7 to 30 September: CBR rate is 7% 6% is more than 4.67% (2/3*7%), no imputed interest income *(½ for 2/3, ½ for correct outcome)*	0	1
	1 October to 31 December: CBR rate is 5% 6% is more than 5%, no imputed interest income	0	½
			8

			Marks
(b)	**Final settlement of PIT liability for the year 2016**		
		RR	
	Taxable base (from (a))	800,600	½
	Housing allowance – lesser of two limits:		
	2,000,000 RR per person		
	Actual cost of 21,000,000 RR*60%	(2,000,000)	1
	(½ for 2,000,000, ½ for 60% of actual cost)		
	Mortgage interest paid (1,000,000*6%*(30 – 7)/365*60%)	(2,268)	1
	(½ for correct days, ½ for 60%)		
	Sale of inherited plot of land (less than three years of ownership)	5,000,000	½
	Less residential property sale deduction	(1,000,000)	1
	Sale of old apartment (exempt – more than three years)	0	1
	(½ for exemption, ½ for 3 years indication)		
	Taxable income	2,798,332	
	PIT at 13%	363,783	½
	Less PIT withheld (from (a))	(104,078)	½
	Tax due to the budget	259,705	
			6

(c) **General criteria for a social charity deduction**

The taxpayer should make a donation in cash to a non-commercial legal entity.	½
The deduction available is the lesser of the actual expense incurred and 25% of the income subject to PIT at the rate of 13% in the relevant tax year.	½
	1
	15

6 OOO Bird

Corporate profits tax liability for the year 2016

	RR	Marks
Domestic sales of sports products (net of VAT) (634,840,000*100/118)	538,000,000	½
Confirmed export sales (zero VAT)	59,000,000	½
Prepayments (non-taxable)	0	½
Total sales	597,000,000	
Direct expenses		
Cost of goods sold:		
((61,950,000 + 185,850,000 – (185,850,000*25%)*100/118)	170,625,000	1
(½ for 100/118, ½ for 25%)		
Transportation expenses:		
(4,012,000 + 12,095,000)*100/118/(61,950,000 + 185,850,000)*100/118*170,625,000	11,090,625	1
Note to the markers: *If the candidate calculates the proportion of cost of goods sold to purchases as stipulated in the Tax Code, the full mark should be given.*		
Total direct costs	181,715,625	
Indirect expenses		
Wages and salaries (400*630,000 + 200*350,000)	322,000,000	1
(1 for inclusion of all salaries into indirect costs)		
Annual voluntary personal insurance against accidents at work ((400 + 200)*15,000) (limit)	9,000,000	1
(9,000,000 RR deductible out of 9,630,000 RR)		
Depreciation:		
Net book value (NBV) at 1 January 2016		
(20*590,000*100/118*70%*(1 – 5.6%)^8) = 4,414,423 RR		2
(½ for net of VAT, ½ for 70%, ½ for correct formula, ½ for correct months)		
NBV at 31 December 2016 (4,414,423*(1 – 5.6%)^12) = 2,210,741 RR		½
(½ for correct months)		
Depreciation for 2016 (4,414,423 – 2,210,741)	2,203,682	½
Intangible asset – exclusive rights (531,000*100/118/36*4)	50,000	1
(½ for net of VAT, ½ for correct months)		
Placement of advertising boards (no limitation) (12,036,000*100/118)	10,200,000	1
Software licences (less than 100,000 RR, 100% immediate write-off) (25*16,000)	400,000	1
(½ for comment on less than 100,000 RR, ½ for immediate write-off)		
Reimbursement of interest on the mortgage loan is limited to 3% of labour expenses (322,000,000*3%)	9,660,000	1
(9,660,000 deductible out of 9,700,000)		
Total indirect expenses	353,513,682	
Non-sale expenses		
Bonuses paid to customers (non-vatable item)	34,000,000	1
Total taxable base before loss deduction	**27,770,693**	
Tax losses 2013 (utilised on FIFO basis)	(27,770,693)	1
Tax base	0	
Total unutilised losses to be carried forward to 2017:		
2013 to 2015: (48,000,000 + 37,000,000 + 5,000,000 – 27,770,693)	62,229,307	½
		15