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# Answers

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Section A

1 C

2 A

3 C  $42,000 * 27.1\% = 11,382$  RR

4 B

5 D

6 A

7 B 235,022 RR  $(43,000,000 + 42,820,833 + 42,641,667 + 42,462,500) / 4 * 2.2\% / 4$

8 A  $1,475,000 * 18 / 118 = 225,000$

9 A 42,000 RR  $(35,000 - 4,000 + 15,000 - 4,000)$

10 A 0 RR

11 D

12 B

13 C

14 D 20,150 RR  $(1,200,000 - (1,000,000 + 45,000)) * 13\%$

15 B 1,926 RR  $(11,800 + 826) * 18 / 118$

Section B

Marks

1 000 Vertical

(a) Loan from GmbH Arctic

GmbH Arctic owns 35% of the shares in 000 Vertical which exceeds 25%, i.e. the loan is controlled. 1/2

Net assets:  $310,000,000 - 160,000,000 + 21,000,000 = 171,000,000$  1/2

Net assets\*3:  $171,000,000*3 = 513,000,000$  RR 1/2

Principal loan:  $10,000,000*70 = 700,000,000$  RR 1/2

Interest per three months:

		RR	
31 October 2018	$10,000,000*4%*(31 - 8)/365*63$	1,587,945	1/2
30 November 2018	$10,000,000*4%*30/365*65$	2,136,986	1/2
31 December 2018	$10,000,000*4%*31/365*70$	2,378,082	1/2
Total		6,103,013	

If the interest is less than the upper threshold below:

$4% < -0.25% + 7%$

$4% < 6.75%$ , i.e. 4% should be applied without limitations. 1/2

Principal amount + interest unpaid as at 31 December 2018 (only for December):

$700,000,000 + 2,378,082 = 702,378,082$  1

Since  $702,378,082 > 513,000,000$ , then thin capitalisation rules will be applied. 1/2

Capitalisation coefficient:  $702,378,082 / (513,000,000 * 35%) = 3.9119$  1

Deductible interest:  $6,103,013 / 3.9119 = 1,560,115$  1/2

Imputed dividends:  $6,103,013 - 1,560,115 = 4,542,898$  RR 1/2

Withholding tax:  $4,542,898 * 15% = 681,435$  RR 1/2

**8**

(b) Foreign bank loan

Conditions for treating this loan as an uncontrolled one:

(1) The loan would be provided by a bank which is not affiliated with (not a related party to) either the borrower or the guarantor. 1

(2) During the entire loan period the guarantor does not cancel (redeem) the debt, in respect of either the principal or interest amount of the loan. 1

**2**

**10**

## 2 (a) Vadim – Insurance contributions (IC) for 2018

	RR	
Salary (61,000*12)	732,000	½
Voluntary medical insurance for himself – exempt	0	½
Support aid on the birth of his daughter	53,000	½
Support aid deduction	(50,000)	½
<i>Per diems</i> within the statutory limits – exempt	0	½
Reimbursement for unused vacation	185,000	1
Sick leave reimbursement within the limits	0	½
Material support	10,000	½
Material support deduction	(4,000)	½
Total tax base for IC	<u>926,000</u>	
Pension fund (876,000*22%)	192,720	½
(926,000 – 876,000)*10%	5,000	½
Social fund (755,000 *2.9%)	21,895	½
Federal fund of obligatory medical insurance (926,000*5.1%)	47,226	½
Total IC payable	<u>266,841</u>	
		<u>7</u>

## (b) Igor

	RR	
Total remuneration received	1,800,000	
Expenses confirmed (>30% professional deduction)	(570,000)	1
Taxable base	<u>1,230,000</u>	
IC payable:		
Pension fund (876,000*22% + (1,230,000 – 876,000)*10%)	228,120	1
Social fund	0	½
Federal fund of obligatory medical insurance (1,230,000*5.1%)	62,730	½
Total IC	<u>290,850</u>	
		<u>3</u>
		<u>10</u>

## 3 (a) Elena

## Final personal income tax (PIT) for Elena for the year 2018

	RR	
PIT for Elena		
Gross salary (80,000*12)	960,000	½
Social deduction (125,000 – 25,000)	(100,000)	½
Should be within max of 120,000 RR		½
Car sale proceeds	1,000,000	½
Acquisition costs properly confirmed	(950,000)	½
Property allowance of 250,000 is not tax efficient		½
Interest deduction		
1,000,000*7%*(31 – 7 + 31 + 30 + 31 + 30)/365	(28,000)	1
No imputed interest income	0	½
Taxable income before housing allowance:	<u>882,000</u>	
Expenses incurred by Elena = 6,000,000 RR*20%, therefore Elena is entitled to the maximum housing allowance of 1,200,000 RR		½
2018 housing allowance	(882,000)	½
Taxable income after housing allowance	<u>0</u>	
Housing allowance to be carried forward to 2019:		
1,200,000 – 882,000	318,000	½
		<u>6</u>

(b) Personal income tax (PIT) for Anatoly

	RR	
Gross remuneration (Working)	1,435,644	3
Professional deduction for architect 30%	(430,693)	1/2
Taxable income	1,004,950	
Tax at 13%	130,644	1/2
		<b>4</b>
		<b>10</b>

**Working: Gross remuneration**

$x - (0.7 \cdot x \cdot 13\%) = 1,305,000$		1/2
$x - 0.091x = 1,305,000$		1/2
$x \cdot (1 - 0.091) = 1,305,000$		1/2
$0.909 \cdot x = 1,305,000$		1/2
$x = 1,305,000 / 0.909 = 1,435,644$		
$0.3 \cdot 1,435,644 = 430,693 > 400,000$		
Therefore 30% professional deduction is more tax effective than deduction of actual costs.		1
		<b>3</b>

4 (a) 000 Chocolad

Sale of the Bean debt receivable at a loss:		
$2,752,346 - 3,058,162 = (305,816 \text{ RR})$ , i.e. no VAT should be accrued for the loss. <i>(1/2 for no VAT, 1/2 for explanation)</i>		1
Sale of the Cacao debt at a gain:		
$(7,917,800 - 7,198,000) \cdot 18/118 = 109,800 \text{ RR}$ <i>(1/2 for the difference, 1/2 for 18/118)</i>		1
		<b>2</b>

(b) 000 Pharmapro

Exempt sales (donations)/total sales without VAT:		
$25,200,000 / (249,480,000 - (249,480,000 - 25,200,000) \cdot 10/110) = 25,200,000 / 229,090,909 = 11\%$		2
<b>Note:</b> The same two marks were awarded to candidates who did not round but calculated the above % with the decimal figures, i.e. 11.013% or even more precise.		
	<b>RR</b>	
Expenses related to donations:		
Direct transportation expenses	2,081,520	1/2
General and administration expenses $32,114,880 \cdot 100/118 \cdot 11\%$	2,993,760	1
	5,075,280	
Total expenses (VATable + exempt): $(18,733,680 + 32,114,880) \cdot 100/118 + 2,081,520$	45,173,520	1 1/2
Expenses related to donations/total expenses: $5,075,280 / 45,173,520 = 11.2\% > 5\%$ test <i>(1/2 for correct ratio calculation, 1/2 for mentioning 5% test)</i>		1
Irrecoverable VAT to be included in costs: $32,114,880 \cdot 18/118 \cdot 11\% = 538,877 \text{ RR}$		1
VAT recoverable: $(18,733,680 + (32,114,880 \cdot 89\%)) \cdot 18/118 = 7,217,683 \text{ RR}$		1
		<b>8</b>
		<b>10</b>

## 5 Karina

## (a) Personal income tax (PIT) to be withheld at source by OOO Minder

	RR	
<b>Tax at 13%</b>		
Gross salary 210,000*6	1,260,000	½
Children allowance for January only (one month) since in February her income exceeds 350,000 RR: 2*1,400	(2,800)	1
Semi-annual voluntary medical insurance for herself	21,000	1
Semi-annual voluntary medical insurance for her children	25,000	1
Professional leadership training (exempt)	0	½
Yoga courses	10,000	½
Less exemption on gift from employer	(4,000)	1
Voluntary life insurance for kids (one year)	16,000	1
Taxable base	<u>1,325,200</u>	
Tax at 13%	172,276	½
		<u>7</u>

## (b) Final PIT liability for Karina

	RR	
Taxable base at 13%	1,325,200	
Charity deduction (within 25% of taxable income taxed at both 13% and 35% rate – actual amount is below the limitation):		
in kind	0	
in cash	(30,000)	1
<i>(½ for 25%, ½ for cash only)</i>		
The maximum social deduction should be within 120,000 RR		½
Contributions to the non-state pension fund 7,000*12 (within the limit of 120,000 per annum)	(84,000)	½
Karina's Spanish lessons (within the limit of 120,000 per annum) 120,000 – 84,000	(36,000)	½
Educational deduction for her son (maximum out of 55,000)	(50,000)	1
Educational deduction for her daughter	(35,000)	½
Taxable base at 13% rate	<u>1,090,200</u>	
Tax due to the budget at 13%	141,726	½
Tax withheld at source at 13% (from part (a))	(172,276)	½
Tax due from the budget at 13%	<u>(30,550)</u>	½
Taxable base at 35% rate:		
Imputed interest income on loan for consumer's needs:		
15 August–30 September: CBR is 7%		
4% is less than 4.67% (2/3*7%), so imputed interest will be following:		
(2/3*7% – 4%)*12,000,000*(31 – 15 + 30)/365	10,082	1½
<i>(½ for 2/3, ½ for correct CBR rate, ½ for correct days)</i>		
<b>Note:</b> Candidates who rounded 2/3 of CBR rate to two decimals were awarded full marks for the answer 10,133 RR.		
1 October–31 December: CBR is 5%		
4% is more than 2/3*5%, no imputed interest income	0	½
Tax at 35% (10,082 RR * 35%)	3,529	½
		<u>8</u>
		<u>15</u>

6 000 Merry

(a) Corporate profits tax for the year 2018

	RR	RR	
<b>Revenue:</b>			
Revenue from sales to Russian customers (164,610,000*100/118)	139,500,000		½
Revenue from sales to CIS customers (confirmed exports)	11,500,000		½
Prepayments from Russian customers (exempt)	0		½
	<hr/>	151,000,000	
<b>Direct expenses:</b>			
Direct materials (24,780,000*100/118)	21,000,000		½
Direct wages (31,000*300*12)	111,600,000		½
Direct insurance against accident at work (300*15,000) (only 4,500,000 will be deductible out of 5,000,000 RR)	4,500,000		1
Direct depreciation (Working)	24,003,300		3½
	<hr/>	(161,103,300)	
<b>Indirect expenses:</b>			
Indirect salaries (15*10,000*12)	1,800,000		½
Voluntary medical insurance (1,800,000 + 111,600,000)*6%	6,804,000		1
	<hr/>	(8,604,000)	
<b>Business entertainment expenses:</b>			
Official lunches (483,800*100/118)	410,000		½
Visa expenses for non-employees – non-deductible	0		½
Cost of external translators	436,600		½
Taxi from the hotel to the meeting venue and back	25,000		½
Hotel accommodation – non-deductible	0		½
Guided tour in Kremlin – non-deductible	0		½
	<hr/>	(871,600)	
Business entertainment expenses should be within the limit below for profits tax purposes: 4%*(111,600,000 + 4,500,000 + 1,800,000 + 6,804,000) = 4,988,160 (½ for insurance against accident at work, ½ for medical insurance, ½ for 4%)			1½
Tax loss		<hr/> <hr/>	
		(19,578,900)	
			<hr/> <b>13</b>

**Working: Direct depreciation**

		RR	
Net book value (NBV)			
as of 31 December 2017	855,500*100/118*70%*(1 – 5.6%) <sup>(8 + 12)</sup>	160,279	2
NBV as of 31 December 2018	160,279*(1 – 5.6%) <sup>12</sup>	(80,268)	1
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		80,011	

The difference: 80,011\* 300 = 24,003,300 RR ½  

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3½

**Note:** Full marks were also awarded to candidates who multiplied by 300 in the beginning of the calculation and received the depreciation cost of 24,003,366 RR.

(b) Provided that 000 Merry applies the allocation method to direct expenses incurred for the services rendered, the completion ratio should be calculated as follows:

$(26,337,600*100/118)/(0 + 151,000,000 + (26,337,600*100/118)) = 12.878\%$  2  
(½ for net of VAT, ½ for correct formula, ½ for 151,000,000 (follow through from part (a)), ½ for zero inventory balance)

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**15**