

Applied Skills

# Taxation – Russia (TX – RUS)

Tuesday 3 December 2019



TX RUS ACCA EN

**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.**

S  
R  
R  
U  
S  
—  
T  
X

Think Ahead

**ACCA**

The Association of  
Chartered Certified  
Accountants

## 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)
Reduced coefficient applied to the cadastral value of real property	0.7

Investment deduction  $K_s \times 3,000,000$  RR (upper limit)

$$K_s = \sum_{i=3}^n V_i \times i \div \sum_{i=3}^n V_i, \text{ where}$$

$V_i$  – 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, traded Russian bonds	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 and rates for insurance contributions for the year 2019

(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 1,021,000 RR	22%
	Over 1,021,000 RR	10%
Social insurance fund (SIF):	Up to 815,000 RR	2.9%
	Over 815,000 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)
R&D cost deduction coefficient	1.5

## 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

**Investment deduction limits:**

Federal budget income tax limit	– 10% of expenses for the acquisition and modernisation of fixed assets
Regional budget income tax limit	– 90% of expenses for the acquisition and modernisation of fixed assets
	– Maximum deduction: Tax due under standard rate – tax due at 5% rate

**Value added tax (VAT)**

Standard rate	20%
Reduced rate	10%
Exports	0%

Limit for VAT – exempt promo prizes – 100 RR (upper limit)

**General profits tax rate** 20%

Including: – federal part	3%
– regional part	17%

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 2019	15%
1 May to 30 September 2019	7%
1 October to 31 December 2019	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 A – ALL 15 questions are compulsory and MUST be attempted**

Please use the grid provided on page two of the Candidate Answer Booklet to record your answers to each multiple choice question. Do not write out the answers to the MCQs on the lined pages of the answer booklet. Each question is worth 2 marks.

**1 Which of the following items is/are exempt from insurance contributions?**

- (1) Reimbursement of professional training expenses for employees
- (2) *Per diems* confirmed by documents above the limits for personal income tax
- (3) Material aid related to the death of an employee's family member

- A** 1 and 2 only
- B** 3 only
- C** 1 and 3 only
- D** 1, 2 and 3

- 2** On 30 April 2019, company A decreased the selling price of its product by 50%, which had already been shipped and invoiced in January 2019. The product is subject to value added tax (VAT).

**What is the correct way for company A to adjust the selling price according to the VAT law?**

- A** Issue both a correcting VAT invoice for the difference and a new VAT invoice showing the new price in April 2019
- B** Issue both a correcting VAT invoice for the difference and a new VAT invoice showing the new price in January 2019
- C** Issue a correcting VAT invoice for the difference in January 2019 only
- D** Issue a correcting VAT invoice for the difference in April 2019 only

- 3** Mariya is working under a civil law agreement for OOO Ritm (Ritm). She is not registered as an individual entrepreneur. For the year 2019, Ritm paid her an annual gross salary of 1,030,000 RR. In addition, Ritm reimbursed her for the following expenses:

- Railway tickets required in the course of her work for 35,000 RR
- Taxi to the railway station in the course of her work for 10,000 RR

**What is the amount of insurance contributions (IC) payable by OOO Ritm in respect of its payments to Mariya?**

- A** 278,050 RR
- B** 279,560 RR
- C** 301,685 RR
- D** 303,195 RR

**4 Which of the following items are subject to tax secrecy under the Tax Code?**

- (1) Data on tax violations of the company and related penalties
- (2) Weighted average number of employees of the company for the calendar year
- (3) Taxes and fees paid by the company for the calendar year

- A** 1
- B** 2
- C** 3
- D** None of them

**5 Which of the following transactions are exempt from value added tax (VAT)?**

- (1) Sale of property and/or property rights of bankrupt debtors in compliance with the Russian law
- (2) Transfer of property rights from the taxpayer to its successor/successors
- (3) Any monetary transfers related to the circulation of Russian/foreign currency

- A** 1 and 2 only
- B** 2 and 3 only
- C** 1 and 3 only
- D** 1, 2 and 3

- 6** OOO Blue (Blue) purchased an intangible asset with a useful life of 10 years on 1 June 2016 for 105,000,000 RR. Blue sold this on 1 June 2019 for 56,000,000 RR.

**What is the amount deductible for the purposes of corporate profits tax as a result of the sale of the intangible asset on 1 June 2019?**

- A** 1,250,000 RR
- B** 17,500,000 RR
- C** 1,020,833 RR
- D** 56,000,000 RR

**7 Which of the following statements are included in the list of general conditions, which should be met by the taxpayer, to apply for participation in tax monitoring?**

- (1) Total amount of all taxes paid in the calendar year preceding the year of application should be more than 300 million RR
- (2) Total amount of income, under statutory (financial) reporting, for the calendar year preceding the year of application should be not less than 3 billion RR
- (3) Total amount of assets, under statutory (financial) reporting, as at 31 December preceding the year of application should be more than 3 billion RR

- A** 1 only
- B** 2 only
- C** 3 only
- D** 1, 2 and 3

- 8** During the year 2019, Margarita received a pendant, on the occasion of her birthday, from her husband which had a value of 52,000 RR. In addition, she made both a monetary donation to a charity fund of 25,000 RR and a television (TV) panel which had a value of 10,000 RR. Her annual gross income for the year was 700,000 RR.

**What is Margarita's personal income tax (PIT) due to the budget for the year 2019?**

- A** 87,750 RR
- B** 103,250 RR
- C** 104,550 RR
- D** 86,450 RR

- 9 000 Modern purchased a non-current asset in May 2016 which was subject to modernisation in July 2019. The following information is available in respect of that non-current asset:

Initial value – 1,700,000 RR (net of VAT)

Economic useful life – five years, linear depreciation

Expenses for the modernisation incurred in July 2019 – 900,000 RR (net of VAT)

**What is the amount of deductible depreciation for corporate profits tax after modernisation in the period August to December 2019?**

- A 216,667 RR
- B 619,048 RR
- C 141,667 RR
- D 75,000 RR

- 10 The following data is available in respect of a shopping centre, acquired by AO Hello:

Date	Net book value	Cadastral value
1 January 2019	18,500,000 RR*	20,100,000 RR
1 February 2019	18,469,167 RR*	20,100,000 RR
1 March 2019	18,438,333 RR	20,100,000 RR
1 April 2019	18,407,500 RR	20,100,000 RR

\* Data on 1 January and 1 February is taken from the seller's books.

The purchase/sale agreement has been placed in the state register on 13 February 2019.

**What is the prepayment amount for the property tax for Quarter 1 2019 for AO Hello for this immovable property?**

- A 65,325 RR
- B 43,550 RR
- C 19,992 RR
- D 39,983 RR

- 11 Which of the following debts meet the conditions to be treated as bad debts?

- (1) Debts receivable of which the statutory limitation period has expired
- (2) Debts under which the liability has been terminated based on a state authority document or liquidation of a debtor
- (3) Debts of a bankrupt person which are exempt from further execution by creditors

- A 1 and 2 only
- B 2 and 3 only
- C 1 and 3 only
- D 1, 2 and 3

- 12 Ekaterina opened an anonymous precious metal account in December 2017 by depositing 300,000 RR with a bank, which was all invested in precious metals. In May 2019, she sold 100% of the metals from this account and received sales proceeds of 450,000 RR. Her expenses for maintaining the anonymous metal account were 10,000 RR and she has kept all the supporting documents.

**What is Ekaterina's personal income tax (PIT) liability on the sale for the year 2019?**

- A 18,200 RR
- B 26,000 RR
- C 24,700 RR
- D 19,500 RR

- 13** Immovable property, with an economic life of 10 years, was acquired by OOO Grill in June 2016 for 270,500,000 RR (net of value added tax (VAT)). This immovable property was used for operations chargeable to VAT at the standard rate until January 2019 when its use was changed to activities exempt from VAT. The following data is available for the year 2019:

Revenue from taxable activity with VAT	122,400,000 RR
Exempt revenue	11,016,000 RR

**What is the amount of VAT subject to claw-back from the budget in Q4 2019 in respect of this immovable property?**

- A** 131,832 RR
  - B** 527,329 RR
  - C** 486,900 RR
  - D** 584,280 RR
- 14** OOO Spak shipped goods for export in Quarter 1 (Q1) 2019. However, the documents confirming the export were not collected in due time. The goods subject to export are not considered to be raw materials.

**What would be the latest period for OOO Spak to apply for VAT recovery in the tax return after collection of the relevant confirmed documents?**

- A** Quarter 4 2019
  - B** Quarter 1 2020
  - C** Quarter 1 2021
  - D** Quarter 1 2022
- 15** Maxim would like to contribute 400,000 RR to his individual investment account in the year 2019.

**Which of the following conditions should Maxim comply with to be eligible to apply for the investment deduction in the year 2019?**

- (1) Maxim must be a Russian tax resident
  - (2) Maxim must have taxable income for the year 2019
  - (3) Maxim must only have one agreement with the broker or trust manager for keeping the above individual investment account; and the account should be open for a period of not less than three years
- A** 1 and 2 only
  - B** 3 only
  - C** 1 and 3 only
  - D** 1, 2 and 3

**(30 marks)**



**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 OOO Amber (Amber) is owned by three shareholders: AO Platinum (Platinum), a Belorussian shareholder, owns 30% (since 2015); OOO Slava (Slava), a Russian shareholder, owns 55% (since 2017); and the remaining 15% is owned by a Belgian company, Pier S.A. (Pier), (since 2016).

The available results for Amber for the year end 2019 is as follows:

	RR	RR
Total assets:		250,000,000
Including:		
Deferred tax assets	71,000,000	
Total liabilities:		93,000,000
Including:		
Deferred tax liabilities	61,000,000	
Current tax liabilities	18,000,000	

Amber needs 500,000 EUR to finance a regional investment project. Each shareholder is able to provide the requested finance under the conditions that the loan period is one year, the interest rate is 6.5% and interest is to be payable on a monthly basis on the fourth day following the end of each month. The loan of 500,000 EUR will be provided in full by either Platinum or Slava or Pier. Whichever option is chosen, the loan will be provided on 15 October 2019.

The requested loan is already included in the total liabilities, given above.

**Required:**

- (a) For each financing option, identify the controlled/uncontrolled loan/loans, state whether the thin capitalisation rules apply, and calculate the deductible interest (if any) for OOO Amber for Quarter 4 2019. Please DO NOT calculate forex gains or losses. (8 marks)
- (b) Assuming that OOO Amber accrued dividends for the year 2018 with a total value of 750,000,000 RR and that dividends are distributed according to the shareholding split, calculate the withholding tax due from OOO Amber for each dividend payment. In your answer, please ignore deemed dividends, if any. (2 marks)

Relevant (notional) EUR/RR exchange rates

15 October 2019	75
31 October 2019	71
4 November 2019	72
30 November 2019	73
4 December 2019	76
31 December 2019	77
4 January 2019	78

EURIBOR one year rates (negative rates):

15 October 2019	-0.90%
31 October 2019	-0.30%
30 November 2019	-0.50%
31 December 2019	-0.40%

**(10 marks)**

- 2 (a) Anton works for OOO Rainbow (Rainbow) under a labour agreement and received a gross monthly salary of 39,000 RR for the year 2019. Rainbow also provided Anton with the following benefits during the same year:
- A net bonus for the year of 480,000 RR (accrued and paid in 2019);
  - Semi-annual club membership of 25,000 RR (gift from employer);
  - Material aid of 55,000 RR on the occasion of the birth of his son;
  - Mobile phone expenses reimbursed by Rainbow of 20,000 RR. Only 70% of these expenses related to calls for business purposes, the remainder are private calls;
  - Annual voluntary medical insurance for Anton's wife of 52,000 RR;
  - Contributions to a non-state pension fund of 60,000 RR.

**Required:**

**Calculate the amount of insurance contributions (IC) tax base for the year 2019 and the amount of IC to be paid by OOO Rainbow in respect of Anton.**

Note: You should indicate where any items will not be subject to IC by the use of a zero (0). (7 marks)

- (b) Oxana produces photographs for a special exhibition of documentary films. In November 2019, she received a gross amount of 1,500,000 RR for her work under an author's agreement with OOO Creative. The expenses she incurred in relation to this work were 420,000 RR. Oxana is not registered as an individual entrepreneur.

**Required:**

**Calculate the insurance contributions (IC) tax base and the amount of IC to be paid by OOO Creative for the year 2019 under the author's agreement.** (3 marks)

**(10 marks)**

- 3** Vitaliy works as a talent review manager for OOO Profile (Profile). He is married to Nica, and the couple have one daughter and one son, aged ten and fourteen years respectively.

**Employment income**

Vitaliy's gross monthly salary was 61,000 RR during the year 2019. From 1 July 2019, he also received the following benefits from Profile:

- Voluntary life insurance contributions for Vitaliy based on a three-year agreement – 21,000 RR.
- Professional training and seminars – 28,000 RR.
- *Per diems* – 105,000 RR, including 100,000 RR within the state limits.

**Other information**

In addition, during the year 2019:

- Vitaliy paid 120,000 RR for his father's medication based on receipts. Vitaliy did not manage to submit confirming documents to his employer before the deadline.
- In March 2019, he contributed 23,000 RR towards his son's annual Italian-language lessons provided by a licensed Italian school, and 60,000 RR towards his daughter's annual ballet lessons provided by a licensed ballet school.
- In September 2019, he paid 15,000 RR for his own Chinese-language lessons provided by a licensed school.
- Vitaliy did not manage to submit supporting documents to his employer regarding any of these educational expenses before the deadline.
- In October 2019, Vitaliy opened an individual investment account with the bank Orian and invested 410,000 RR in this account. He kept all the confirmed documents for opening this account.

**Required:**

- (a) Calculate the personal income tax (PIT) liability for Vitaliy to be withheld by his employer OOO Profile for the year 2019, taking into account that Vitaliy claims all possible deductions based on his annual PIT return.**

Note: List all the items referred to in the question, indicating by the use of zero (0) any item which is non-taxable or exempt. (4 marks)

- (b) (i) Calculate the final settlement of Vitaliy's PIT liability based on his annual PIT return for the year 2019. You should assume that Vitaliy meets all criteria to be eligible for all possible deductions in terms of documents submitted along with his annual PIT return.** (5 marks)

**(ii) State the latest deadline (year) in which a taxpayer is entitled to submit their 2019 annual tax return with the objective to claim and receive tax deductions for 2019.** (1 mark)

**(10 marks)**

- 4 (a) In March 2019, OOO Cantucci (Cantucci) started construction of a new building for its own needs, using mixed way of construction. The title of ownership for the property was received in September 2019. The expenses incurred in Quarter 3 2019 are listed below (all items include value added tax (VAT) at the standard rate where applicable):

Purchased materials	3,720,000 RR
Labour expenses (net of insurance contributions)	4,575,000 RR
Services from third parties	2,976,000 RR
Depreciation of fixed assets used in construction	1,000,000 RR
Amortisation of intangible assets used in construction	750,000 RR

None of Cantucci's employees has a monthly wage exceeding 61,000 RR gross for the year 2019.

**Required:**

**Calculate OOO Cantucci's value added tax (VAT) liability for Quarter 3 2019 in respect of the construction of the building. Clearly identify all elements of the tax base.** (5 marks)

- (b) OOO Veter (Veter) and OOO Leo (Leo) set up an agent agreement in 2019, in which Leo is acting as an agent, selling goods in its own name, but at the expense of the principal Veter. All goods sold are subject to value added tax (VAT) at the standard rate.

Before the end of Quarter 4 (Q4) 2019, Veter received the following agent's report from Leo, subject to compensation (all figures include VAT where applicable):

	RR
Goods sold to third parties	12,240,000
Adjusted VAT invoices to third parties agreed with Veter	(856,800)
Destruction services due to quality issues confirmed by Veter in advance	1,468,800
Agent's commission, based on 6% of goods sold to third parties	734,400

These goods were imported by Veter in Q4 with the total value of 9,792,000 RR, on which customs duties were due of 244,800 RR.

**Required:**

**Calculate the value added tax (VAT) liability for Quarter 4 2019 in respect of the principal OOO Veter. Clearly identify all elements of the tax base.** (5 marks)

**(10 marks)**

5 Lyubov works as a procurement manager for the company Charoit. She is married to Pavel.

Lyubov's gross monthly salary is 75,000 RR during the year 2019. In addition to her salary, in 2019 she received sick leave, in compliance with the statutory limits, of 15,500 RR

In January 2019, Lyubov acquired 100% ownership of an old house in the countryside which had a cadastral value of 1,900,000 RR as at 1 January 2019. Lyubov has retained documents confirming the acquisition value of the house for 1,200,000 RR.

After inspection of the old house, Lyubov and her husband, Pavel, decided to build a new residential cottage. The amount required to construct the new cottage was valued at 2,500,000 RR. Lyubov received a mortgage loan from her employer, Charoit, towards some of the construction costs of 1,500,000 RR on 12 March 2019. The mortgage loan was provided at an interest rate of 3.5% per annum for a period of seven years. Interest is payable on the seventh day following the preceding month (e.g. interest for March is payable on 7 April). The remaining construction costs of the new cottage were paid by Pavel. The ownership of the new cottage has been split between Lyubov and Pavel in equal shares.

The document confirming Lyubov's entitlement to housing allowance for the new cottage was received from a tax inspection in October 2019. Lyubov managed to submit it to her employer in November 2019. Lyubov has not used housing allowance in the past.

Pavel works as a freelance architect and engages in different projects for several clients. His gross remuneration from architect's works for the year 2019 is as follows:

January	70,000 RR
February	80,000 RR
March	210,000 RR
April	80,000 RR
May	110,000 RR
June to December (total)	950,000 RR

Pavel has not been registered as an individual entrepreneur. He has not submitted an application for professional deduction to his clients. His actual professional expenses incurred for the year 2019 were 350,000 RR.

To finance the construction of the new cottage, Pavel took a mortgage loan of 1,000,000 RR from a bank on 28 March 2019 at an annual interest rate of 9%. Interest is payable on a monthly basis on the fourth day following the end of each month. Pavel has already used his housing allowance in the past.

In addition, Pavel opened an investment account in April 2016 with the bank Breeze and contributed 450,000 RR for transactions with securities. As a result of these transactions, his positive financial income (gain) was equal to 200,000 RR when he closed his investment account in May 2019. Pavel has never applied for any investment deduction since opening the investment account. He has only had one agreement in the past for opening an investment account.

**Required:**

(a) (i) **Calculate the personal income tax (PIT) liability for Lyubov to be withheld by her employer, Charoit, assuming that Lyubov claims all possible maximum deductions at source. Any exempt income should be indicated by using zero (0).** (4 marks)

(ii) **Assuming Lyubov sold her old house for 1,300,000 RR in November 2019, calculate the relevant PIT from this transaction. In addition, state in which year it would be most tax efficient for Lyubov to sell her old house and why.** (4 marks)

(b) (i) **Calculate Pavel's final settlement of PIT (additional payment or refund) on submission of his annual PIT return for the year 2019.**

Note: Indicate by the use of a zero (0) any items which are non-taxable and/or non-deductible. (6 marks)

(ii) **State how Pavel could receive an investment deduction other than in the annual PIT return, and indicate the required timing.**

Note: You do NOT need any calculations in part (b)(ii). (1 mark)

**(15 marks)**

- 6 000 Olivia (Olivia) is a trading company engaged in the sale of natural cosmetic products both in the Russian market and abroad. Olivia applies the accruals method for both profits tax and value added tax (VAT). Olivia uses quarterly reporting.

Olivia's tax policy for the year 2019 requires an immediate 30% write-off of the cost of its tangible non-current assets. The non-linear depreciation method is applied to the tangible non-current assets.

The following information is available for the year 2019. All amounts are VAT inclusive where applicable, and all products sold and purchased are subject to standard-rated VAT where applicable.

**Sales, cash and prepayments:**

Domestic sales	669,060,000 RR	
Confirmed export of products	27,877,500 RR	
	<b>1 January 2019</b>	<b>31 December 2019</b>
Prepayment from domestic customers	33,453,000 RR	35,794,710 RR

**Merchandise inventory**

Balance of inventory as at 1 January 2019	31,222,800 RR
Purchases	535,248,000 RR
Transportation costs of purchased stock	37,467,360 RR
Balance of transportation expenses as at 1 January 2019	2,185,596 RR

Unsold stock amount at the warehouse at the year end was equal to 20% of 2019 purchases.

**Wages and salaries:**

Annual gross salaries of 600,000 RR were paid to each of the 150 employees directly engaged in trading activities. An annual gross salary of 180,000 RR was paid to each of the 70 administrative employees.

In addition, the following insurances were provided and paid for by Olivia for all its employees during the year 2019:

- annual voluntary medical insurance for a total premium of 9,000,000 RR; and
- life insurance, with an agreement term of five years, for a total premium of 15,000,000 RR.

**Other expenses incurred during the year 2019:**

TV advertising	6,240,000 RR
Advertising on the internet and social media	8,280,000 RR
Co-promotional programmes in pharmacies	7,320,000 RR

**Non-current assets as at 1 January 2019:**

Type of asset	Quantity	Historic cost per unit	Date put into use	Monthly non-linear tax depreciation rate
Delivery cars	100	858,600 RR	October 2018	5.6%

No additions or disposals of non-current assets occurred in 2019.

**Losses from previous years:**

	Accounting loss RR	Tax loss RR
2015	(6,283,700)	(5,789,627)
2016	(5,100,000)	(4,342,220)
2017	(3,737,500)	(3,250,000)

**Required:**

Calculate the taxable corporate profits and corporate profits tax liability of OOO Olivia for the year 2019, and identify tax losses to be carried forward (if any).

Show separately all elements of income and expenses, clearly identifying by the use of a zero (0) any non-taxable and non-deductible items.

**Notes:**

1. Ignore insurance contributions.
2. Ignore property tax.
3. Ignore changes in the VAT standard rate.

**(15 marks)**

**End of Question Paper**