Answers

Section A

1 B

Actual costs RR 430,000 > 20% of RR 1,570,000
1,570,000 – 430,000 = 1,140,000
624,000*27.1% + (1,140,000 – 624,000)*10% = 220,704 RR

2 A

((3,250 – 1,700) + (3,350 – 1,750) + (3,450 – 1,800) + (3,550 – 1,850)) = 6,500/4 = 1,625 RR

3 A

Up to 30 September 2015
Lower limit – 75%*7% = 5.25% <7.5%. Upper limit 180%*7% = 12.6% > 7.5%

Up to 31 December 2015
Lower limit – 75%*5% = 3.75% <7.5%. Upper limit 180%*5% = 9% > 7.5%

50,000,000*7.5%*(31 – 12 + 30 + 31 + 31 + 30 + 31 + 30 + 31)/365 = 2,393,836 RR

4 B

450,000*(2/3*15% – 5%)*70/365*35% = 1,510 RR

5 A

2,100 + (2,500*3) + 3,000 = 12,600 RR

6 A

100,000*48 = 4,800,000*18% = 864,000 RR

7 D

2 months*5%*23,000,000 = 2,300,000 RR

8 D

1 April to 30 April
1,652,000*(30 – 1)/365*(20% – 15%) = 6,563

1 May to 31 July
1,652,000*(31 + 30 + 31)/365*(20% – 7%) = 54,131

(6,563 + 54,131)*18/118 = 60,694*18/118 = 9,258 RR

9 C

10 B

300,000*18% = 54,000 RR

11 C

63,720 ÷ ((63,720 + (708,000*100/118)) = 9.6%
212,400*18/118*9.6% = 3,110 RR

Marks

12 D

13 C

14 B

(1,500,000 – 900,000)*13% = 78,000 RR

15 C

2 marks each **30**

Section B *Marks*

1 OOO Domino

(a) Loan from Delans SA

Delans SA owns 50% of OOO Domino, i.e. it is a controlled debt for the thin capitalisation rules.	½
Net assets: (340,000,000 – 270,000,000 + 7,500,000) = 77,500,000 RR	1
Net assets*3 = 77,500,000*3 = 232,500,000 RR	½
Loan as of 31 March 2015: 5,000,000*49 = 245,000,000 RR	½
232,500,000 < 245,000,000, i.e. the thin capitalisation rules should be applied.	½
Controlled debt/(Net assets*3*50%):	
245,000,000/(232,500,000*50%) = 2.1075	1
Interest as of 28 February: (5,000,000*47*4.5%*(28 – 7)/365) = 608,425 RR *(½ for 47, ½ for 4.5%, ½ for correct days)*	1½
Interest as of 31 March: (245,000,000*4.5%*31/365) = 936,370 RR	1
Interest deductible for Quarter 1 of 2015:	
((936,370 + 608,425)/2.1075) = (1,544,795/2.1075) = 732,999 RR	1
Non-deductible interest treated as a dividend is:	
(1,544,795 – 732,999) = 811,796 RR	1
Tax to be withheld at 15%:	
(811,796*15%) = 121,769 RR	½
	9

(b) Loan from Supdelans Co

The thin capitalisation rules would not apply to this loan as Supdelans Co holds less than 20% of the share capital in OOO Domino and so the loan is treated as a non-controlled debt.

Therefore, the interest for Q1 of 2015 of 1,544,795 RR will be deductible in full and there will be no deemed dividend or withholding tax. 1

10

2 (a) Alexander

Social insurance contributions (SIC) under a labour agreement

	RR	
Salary (90,000*12)	1,080,000	½
Voluntary medical insurance for himself – exempt	0	½
Voluntary medical insurance for his wife and daughter (27,000 + 18,000)	45,000	½
Weekly yoga courses	10,000	½
Reimbursement of relocation expenses to Kazan – exempt	0	½
One-off payment on birth of his son (55,000 – 50,000)	5,000	1
Reimbursement of his business trip expenses – exempt	0	½
Non-state pension insurance contributions related to additional insurance contributions (43,000 – 12,000)	31,000	1
Compensation for unused vacation	97,000	1
Professional seminar on clinical studies – exempt	0	½
Total SIC base	1,268,000	
SIC: ((624,000*30%) + ((1,268,000 – 624,000)*10%)) *(½ for 30%, ½ for deducting 624,000, ½ for 10%)*	251,600	1½
		8

		Marks

(b) Boris

Social insurance contributions (SIC) under a civil law agreement

	RR	
Remuneration (90,000*12)	1,080,000	
Expenses reimbursed (not subject to SIC)	0	½
Total SIC base	1,080,000	
SIC: ((624,000*27.1%) + ((1,080,000 – 624,000)*10%)) (*½ for 27.1%, ½ for deducting 624,000, ½ for 10%*)	214,704	1½
		2
		10

3 **(a)** Eugeniya

(i) **Personal income tax (PIT)**

	RR	
Gross remuneration (working)	813,449	2½
Professional deduction (40%) exceeds actual expenses of 160,000 RR	(325,380)	1
Taxable income	488,069	
Tax at 13%	63,449	½
		4

Working:

Gross remuneration – X	
X – (0.6X*13%) = 750,000	
X – (0.078X) = 750,000	
0.922X = 750,000	*2*
X = 813,449	*½*
	2½

(ii) Where a written request has not been made to the tax agent, Eugeniya can still obtain a deduction and receive a tax refund by including the deduction in her annual tax return and submitting this to the tax authorities by the deadline of 30 April 2016. 1

(*½ for mentioning the deadline 30 April, ½ for request with annual tax return*)

(b) Maxim

(i) **Personal income tax (PIT)**

Option 1

	RR	
Gross business income	520,000	
Standard deduction (20%)	(104,000)	1
Taxable income	416,000	
Tax at 13%	54,080	½

Option 2

	RR	
Gross business income	520,000	
Actual expenses incurred	(100,000)	½
Social insurance contributions (SIC)	(85,720)	1
Taxable income	334,280	
Tax at 13%	43,456	½
Option 2 is the more tax efficient option and so should be preferable for Maxim.		½
		4

		Marks
(ii)	If business expenses exceed business income, the PIT tax base is equal to zero.	½
	However, the Tax Code does not allow the carrying forward of such a tax loss.	½
		1
		10

4 (a) OOO Novis

(i) Value added tax (VAT) for the first three quarters of 2015

Quarter 1 (Q1)

No VAT liability since no sale should be recognised when the goods are transfered to the agent's warehouse. ½

Quarter 2 (Q2)

Output VAT

(2,784,800*18/118) = 424,800 RR 1
(*½ for correct quarter, ½ for 18/118*)

Input VAT

VAT on commission fee: (424,800*4.5%) = 19,116 RR 1

VAT liability for Q2 (424,800 – 19,116) = 405,684 RR

Quarter 3 (Q3)

No VAT liability since the proceeds received from customers are equal to the sales accrued in Q2. ½

3

(ii) Invoicing procedure for OOO Rains

With respect to the goods sold, OOO Rains should issue two copies of the VAT invoice: one should be provided to the final customer, and the other one should be registered in the journal of issued VAT invoices. 1

But these sales invoices should not be shown in the sales book of OOO Rains. 1

The VAT invoice related to the commission fee should be registered by OOO Rains in the sales book but not in the relevant journal of issued invoices. 1

3

(b) OOO Master

Value added tax (VAT) liability for the first quarter (Q1) of 2015

	RR	Marks
Self-supplied output VAT		
((749,300*100/118) + 630,000 + 630,000*30% + (706,230*100/118)*18%)	369,450	2
(*½ for 100/18, ½ for inclusion of labour expenses, ½ for inclusion of 30% SIC, ½ for 18%*)		
Input VAT		
On materials invoiced (749,300*18/118)	(114,300)	½
On services from third parties (706,230*77%*18/118)	(82,952)	1
On investment in construction (as above)	(369,450)	½
Total input VAT	(566,702)	
VAT recoverable in Q1	(197,252)	
		4
		10

Marks

5 Sergey

(a) Personal income tax liability withheld at source by OOO Smiles for the year 2015

	RR	
Income taxed at 13%		
Gross salary accrued (275,000 + (310,000*11))	3,685,000	½
Children allowance (income exceeds the 280,000 RR threshold from February) ((1,400*2) + 3,000)	(5,800)	1
(*½ for one month, ½ for correct number of children*)		
Quarterly bonus	700,000	½
Birthday gift	25,000	½
Gift deduction	(4,000)	½
Coaching training – non-taxable item	0	½
Payment to recreation facility in Sochi – non-taxable item	0	½
Annual voluntary medical insurance for himself – non-taxable item	0	½
Life insurance contributions by employer – non-taxable item (5 years, no payments during insured period)	0	½
Taxable base	4,400,200	
Tax at 13%	572,026	½
Income taxed at 35%		
Imputed interest income on corporate loan without confirmation from the tax authorities: Interest for the period 17 February 2015 to 31 March 2015: (9,000,000*(2/3*15% – 5%)*(28 – 17 + 31)/365)	51,781	1½
(*½ for 2/3, ½ for 15%, ½ for correct days*)		
Interest accrued in the period April to December 2015 – paid after 1 May 2015: when the actual interest rate of 5% is greater than 2/3 of the CBR rate (5% > 7%*2/3 and 5% > 5%*2/3). Therefore, no imputed income arises in respect of interest accrued	0	1
Interest is reimbursed by OOO Smiles for the period 1 April to 30 June 2015 (non-taxable as deductible for profits tax purposes)	0	½
Taxable base	51,781	
Tax at 35% at source	18,123	½
Total PIT withheld at source (572,026 + 18,123)	590,149	
		9

(b) Final settlement of personal income tax liability for the year 2015

	RR	
Taxable base at 13% including benefits from employer (from (a))	4,400,200	
Housing allowance	(2,000,000)	½
Interest deduction for February to March and July to November 2015 (interest for April to June reimbursed by the employer; and interest for December was paid in January 2016, so not allowable in 2015) (9,000,000*5%*((28 – 17 + 31) + (31 + 31 + 30 + 31+ 30))/365)	(240,411)	1½
(*½ for 5%, ½ for omitting April to June period; ½ for not including December*)		
Educational deduction for son (within 50,000 RR)	(25,000)	½
Educational deduction for daughter (within 50,000 RR)	(38,000)	½
Social deduction – children's medical insurance (within 120,000 RR)	(45,000)	½
Charity deduction (within 25%*4,400,200, and in cash)	(15,000)	1
(*½ for mentioning 25%, ½ for deductible*)		
Taxable base	2,036,789	
Tax at 13%	264,783	½
Since Sergey claims the housing deduction, there will be no imputed interest income on the loan received	0	½
Offset of tax withheld by the employer (including the tax at the 35% rate)	(590,149)	½
Tax refund due	(325,366)	
		6
		15

6 OOO Toskana

Marks

Corporate profits tax liability for the year 2015

	RR	
Domestic sales of products (771,720,000*100/118)	654,000,000	½
Confirmed export sales (zero VAT)	7,575,000	½
Prepayments from domestic customers (non-taxable)	0	½
Total sales	661,575,000	
Direct expenses:		
Cost of goods sold ((43,896,000 + 115,758,000)*100/118*85%)	115,005,000	1
(*½ for net of VAT, ½ for 85%*)		
Transportation expenses ((3,072,720 + 8,103,060)*100/118*85%)	8,050,350	1
(*½ for net of VAT, ½ for 85%*)		
Note to markers: *If the student 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	(123,055,350)	
Indirect expenses:		
Wages and salaries ((300*400,000) + (150*200,000) + (3*635,000))	151,905,000	½
Annual voluntary medical insurance for employees (limited to 151,905,000*6% = 9,114,300)	9,114,300	1
Semi-annual voluntary insurance for employees' business trips abroad (non-deductible)	0	½
Annual voluntary insurance against accidents at work (limited to 15,000*(300 + 150 + 3) = 6,795,000)	6,795,000	1
Non-current assets:		
Coolers:		
One-off 30% write-off (already claimed in 2013)	0	½
Depreciation (106,200*100/118*70%*12/(5*12))*100	1,260,000	1½
(*½ for 100/118, ½ for 70%, ½ for correct months application over 5 years*)		
Software licences:		
36,580 < 40,000 – immediate 100% write-off (36,580*250)	9,145,000	1
Capital improvements:		
One-off 30% write-off (17,936,000*100/118*30%)	4,560,000	1
Depreciation (17,936,000*100/118*70%*9/(12*10))	798,000	1½
(*½ for net of VAT, ½ for 70%, ½ for correct months application*)		
Rental costs (26,314,000*100/118*12)	267,600,000	1
Total indirect expenses	(451,177,300)	
Non-sale income		
Bad debt received	0	½
Late payment penalty	500,000	1
	500,000	
Total taxable base	87,842,350	
Tax at 20%	17,568,470	½
		15