

---

# Answers

---

Section A

1 C

2 D

3 A  $1,021,000 \times 22\% + (1,030,000 - 1,021,000) \times 10\% + 1,030,000 \times 5.1\% = 278,050$  RR

4 D

5 D

6 A  $(56,000,000 - (105,000,000 - 105,000,000 \times 36/120)) \times 6/(120 - 36) = 1,250,000$  RR

7 B

8 A  $(700,000 + 52,000 - 52,000 - 25,000) \times 13\% = 87,750$  RR

9 A  $(1,700,000 + 900,000)/60 \times 5 = 216,667$  RR

10 B  $20,100,000 \times 1.3\% / 4 \times 2/3 = 43,550$  RR

11 D

12 A  $(450,000 - 300,000 - 10,000) \times 13\% = 18,200$  RR

13 B  $(11,016,000 / (122,400,000 \times 100/120 + 11,016,000)) \times 54,100,000 / 10 = 527,329$  RR

14 D

15 D

Section B	Marks
<b>1 (a) Amber</b>	
AO Platinum is a foreign company which owns 30% share in Amber, i.e. if it gives a loan, it would be a controlled loan.	½
000 Slava is a Russian company, i.e. uncontrolled loan.	½
Pier S.A. holds 15%, <25%, i.e. uncontrolled loan.	½
Net assets:	
250,000,000 – 93,000,000 + 18,000,000 = 175,000,000 RR	1
Net assets*3 = 525,000,000 RR	½
Loan at 31 December 2019:	
500,000*77 = 38,500,000 RR	½
Check if interest is less than the upper % threshold:	
6.5% > -0.90% +7%	1
6.5% > 6.1%, i.e. only 6.1% will be deductible interest as follows:	
500,000*6.1%*(31 – 15)/365*71 = 94,926 RR	1
(½ for 6.1%, ½ for correct exchange rate)	
500,000*6.1%*30/365*73 = 183,000 RR	½
500,000*6.1%*31/365*77 = 199,462 RR	½
Total interest deductible on Slava and Pier loans:	
94,926 + 183,000 + 199,462 = 477,388 RR	
Principal loan + actual unpaid interest for December at 6.5% rate:	
38,500,000 + 500,000*6.5%*31/365*77 = 38,712,541 RR	1
Since 525,000,000 > 38,712,541, thin cap rules will not be applied and interest deductible on Platinum loan would also be 477,388 RR.	½
	<b>8</b>
<b>(b) Dividends payments</b>	
Dividends to AO Platinum:	
30% ownership*750,000,000*15% = 33,750,000 RR	½
Dividends to Slava:	
55% ownership (>50%) + 2 years of ownership (>1 year), i.e. withholding tax will be 0 due to 0% tax rate.	
(½ per each criterion)	1
Dividends to Pier S.A.:	
750,000,000*15%*15% = 16,875,000 RR	½
	<b>2</b>
	<b>10</b>
<b>2 (a) Anton</b>	
	<b>RR</b>
Gross salary 39,000*12	468,000
Bonus 480,000/(100% – 13%)	551,724
Semi-annual club membership (gift)	25,000
Gift deduction	(4,000)
Material aid on occasion of his son's birth	55,000
Birth deduction	(50,000)
Reimbursement of mobile phone expenses – only private component (20,000*30%)	6,000
Annual voluntary medical insurance for his wife – exempt	0
Contributions to the non-state pension fund – in excess of the limit of 12,000:	60,000
Exemption	(12,000)
Total taxable base	<b>1,099,724</b>

		<i>Marks</i>
<b>IC</b>		
1,021,000*22% + (1,099,724 – 1,021,000)*10% = 232,492 ( $\frac{1}{2}$ for 22%, $\frac{1}{2}$ for 10%)		1
815,000*2.9% = 23,635		$\frac{1}{2}$
1,099,724*5.1% = 56,086		$\frac{1}{2}$
Total: 312,213 RR		
		<u><u>7</u></u>

**(b) Oxana**

	<b>RR</b>	
Annual remuneration	1,500,000	
Professional deduction (30%)	(450,000)	1
It is more tax efficient to apply professional deduction v actual expenses 420,000 ( $\frac{1}{2}$ for 30% application, $\frac{1}{2}$ for explanation)		
Tax base	<u>1,050,000</u>	
1,021,000*22% + (1,050,000 – 1,021,000)*10%	227,520	1
Not subject to Federal Social Fund	0	$\frac{1}{2}$
1,050,000*5.10%	<u>53,550</u>	$\frac{1}{2}$
Total	<u>281,070</u>	
		<u><u>3</u></u>
		<u><u>10</u></u>

**3 Vitaliy**

**(a) Personal income tax liability for the year 2019 withheld by employer**

	<b>RR</b>	
Gross salary accrued: 61,000*12	732,000	$\frac{1}{2}$
Children allowance 1,400*2*5 (up to 350,000)	(14,000)	1
( $\frac{1}{2}$ for 2, $\frac{1}{2}$ for 5 months)		
Voluntary life insurance based on three years agreement	21,000	1
Professional trainings and seminars – exempt	0	$\frac{1}{2}$
Per diems (105,000 – 100,000 RR exempt)	<u>5,000</u>	$\frac{1}{2}$
Taxable income	<u>744,000</u>	
Tax at 13%	96,720	$\frac{1}{2}$
		<u><u>4</u></u>

**(b) (i) Final settlement of Vitaliy's PIT liability based on his annual personal income tax return for the year 2019**

	<b>RR</b>	
Taxable income (from (a))	744,000	
Social deductions within 120,000 RR:		
Medical expenses for his father (120,000 – 15,000)	(105,000)	1
Personal education – Chinese lessons	(15,000)	$\frac{1}{2}$
<b>Tutorial note:</b> Any allocation within 120,000 between medical expenses and personal education will be awarded the same total marks – 1 $\frac{1}{2}$		
Educational deduction for his children:		
Daughter's ballet school within 50,000 RR (out of 60,000)	(50,000)	1
Son's Italian lessons within 50,000 RR	(23,000)	$\frac{1}{2}$
Investment deduction (400,000 out of 410,000 RR)	<u>(400,000)</u>	1
Taxable income	<u>151,000</u>	
Tax accrued at 13%	19,630	$\frac{1}{2}$
Tax withheld in (a)	(96,720)	$\frac{1}{2}$
Tax refund from the budget	<u>77,090</u>	
		<u><u>5</u></u>

		<i>Marks</i>
<b>(ii)</b>	Maximum deadline is three years following 2019 year when tax deductions for 2019 could be claimed, i.e. not later than in 2022.	1
		<u><b>10</b></u>

**4 (a) OOO Cantucci**

**VAT liability**

	<b>RR</b>
<b>Output VAT:</b>	
Purchased materials	3,720,000*100/120
Labour and insurance contributions	4,575,000 + 4,575,000*30%
( $\frac{1}{2}$ for labour expenses, $\frac{1}{2}$ for 30%)	
Third party services should not be included	0
Depreciation	1,000,000
Amortisation	750,000
Total	<u>10,797,500</u>
VAT accrued at 20%	2,159,500
<b>Input VAT:</b>	
VAT on materials	3,720,000*20/120
VAT on services	2,976,000*20/120
VAT accrued on construction above	<u>(2,159,500)</u>
Total	<u>(3,275,500)</u>
VAT recoverable (due from budget)	(1,116,000)
	<u><b>5</b></u>

**(b) OOO Veter**

**Principal's VAT liability**

	<b>RR</b>
<b>Output VAT:</b>	
Goods sold to third parties	12,240,000*20/120
Adjusted VAT invoices	<u>856,800*20/120</u>
Subtotal	1,897,200
<b>Input VAT:</b>	
Imported goods	9,792,000*20/120
Customs duty	not subject for recovery
Destruction services	1,468,800*20/120
Agent commission	6%*12,240,000*20/120
Subtotal	<u>(1,999,200)</u>
VAT refund	(102,000)
	<u><b>5</b></u>
	<u><b>10</b></u>

		<i>Marks</i>
5 (a) (i) Lyubov		
<b>Personal income tax liability to be withheld at source by Charoit</b>		
	<b>RR</b>	
<b>Tax at 13%</b>		
Gross salary $75,000 * 12$	900,000	$\frac{1}{2}$
Sick leave within the limits	15,500	$\frac{1}{2}$
Interest deduction		
$1,500,000 * 3.5\% * (31 - 12 + 30 + 31 + 30 + 31 + 30 + 31 + 30) / 365$	(37,829)	1
Taxable base	877,671	
Housing allowance (max. available within the income)	(877,671)	1
No imputed interest income since housing allowance is claimed	0	1
Taxable base	0	
Tax to be withheld at source	0	
	<b>4</b>	
(ii) Sale of the old house in November 2019		
In this case, the sales price is $1,300,000 < (0.7 * \text{cadastral value } 1,900,000)$ , then 0.7 of cadastral value should be applied instead of actual sales price.		1
	<b>RR</b>	
Cadastral value adjustment $1,900,000 * 0.7$	1,330,000	$\frac{1}{2}$
Property deduction being original cost	(1,200,000)	1
Since actual expenses $> 1,000,000$ , so 1,200,000 should be applied		
Tax base	130,000	
PIT: $130,000 * 13\%$	16,900	$\frac{1}{2}$
To minimise PIT liability to zero, in terms of the acquired old house, it would be more efficient, tax wise, to sell it five years after the title of ownership transfer, i.e. after January 2024.		1
	<b>4</b>	
(b) (i) Final settlement of personal income tax liability for Pavel		
	<b>RR</b>	
Gross remuneration		
$(70,000 + 80,000 + 210,000 + 80,000 + 110,000 + 950,000)$	1,500,000	$\frac{1}{2}$
Professional deduction $1,500,000 * 30\%$	(450,000)	$\frac{1}{2}$
It is more tax efficient to apply professional deduction v actual expenses incurred		
No housing allowance since Pavel has already used it	0	$\frac{1}{2}$
Investment income (gain)	200,000	$\frac{1}{2}$
Investment deduction	(200,000)	$\frac{1}{2}$
(three years passed, investment deduction is within the gain)		
PIT tax base	1,050,000	
Tax at 13%	136,500	$\frac{1}{2}$
<b>PIT at 35%</b>		
Imputed interest		
28 March 2019–30 April 2019 $1,000,000 * (2/3 * 15\% - 9\%) * (31 - 28 + 30) / 365$	904	$1\frac{1}{2}$
1 May 2019–31 December 2019 $9\% > 7\% \text{ or } 5\%$ , no imputed interest for this period		$\frac{1}{2}$
Tax at 35%	316	$\frac{1}{2}$
	<b>6</b>	
(ii) Pavel can receive an investment deduction from the bank (as tax agent), if he approached the bank on the date of closing an individual investment account with the confirmation document from the tax inspection.		1
<i>(<math>\frac{1}{2}</math> for mentioning the correct deadline, <math>\frac{1}{2}</math> for mentioning the bank as a tax agent)</i>		
	<b>15</b>	

6 Olivia

Marks

Corporate profits tax liability for the year 2019:

	RR	
Sales to domestic customers $669,060 * 100 / 120$	557,550,000	$\frac{1}{2}$
Confirmed export	27,877,500	$\frac{1}{2}$
Prepayments	0	$\frac{1}{2}$
<hr/>		
Total sales	585,427,500	
<b>Direct expenses:</b>		
Costs of goods sold: $(31,222,800 + 535,248,000 * 80%) * 100 / 120$	(382,851,000)	$\frac{1}{2}$
Transportation: $(2,185,596 + 37,467,360 * 80%) * 100 / 120$	(26,799,570)	$\frac{1}{2}$
Direct salaries $600,000 * 150$	(90,000,000)	$\frac{1}{2}$
<hr/>		
Total direct expenses:	(499,650,570)	
<hr/>		
Gross profits	85,776,930	
<b>Indirect expenses</b>		
Wages and salaries: $180,000 * 70$	(12,600,000)	$\frac{1}{2}$
Annual voluntary medical insurance limited to: $(90,000,000 + 12,600,000) * 6\% = 6,156,000$ out of 9,000,000	(6,156,000)	$\frac{1}{2}$
5 years life insurance is limited to: $(90,000,000 + 12,600,000) * 12\% = 12,312,000$ out of 15,000,000	(12,312,000)	$\frac{1}{2}$
Advertising expenses:		
TV placement $6,240,000 * 100 / 120$	(5,200,000)	$\frac{1}{2}$
Internet and social media placement $8,280,000 * 100 / 120$	(6,900,000)	$\frac{1}{2}$
Co-promotion in pharmacies $7,320,000 * 100 / 120 = 6,100,000$ is limited to: $585,427,500 * 1\% = 5,854,275$	(5,854,275)	$\frac{1}{2}$
Depreciation (Note 1)	(22,280,500)	$3\frac{1}{2}$
<hr/>		
Total indirect expenses:	(71,302,775)	
<hr/>		
Taxable base before losses	14,474,155	
<hr/>		
50% of taxable base only	7,237,078	$\frac{1}{2}$
Losses to be utilised under FIFO basis are limited to 50% of taxable base		
Loss from the year 2015	(5,789,627)	$\frac{1}{2}$
Loss from the year 2016 $(7,237,078 - 5,789,627)$	(1,447,451)	$\frac{1}{2}$
<hr/>		
Taxable base after losses utilisation: $(14,474,155 - 7,237,078)$	7,237,077	
Profits tax 20%	1,447,415	$\frac{1}{2}$
<hr/>		
Losses to be carried forward to the year 2020:		
Loss from the year 2016: $4,342,220 - 1,447,451 =$	2,894,769	$\frac{1}{2}$
Loss from the year 2017:	3,250,000	$\frac{1}{2}$
<hr/>		
Total losses to be carried forward:	6,144,769	
<hr/>		
		<b>15</b>

**Note 1**

NBV as at 31 December 2018 <i>(1/2 for 100/120, 1/2 for 70%, 1/2 for correct formula, 1/2 for correct months)</i>	$858,600 * 100 / 120 * 70\% * (1 - 5.6\%)^2 = 446,325$	$\frac{2}{2}$
NBV as at 31 December 2019	$446,325 * (1 - 5.6\%)^12 = 223,520$	$\frac{1}{2}$
Difference:	$(446,325 - 223,520) * 100 = 22,280,500$	$\frac{1}{2}$
		$3\frac{1}{2}$