

Fundamentals Level – Skills Module

Taxation (Russia)

Thursday 7 June 2018



F6 RUS ACCA

Time allowed: 3 hours 15 minutes

This question 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 printed on pages 2–4.

Do NOT open this question paper until instructed by the supervisor.

Do NOT record any of your answers on the question paper.

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

Think Ahead

ACCA

The Association of
Chartered Certified
Accountants

Paper F6 (RUS)

SUPPLEMENTARY INSTRUCTIONS

1. Calculations and workings need only be made to the nearest RR
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

The following tax rates and allowances are to be used in answering all questions on this paper unless the question states otherwise.

Children allowances

First and second child (up to 350,000 RR)	1,400 RR per child
Third child (up to 350,000 RR)	3,000 RR

General limitation on 'property' allowance

Investments in residential property and land for tax purposes	2,000,000 RR (upper limit)
Interest on mortgage loan	3,000,000 RR (upper limit)

Statutory exclusions from taxable income

Prizes and awards	4,000 RR (upper limit)
Gifts at work	4,000 RR (upper limit)
Support payments	4,000 RR (upper limit)

Maximum limit for social deductions listed below 120,000 RR

(medical, personal educational, non-state pension insurance, voluntary pension insurance, voluntary life insurance and additional insurance contributions for the accumulated part of labour pension – subject to certain conditions set out in the law)

Educational deduction for children 50,000 RR (upper limit)

Professional deduction – general	20%
– designer, photographer, architect	30%
– musician, sculptor	40%
– creator of literary works, including theatre, cinema, circus	20%

Charity deduction up to 25% of income

Gains on property sales:

– immovable residential property	1,000,000 RR (upper limit)
– immovable non-residential property	250,000 RR (upper limit)
– movable property	250,000 RR (upper limit)

Investment deduction Ks*3,000,000 RR (upper limit)

$$Ks = \sum_{i=3}^n Vi \times i + \sum_{i=3}^n Vi, \text{ where}$$

V_i – gain from sale (redemption) of all securities in the tax period with the ownership period of i years

n – quantity in full years of ownership periods for securities subject to sale/redemption in the tax period as a result of which the taxpayer becomes eligible for this deduction

Statutory *per diem* rate for personal income tax:

– for domestic business trips	700 RR per day
– for foreign business trips	2,500 RR per day

Exempt employer contribution limits for personal income tax and social insurance contributions

Additional insurance contributions for the accumulated portion of the pension	12,000 RR
Birth of a child	50,000 RR for each birth

Threshold interest rates for personal income tax purposes

Rouble bank deposits	CB refinancing rate* increased by 5%
Foreign currency bank deposits	9%
Rouble loans	2/3 of the CB refinancing rate*
Foreign currency loans	9%

Threshold interest rates for profits tax purposes for controlled bank loans

Loan currency	Lower limit	Upper limit
RR	75% of CB key rate*	125% of CB key rate*
GBP	GBP LIBOR + 4%	GBP LIBOR + 7%
EUR	EURIBOR + 4%	EURIBOR + 7%
USD	USD LIBOR + 4%	USD LIBOR + 7%
CHF	CHF LIBOR + 2%	CHF LIBOR + 5%
Other currencies	USD LIBOR + 4%	USD LIBOR + 7%

*Note: The CB refinancing rate is equal to CB key rate

Thresholds for insurance contributions for the year 2018

(Note: Several categories of insurance contributions subject to special incentives and reduced rates are not examined)

	Remuneration per annum	Rate
Pension fund (PF):	Up to 876,000 RR	22%
	Over 876,000 RR	10%
Social insurance fund (SIF):	Up to 755,000 RR	2.9%
	Over 755,000 RR	0%
Federal fund of obligatory medical insurance (FFOMI):		5.1% (no upper threshold)

Expenses for profits tax purposes

Voluntary medical insurance expenses (subject to conditions set out in the law) are limited to 6% of labour costs.

Voluntary life insurance expenses (subject to conditions set out in the law) are limited to 12% of labour costs.

Voluntary personal insurance against accidents at work resulting in death or permanent physical disability is limited to 15,000 RR per each insured employee per annum.

Certain advertising expenses are limited to 1% of sales revenue.

Reimbursement of interest on employees' mortgage loans is limited to 3% of labour costs.

Entertainment expenses (subject to conditions set out in the law) are limited to 4% of labour costs.

Special depreciation ratios

Non-current assets received under financial leasing	3 (upper limit)
Historic costs of non-current assets	100,000 RR (minimum)

Allowances for receivables

General limitation	10% of sales
Aged 0 to 44 days	0% of receivables
Aged 45 to 90 days	50% of receivables
Aged more than 90 days	100% of receivables

Value added tax (VAT)	
Standard rate	18%
Reduced rate	10%
Exports	0%
Limit for VAT – exempt promo prizes – 100 RR (upper limit)	
General profits tax rate	
	20%
Tax on dividends for residents	13%
Tax on dividends for foreign companies	15%
Property tax rate	
General rate	2.2%
Office premises and shopping centres	1.3%
Personal income tax rates	
Basic rate	13%
Higher rate	35%
Tax on dividends for residents	13%
Central Bank refinancing and key rates (notional)	
1 January to 30 April 2018	15%
1 May to 30 September 2018	7%
1 October to 31 December 2018	5%
Number of calendar days in calendar months (assumed for all years)	
January	31
February	28
March	31
April	30
May	31
June	30
July	31
August	31
September	30
October	31
November	30
December	31

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 You should assume that today's date is 1 December 2017

Beauty SA, a French company, wishes to set up a wholly (100%) owned subsidiary in Russia, OOO Kopilka. OOO Kopilka will be a Russian tax resident company and will require a total investment of 5,000,000 RR.

The following two options are being considered:

Option 1

Beauty SA will contribute a share capital of 2,000,000 RR and provide a loan of 3,000,000 RR at an annual interest rate of 18%.

Option 2

Beauty SA will contribute a share capital of 500,000 RR and provide a loan of 4,500,000 RR at an annual interest rate of 12%.

Whichever option is chosen:

- both the loan and the capital contribution will be provided on 15 January 2018;
- interest is to be accrued on a quarterly basis and paid on the fifth day following the end of each quarter; and
- OOO Kopilka's net assets at the end of Quarter 1 (Q1) 2018 will be equal to the amount of the contributed capital.

Required:

For each option, calculate the deductible interest, imputed dividends and withholding tax on imputed dividends (if any) for Q1 2018. Clearly identify any item(s) which are exempt from profits tax.

(10 marks)

- 2 (a) In 2018 Professor Mr Komov received the following benefits under a civil law agreement with OOO Reserve:

	RR
Reimbursement of his accommodation costs	35,000
Reimbursement of his travel tickets confirmed by the supporting documents and incurred in favour of OOO Reserve	50,000
Remuneration for lectures provided in different regions	350,000

Mr Komov is not registered as an individual entrepreneur.

Required:

Calculate the amount of insurance contributions to be paid by OOO Reserve in respect of Mr Komov for the year 2018. Clearly identify any applicable exemptions. (3 marks)

- (b) Marina works for OOO Lavanda as a communications manager. Starting from January up to December 2018 she received a monthly gross salary of 87,000 RR. She also received the following benefits from her employer:

	RR
Pension contributions paid by her employer to the non-state pension fund	27,000
Half-year voluntary medical insurance for herself	14,000
Compensation for her unused vacation	115,000
Professional training in communications	16,000
Reimbursement of her relocation expenses to Krasnodar, Russia (within the state limits)	200,000
A support payment on the birth of her daughter (within one year after the birth)	52,000

Required:

Calculate the amount of insurance contributions to be paid by OOO Lavanda in respect of Marina for the year 2018.

Note: List all of the items referred to in the question, indicating by the use of zero (0) any which are not taxable or tax exempt. (7 marks)

(10 marks)

- 3** In the year 2018 Pavel received a monthly gross salary from his employer of 80,000 RR. During the year Pavel paid the following expenses (all confirmed by supporting documents) from his personal savings:
- annual voluntary medical insurance for his wife of 37,000 RR;
 - prescribed medical products for himself of 45,000 RR; and
 - contributions to the non-state pension fund for himself of 42,000 RR.

Pavel's wife, Svetlana, works as a freelance musician. In 2018, she received no remuneration in January, remuneration of 70,000 RR in February and remuneration of 63,000 RR each month from March to December. She incurred professional expenses during the year 2018 of 300,000 RR but she has lost all the supporting documents confirming these expenses.

In June 2018 Svetlana participated in the lottery held by the House of Music and, as a result of an advertising campaign, won a prize of a trip to Brazil with a value of 205,000 RR.

Required:

- (a) (i) **Calculate Pavel's final personal income tax liability (PIT) for the year 2018, assuming that he applies all the available deductions in his annual PIT return for the year 2018.** (3 marks)
- (ii) **State for which of his expenses Pavel could have applied for the relevant social deduction to be given at source and the criteria he would have needed to satisfy in order to receive the relevant social deduction at source.** (2 marks)
- (iii) **State the effect (if any) on the amount of social deductions available to Pavel if his employer reimbursed him for the expenses he incurred on medical insurance, prescribed medical products and non-state pension fund contributions before the end of the year 2018.**

Note: Calculations are not required. (1 mark)

- (b) **Calculate Svetlana's final PIT liability for the year 2018 taking into account that all amounts of remuneration are gross.** (4 marks)

(10 marks)

- 4 In March 2018 OOO Parket (Parket) started construction of a new warehouse for its own needs, using mixed way of construction. The title of ownership was received in May 2018. Parket incurred the following expenses on the construction of the warehouse in Quarter 2 (Q2) 2018 (all figures are inclusive of value added tax (VAT) where applicable):

Materials (for which only 90% of the VAT invoices were received in Q2)	1,003,000 RR
Labour expenses (net of insurance contributions)	2,475,000 RR
Services from third parties (all with VAT invoices)	2,124,000 RR
Depreciation of non-current assets used in the construction	100,000 RR

None of Parket's employees has monthly wages exceeding 55,000 RR gross.

Required:

- (a) **State the recognition date for the value added tax (VAT) taxable base of construction works for own needs carried out by a company's own workforce.** (1 mark)
- (b) **Calculate the VAT output tax base for Quarter 2 (Q2) 2018 in respect of the warehouse constructed by OOO Parket. Clearly identify all elements of the tax base.** (3 marks)
- (c) **Calculate OOO Parket's input VAT for Q2 2018.** (2 marks)
- (d) **State the criteria which need to be satisfied for the output VAT accrued on the constructed warehouse for own needs to be recovered by OOO Parket as input VAT in Q2.** (1 mark)
- (e) **Assuming that OOO Parket issues a VAT invoice for the constructed warehouse in Q2 2018, state where it should be registered and by which date.** (1 mark)
- (f) **Assuming OOO Parket commenced using the constructed warehouse for activities not subject to VAT in Quarter 4 (Q4) 2018, state the impact (if any) on the previously recovered VAT.**

Note: Calculations are not required. (2 marks)

(10 marks)

- 5 David works as a customs manager for OOO Mascarad. He is married to Anna, who earned a gross salary of 75,000 RR per month from her employment in 2018. The couple have an eight-year-old daughter and an 18-year-old son. Their son was not a student at any time during the year 2018.

In 2018, David's gross monthly salary was 120,000 RR and in addition, OOO Mascarad provided him with the following benefits:

- Annual voluntary medical insurance for himself of 28,000 RR;
- Voluntary medical insurance for his children of 42,000 RR;
- A support payment, due to a difficult situation with his brother, of 20,000 RR; and
- Italian lessons as an additional incentive (not related to his professional education) with the value of 40,000 RR.

David and Anna acquired a new apartment in their joint ownership in April 2018 for 12,000,000 RR.

In order to help finance the apartment's acquisition, David asked his employer for a mortgage loan and Anna requested a mortgage loan from the bank.

On 12 March 2018, OOO Mascarad provided David with a mortgage loan of 5,000,000 RR at an annual interest rate of 5%. Interest is payable monthly on the seventh day following the end of the month. The principal amount is only repayable effective from the year 2019.

On 1 April 2018, Anna received a mortgage loan from Bank Wye of 2,000,000 RR at an annual interest rate of 10.5%. Interest is payable monthly on the fifth day following the end of the month.

The residual amount of 5,000,000 RR was paid from the couple's own savings.

David has already used his housing allowance, but Anna has never used a housing allowance in her life. Anna decided to apply for the housing allowance directly to the tax inspection based on her annual personal income tax (PIT) return.

David made insurance contributions of 125,000 RR during the tax year 2018 under a six-year life assurance agreement with the insurance company, Eva. He also decided to apply this deduction directly to the tax inspection based on his annual PIT return.

Required:

- (a) Calculate David's personal income tax (PIT) withheld at source by OOO Mascarad for the year 2018, assuming that except where stated otherwise, he asked for all possible maximum deductions to be given at source.

Note: List all of the items referred to in the question, indicating by the use of zero (0) any which are not taxable or tax exempt. (9 marks)

- (b) Calculate David's final PIT liability (additional payment or refund) on submission of his PIT return for the year 2018. (2 marks)

- (c) Calculate Anna's housing allowance to be used in 2018 on submission of her PIT return for the year 2018. Clearly identify the amount of unused allowances to be carried forward to future years. (4 marks)

(15 marks)

- 6 000 Raduga is a trading company engaged in the sale of luxury goods on the Russian market. 000 Raduga always applies the accruals method for both profits tax and value added tax (VAT) and uses a quarterly profits tax reporting period.

000 Raduga's tax policy for the year 2018 requires an immediate 30% write-off of the cost of its tangible non-current assets. In its tax and financial accounts 000 Raduga applies a non-linear depreciation method to its tangible non-current assets. 000 Raduga created a bad debts provision for the first time at the year end 2017.

The following data is available for the year 2018. All amounts include VAT unless stated otherwise. All the products sold by 000 Raduga are subject to VAT at the standard rate.

Sales, cash collections and prepayments for the year 2018:

Domestic sales of goods	371,700,000 RR	
Confirmed export sales of goods	44,604,000 RR	
	1 January 2018	31 December 2018
Prepayments balances from domestic customers	26,019,000 RR	27,319,950 RR

Merchandise inventory:

The balance of inventory as at 1 January 2018 was 37,170,000 RR

During the year 2018, 000 Raduga purchased 148,680,000 RR of inventory. However, 15% of this purchased inventory was still in the warehouse at the end of 2018.

Expenses related to the transportation of inventory for sale incurred during the year 2018 were 10,407,600 RR.

The balance of transportation expenses brought forward as at 1 January 2018 was 2,601,900 RR.

Wages and salaries for the year 2018:

Annual salaries of 710,000 RR each were paid to 200 employees directly engaged in 000 Raduga's trading activities and annual salaries of 280,000 RR each were paid to 61 administrative employees.

In addition, the following insurances were provided and paid for by 000 Raduga for all its employees in the year 2018:

- annual voluntary medical insurance for a total premium of 18,000,000 RR; and
- life insurance, with an agreement term of six years, for a total premium of 35,000,000 RR.

Other expenses incurred in the year 2018:

Participation in various advertising exhibitions	9,558,000 RR
Advertising in relevant Russian journals	8,496,000 RR
Co-promotional programmes in fitness clubs	11,918,000 RR

Non-current assets as at 1 January 2018 were:

	Quantity	Initial cost	Monthly depreciation tax rate	Date put into use
Exhibition equipment	15	719,800 RR	5.6%	1 February 2017

Outstanding receivables (including VAT) as at 31 December 2018 were:

	Number of days outstanding	Amount	Comments
Customer A	45	241,900 RR	
Customer B	365	369,340 RR	Decision on liquidation received November 2018
Customer C	182	171,100 RR	

As at 1 January 2018 bad debts provision was 312,494 RR all in respect of Customer B.

Required:

Calculate the taxable profit and corporate profits tax liability of OOO Raduga for the year 2018. Show separately all elements of income and expenses, clearly identifying all elements of the bad debt provision (if any).

Notes:

1. Ignore social insurance contributions.
2. Ignore property tax.

(15 marks)

End of Question Paper