Answers

1 ZAO Whillys

(a) Profits tax liability for the year 2007

	000 RR
Domestic sales 147,500*100/118	125,000
Export sales	3,500
Prepayments (not a taxable item)	0
Cash received in 2007 (accruals principle)	0
Direct expenses (Note 1)	(38,233)
Indirect expenses:	
Wages and salaries of administrative personnel	(5,000)
UST on wages and salaries 5,000*26%	(1,300)
Voluntary medical insurance	
3% of labour costs excluding voluntary medical and life insurance costs	
(20,000 + 5,000)*3% < 5,600, hence deduction is limited to	(750)
Voluntary five-year life insurance	
(20,000 +5,000)*12% = 3,000, hence fully deductible	(3,000)
Depreciation of 3 passenger cars:	
(584.1*100/118 – 584.1*100/118*10%)*0.5*12/60*3	(134)
Depreciation of 10 mini vans:	
Initial write off (477.9*100/118*10%)*10	(405)
(477.9*100/118 – 477.9*100/118*10%)*0.5*11/72*10	(278)
Business entertainment expenses:	
4% of labour costs including insurance costs	
(20,000 + 5,000 + 750 + 3000)*4% < 15,340/1.18, hence deduction is limited to	(1,150)
Non-sale expenses:	
Bad debt expense (Note 3)	(104)
Interest expense (Note 4)	(415)
Forex on the principal of the loan: 1,700*(26.8 – 26.6)	(340)
Forex on the interest for November: –1,700*5.75%*23/365*(26.8 – 26.5)	(2)
No forex gain or loss arise on December interest costs.	
Taxable profits before loss carried forward	77,389
Loss carried forward :	
FIFO basis without limits: 2004	(1,800)
2005	(800)
Taxable profits	74,789
Tax at 24%	17,949

Note 1 Direct expenses related to the cost of finished goods sold

Direct materials and components consumed	50,000
Direct processing services	400
Direct wages and salaries	20,000
UST on direct wages and salaries 20,000*26%	5,200
Direct depreciation (Note 2)	3,581
Total direct expenses	79,181

Finished goods sold = (60,000 + 900)*80% = 48,720
Balance of finished goods carried forward = 40,000 + 60,900 – 48,720 = 52,180

Direct expenses related to the cost of sales % = 79,181*48,720/(48,720 + 52,180) = 38,233

Note 2 Direct depreciation

Production line:	
Initial 10% write-off for production line: 19,824*100/118*10%	1,680
Depreciation from March 2007 (19,824*100/118 – 1,680)*10/84	1,800
Other production assets:	
Depreciation from December 2006 (660.8*100/118 – 660.8*100/118*10%)*12/60	101
Total direct depreciation	3,581

Note 3 Bad debt expense

Bad debt provision	77
Bad debt write off	(38.5)
Bad debt provision carried forward	38.5
New provision as at 31 December	65
Additional expense	(26.5)
Total expense for the year 2007 (77 + 26.5)	103.5

Note 4 Interest expense

The loan is not subject to thin capitalisation rules because the lender effectively controls less than 20% of the Charter Capital of Whillys.

Interest accrued for the year 2007 is less than the deductible interest rate limit for dollar loans.

Interest should be calculated based on the exchange rates at the end of each month (1st day is not taken into account):

November: 1,700,000*5.75%*23/365*26.5 = 163,229
December: 1,700,000*6.5%*31/365*26.8 = 251,516

Total interest expense: 414,745 RR

(b)

VAT for 2007	**000 RR**
Output VAT	
VAT on domestic sales 147,500*18/118	22,500
Zero VAT on export sales since confirmed	0
VAT on 2007 prepayment 126,260 *18/118	19,260
VAT on cash collections received	0
Total output	41,760
Input VAT	
VAT on direct materials 50,000*18%	(9,000)
VAT on direct processing works (limited to the amount of VAT invoices) 413*18/118	(63)
VAT on direct production line 19,824*18/118	(3,024)
VAT on prepayments for 2006 208,860 *18/118	(31,860)
VAT on 10 mini-vans 477.9*18/118*10	(729)
VAT on 3 passenger cars was reimbursed in 2006	0
VAT on other production assets was reimbursed in 2006	0
VAT on insurance is exempt	N/A
VAT on business entertainment expenses within deductible limits for CPT 1,150*18%	(207)
Total input VAT	(44,883)
VAT recoverable in 2007	(3,123)

2 Valentina

(a) (i)

Personal income tax of Valentina for 2007 withheld at source by the fashion agency	**RR**
Gross salary accrued 37,000 + 100,000*11	1,137,000
Less:	
No standard personal allowance (since her income exceeds the threshold in January)	N/A
Children allowance (her income is less than the 40,000 RR threshold for January only and the allowance is doubled for single parents) 600*2	(1,200)
Medical expenses paid by the employer – excluded from the PIT base	0
Medical insurance – excluded from the PIT base (paid by employer)	0
Medical insurance for her son – taxable	12,000
Personal calls from company's cell phone 52,000 – 8 * 6,000	4,000
Free lunches (3,000 + 4,800 * 11)	55,800
Bonus from employer for the year 2006 not taxable in the year 2007 since related to 2006	0
Trip to Paris as a gift for her birthday	52,500
Less gift deduction	(4,000)
Contributions to the voluntary pension fund for the year	45,000
Imputed interest on corporate mortgage loan (Note 1)	39,852
Total taxable base:	1,340,952
Tax at the rate of 13%	174,324

Note 1
Imputed interest on corporate loan for the period:
Deemed interest (1st day is not taken into account):

15 to 30 October	630,000 *3/4*40% * 15/365 = 7,767
31 October to 31 December	900,000 *3/4*35%*62/365 = 40,130

Actual interest paid:
15 October to 31 December: 630,000*4.5%*15/365 + 900,000*4.5%*62/365 = 8,045
Total imputed interest: 7,767 + 40,130 – 8,045 = 39,852 RR

(ii) Final settlement of Valentina's personal income tax liability for the year 2007

		RR
Taxable base with the benefits from employer at 13%		1,340,952
Low interest benefit during the grace period – exempt		0
Winning in casino 1,000*34		34,000
Education deduction for her son		(40,000)
One room in the 3-room apartment inherited – not subject to PIT		0
Property proceeds from the sale of one room		2,800,000
Qualified for property deduction due to the short ownership period (<3 years)		(1,000,000)
Housing incentive for purchase of the 100% share in the unfinished cottage:	**RR**	
Maximum available	1,000,000	
Valentina paid for the year 2007:		
From her own sources	2,800,000	
From the corporate loan	900,000	
Plus compensation to her workers and construction materials	300,000	
Total amount spent	4,000,000	
Nevertheless Valentina is entitled to only 1,000,000 RR		(1,000,000)
(since no interest was paid during this year)		
Proceeds received from car sale to her colleague		200,000
Property deduction (owned > 3 years)		(200,000)
Taxable base		2,134,952
Tax due to the budget at 13%		277,544
Tax withheld by her employer		(174,324)
Tax to be paid under personal tax return at 13% rate		103,220
Income subject to 35% rate (Note 2)		11,420
Tax due to the budget at 35% 11,420*35%		3,997
Total tax due to the budget (13% + 35%)		107,217

Note 2
Imputed income on the loan from the bank (once at the end of the year):
20 June to 31 December (starting from the 2nd day):
Deemed interest 25,000* 28.65*9% * 194/365 = 34,262
Actual interest 25,000* 28.65*6% *194/365 = 22,842
Imputed income 34,262 – 22,842 = 11,420

(b) If Valentina sells her room to her brother Edward for its market value of 2,800,000 RR, she will not be entitled to a property deduction for the amount of the 1,000,000 RR due to prohibition of property deduction for close relatives under the tax code. She is obliged to file a personal income tax return, but personal income tax will be due to the budget in the amount of 364,000 (2,800,000 * 13%).[1]

[1] In case of other explanation for Valentina's eligibility for property deduction the full marks will be given.

3 OOO Tondem

(a) OOO Tondem VAT liability during the year 2007

	000 RR
January VAT return	
Output VAT:	
VAT on sales 17,700*18/118	2,700
VAT on January prepayments 15,000*18/118	2,288
Total output VAT in January	4,988
Input VAT:	
Input VAT on December prepayments 12,980*18/118	(1,980)
VAT liability for January	3,008
March VAT return	
Output VAT:	
VAT on sales 20,650*18/118	3,150
VAT on March prepayments 21,240*18/118	3,240
Total output VAT in March	6,390
Input VAT:	
VAT on reversal on January prepayments	(2,288)
VAT on debts receivables decrease in the current month's sales to the same customer* 14,160*18/118	(2,160)
*Based on the new rules for mutual offsets and barter transactions the VAT amount can not be recoverable without a VAT cash settlement. So, the above VAT can only be recovered by the seller provided that the VAT amount is transferred to the customer's bank account.	
Total input VAT in March	(4,448)
VAT due from the budget for March	1,942

	000 RR
April VAT return	
Output VAT:	
VAT on sales 21,299*18/118	3,249
Export prepayments – not taxable under the rules from 1 January 2006	0
Total output VAT in April	3,249
Input VAT:	
VAT reversal on March prepayments	(3,240)
VAT liability for April	9
June VAT return	
Output VAT	
VAT on promissory note (2005) 649*18/118	99
VAT on coupon interest (Note 1)	4
Total output VAT in June	103
Input VAT in June	0
VAT liability for June	103

Note 1:

Coupon interest is subject to VAT on the part exceeding the CBR refinancing rate (starting from the 2nd day):
17 April to 30 April: 649*(65% – 60%) *13/365 = 1.156
1 May to 27 June: 649*(65% – 40%)*58/365 = 25.782

Total VAT on interest exceeding CBR rate: (1.156 + 25.782)*18/118 = 4.11

(b) (i) Claw back VAT on the following transactions for OOO Zlata:

Fixed asset N1: consumed for own needs

NBV on 21 April 2007: 1,770*100/118 – 1,770*100/118*(9 + 12 + 4)/120 = 1500 – 312.5 = 1,187.5
Input VAT amount subject to claw back should be as follows: 1,187.5*18% = 213.75

Fixed asset N2: started being used for non-vatable operations

NBV on 30 September 2007: 1,947*100/118 – 1,947*100/118*(10 + 12 + 12 + 9)/84 = (1650 – 844.64) = 805.36
Input VAT amount subject to claw back : 805.36*18% = 144.96

Fixed asset N3:
Since fixed asset N 3 has been sold to a third party there is no input VAT in the month of sale and no claw-back of the previously recovered VAT.
Output VAT on the sale should be accrued and paid based on market value:

Output VAT on the sales price 1,416*18/118 = 216

(ii) VAT treatment for profits tax purposes for OOO Zlata

VAT clawed-back on the first fixed asset (N1) is non-deductible because this asset is no longer used in production activities.

In respect of the second fixed asset (N2) a special VAT claw-back treatment has been stated in the Tax Code effective from 1 January 2006; by which this VAT should be included in the other deductible costs for profits tax purposes and not included in the cost of the fixed asset transferred for use in the non-vatable operations.

4 Vyateslav Bykov

(a) (i) Personal income tax for Vyateslav for the year 2007 withheld at source by Orchids

	RR
Gross salary received 95,000*12*100/87	1,310,345
No standard deductions (in January his income exceeded the threshhold)	
Tax at 13% rate	170,345
Imputed interest on loan received from his employer (Note 1)	1,890
Tax at 35% rate	662
Total personal income tax withheld by his employer	171,007

Note 1
Deemed interest income on the loan is calculated as a differential between $^{3}/_{4}$ of the CBR rate and the actual interest rate. The subsequent reduction of the CBR rate does not affect the differential because the interest rate is fixed for the term of the loan:
(from the 2nd day)

	RR
30 March 2007 to 31 December: 1 + 30 + 31 + 30 + 31 + 31 + 30 + 31 + 30 + 31 = 276 days	
250,000*3/4*60%*276/365	85,068
Actual interest accrued:	
30 March 2007 to 31 December 2007	
250,000* 44% *276/365	(83,178)
Total imputed interest	1,890

(ii) Final settlement of personal income tax liability for the year 2007 based on Vyateslav's tax return

	RR
Taxable income at 13%	1,310,345
Gain on listed shares (Note 2)	146,748
Total base subject to tax at 13%	1,457,093
Tax due to the budget at 13%	189,422
Tax base subject to the 35% tax rate	1,890
Tax due to the budget at 35%	662
Total tax due to the budget	190,084
PIT withheld by the employer	(171,007)
Total tax payable to the budget	19,077

Note 2

Sales income from listed shares 300*2,000 (actual price)	600,000
(Average quoted price is not applicable in this case because listed securities have been sold with a gain, not at a loss.)	
Commission fee on sale	(6,000)
Incurred expenses on purchase:	
Purchase price 1,200*300	(360,000)
Broker's commission – 5%*1,200*300	(18,000)
Registration fee	(10,800)
Other expenses	(5,000)
Interest on employer's loan (from the 2nd day):	
In the period 30 March to 30 April (31 days) interest is within the CBR rate so the actual rate is used: 250,000*44%*31/365	(9,342)
In the period 1 May to 8 October (161 days) interest exceeds the CBR rate hence the CBR rate is used in the calculations: 250,000*40%*161/365	(44,110)
Interest for the period after 8 October 2007 does not relate to financing the purchase of these securities, therefore it is not deductible.	
Total gain received	146,748

(b) If Vyateslav sold the same quantity of shares for the same price but before 1 January 2007 he would have been entitled to the property deduction in the total amount of the net sales income of 594,000 RR (600,000 – 6,000) as if he had purchased the shares on 12 May 2003 since his term of ownership of these shares would have exceeded three years.

5 Pavel

(a) Personal income tax on Pavel's dividend income

	RR
L-Technology's profits before tax	77,000,000
Profits tax at 24%	18,480,000
Profits after tax	58,520,000
75% distribution	43,890,000
Less interim dividends	(7,000,000)
Taxable dividends	36,890,000
Tax at 9%	3,320,100

Pavel's share – 600/5000 = 12%	
Pavel's taxable income 36,890,000*12%	4,426,800
Tax to be withheld by L-Technology at 9%	398,412

Net amount received 43,890,000*12% – 398,412 = 4,868,388 RR

(b) (i) Yura's personal income tax (PIT) withheld and UST payable by Jullans for the year 2007

Gross salary + UST = total payroll costs

Let's assume that Yura's salary is 300,000 RR, then UST would be 72,800 + 20,000*10% = 74,800 RR, so total costs would be 374,800 RR which is less than 400,000. Hence his UST will be between 280,001 and 600,000 RR, where the UST rate is 10%.

Y + UST = 400,000

UST = 72,800 + (Y – 280,000)*10%

400,000 – 72,800- 0.1Y + 28,000 = Y
355,200 = Y(1+0.1)
Y = 322,909 – gross salary

Tax at 13% to be withheld by Jullans = 41,978 RR

UST payable by Jullans = 400,000 – 322,909 = 77,091 RR

(ii) Polina's personal income tax withheld by Enita for 2007

Gross salary:
In January her grossed-up income was more than 20,000 RR but less than 40,000 RR.
Therefore, Polina had no personal allowance, but would have received 600 RR children's allowance for her son.
In order to receive 32,000 net-of-tax she should have invoiced Enita for the following gross fee in January:

X – 0.13*(X – 600) = 32,000
0.87 X = 31,922
X = 36,692 RR

From February she is no longer entitled to any standard allowances, therefore her gross fees for 2007 are:

	RR
36,692 + 32,000*100/87*2 + 43,000*100/87*3 + 47,000*100/87*2	366,577
Personal allowance does not apply since her income is more than 20,000 RR	
Children allowance applies for January only (40,000)	(600)
Taxable income	365,977
Tax withheld at the 13% rate	47,577

Polina's UST liability for 2007

UST on the civil law agreement: 280,000*23.1% + (366,577 – 280,000)*9% = 72,472 RR

Polina's final personal income tax (PIT) liability for the year 2007

Taxable income based on civil law agreement (see above):	366,577
Less standard deduction (see above)	(600)
No professional deduction (Polina is not an entrepreneur and has no copyright contract).	
Social deductions:	
Voluntary medical insurance for her children (30,000 < 50,000 RR)	(30,000)
Mother's capital received under special government programme	80,000
Not taxable – special exemption in the Tax Code	(80,000)
Taxable income	335,977
Tax at 13%	43,677
Tax withheld by Enita	(47,577)
Tax refund due	(3,900)

	Marks
1 ZAO Whillys	
(a) Profits tax liability for the year 2007	
Domestic sales net of VAT	½
Export sales	½
Excluded cash received and prepayments	½
Direct expenses related to the cost of finished goods sold	
Direct materials and components consumed	½
Correct amount of direct processing services	1
Direct wages and salaries	½
UST on direct wages and salaries	½
Direct depreciation:	
Production line:	
Initial 10% write-off for production line (net of VAT)	1
Depreciation from March 2007	
(½ for 10% deduction, ½ for correct months of depreciation)	1
Other production assets:	
Depreciation from December 2006	
(½ for net of VAT, ½ for 10% deduction)	1
Correct figure for the finished goods sold	½
Correct balance of finished goods carried forward	½
Correct direct expenses related to the cost of sales	½
Indirect expenses:	
Wages and salaries of administrative personnel	½
UST on wages and salaries of administrative personnel	½
Application 3% of labour costs for voluntary medical insurance	1
Application 12% of labour costs for deductibility of voluntary five-year insurance	1
Depreciation of 3 passenger cars (½ for net of VAT, ½ for 10% deduction, ½ for 0.5 ratio)	1½
Depreciation of 10 mini-vans:	
Initial 10% write off	½
Depreciation charges (½ for 10% deduction, ½ for 0.5 ratio, ½ for correct months net of VAT, ½ for net of VAT)	2
Application of 4% for business entertainment expenses:	1
Non-sale expenses:	
Bad debt expense	1
Interest expense:	
Comment on thin capitalisation rules	½
Comment on maximum deductible interest rate	½
Calculation of interest on a monthly basis	½
Correct exchange rates (½ for each month)	1
Correct number of days/interest rate in November	½
New interest rate in December	½
Correct forex on the principal of the loan	1
Forex on November interest	1
No limits on the use of carried forward losses for the year 2007	½
Correct tax rate – 24%	½
Subtotal	24

		Marks
(b)	**VAT for 2007**	
	Output VAT	
	VAT on accrual domestic sales (ignore cash collections)	½
	Zero VAT on export sales	½
	VAT on 2007 prepayments	½
	Input VAT	
	VAT on direct materials	½
	VAT on direct processing works	½
	VAT on direct production line	½
	VAT on prepayments for 2006	½
	VAT on 10 mini-vans	½
	VAT on 3 passenger cars	½
	VAT on other production assets	½
	VAT on insurance exempt	½
	VAT on business entertainment expenses within the limitation	½
	Subtotal	6
	Total	**30**

			Marks
2	**Valentina**		
(a)	**(i)**	**Personal income tax of Valentina for the year 2007 withheld at source by the agency**	
		Gross salary accrued	½
		No standard personal allowance (since the income exceeds threshold for January)	½
		Doubled children allowance for January	1
		Medical expenses – exempt	½
		Medical insurance for Valentina excluded from PIT base	½
		Medical insurance for her son – taxable	1
		Personal calls from company's cell phone	1
		Free lunches	½
		Bonus from employer for the year 2006 – not taxable	½
		Taxable gift for her birthday – Paris	½
		Gift deduction	½
		Contributions to the voluntary pension fund – taxable	1
		Imputed interest on corporate mortage loan:	
		Deemed interest for period :	
		15 to 30 October (½ for ¾ of CBR rate, ½ for correct days)	1
		31 October to 31 December (½ for ¾, ½ for new CBR rate, ½ for correct days)	1½
		Actual interest accrued (for correct days)	½
		Total taxable base:	½
		Tax withheld at 13%	½
		Subtotal	**12**
	(ii)	**Final settlement of Valentina's personal income tax liability for the year 2007**	
		Imputed income during grace period on credit card – not taxable	½
		Taxable winning in casino (correct tax rate)	½
		Education deduction for her son	½
		One room in the 3-room apartment inherited – not subject to PIT	½
		Property proceeds from the sale of one room	½
		Qualified for property deduction due to short ownership period (<3 years)	1
		Housing incentive for a residential house:	
		Maximum available – 1,000,000 RR	½
		Comment on other expenses potentially included in the housing incentive amount	½
		No deduction for interest until paid	½
		Proceeds received from car sale to her colleague	½
		Property deduction in full proceeds since owned >3 years	1
		Tax due to the budget at 13%	½
		Tax withheld by employer	½
		Taxable base subject to 35% rate	
		Imputed income on loan from the bank (20 June):	
		Deemed interest (½ for correct exchange rate, 1 for correct threshhold rate, ½ for days)	2
		Actual interest (correct interest rate)	½
		Tax due to the budget at 35%	½
		Total tax due to the budget	½
		Subtotal	**11**
(b)	No entitlement to property deduction for the amount of 1,000,000 RR due to prohibition of deduction for close relatives		1
	Obliged to file a tax return		½
	The tax due to budget at rate 13%		½
			2
	Total		**25**

			Marks
3	**OOO Tondem**		
	(a)	**OOO Tondem VAT liability during the year 2007**	
		January VAT return	
		Output VAT:	
		VAT on sales	½
		VAT on January prepayments	½
		Input VAT:	
		Input VAT on December prepayments	½
		March VAT return	
		Output VAT:	
		VAT on sales	½
		VAT on March prepayments	½
		Input VAT:	
		VAT on prepayment reversal	½
		VAT on debts receivables for returns	
		(1 for including as recoverable input, ½ for short explanation)	1½
		April VAT return	
		Output VAT:	
		VAT on sales	½
		Export prepayments – not taxable	1
		Input VAT:	
		Reversal of VAT on March prepayments	½
		June VAT return:	
		Output VAT	
		VAT on promissory note (½ for amount, ½ for right reporting month)	1
		Interest on promissory note exceeding the CBR rate:	
		From 17 April to 30 April 2007 (½ for correct CBR rate, ½ for correct days)	1
		From 01 May to 27 June 2007 (½ for correct CBR rate, ½ for correct days)	1
		Total VAT on the interest exceeding CBR rate (correct VAT rate)	½
		Subtotal	**10**
	(b) (i)	**Claw-back VAT on the following transactions for OOO Zlata**	
		Claw-back VAT on fixed assets N1 and N2	
		(½ for correct VAT rate, ½ for calculating NBVs net of VAT, 1 for correct months)	2
		Sale of fixed asset N3:	
		Comment on no effect on input VAT	½
		Output VAT at correct rate	½
		Subtotal	**3**
	(ii)	**Claw-back VAT treatment for profits tax purposes for OOO Zlata:**	
		No deduction of VAT clawed-back on fixed asset N1	½
		Deduction of VAT clawed-back on fixed asset N2 as part of other expenses	1½
		Subtotal	**2**
		Total	**15**

		Marks
4	**Vyateslav Bykov**	
(i)	**Personal income tax for Vyateslav withheld at source by Orchids for the year 2007**	
	Grossed-up salary received	1
	Comment on standard deductions	½
	Imputed interest on loan received from employer:	
	Deemed interest (correct CBR rate – ½, ¾ application – ½, correct days- ½)	1½
	Comment on no effect of changes in the CBR rate	½
	Actual interest accrued (correct days – ½, correct rate – ½)	1
	Total imputed interest	½
	Personal income tax at correct rates (13% – ½, 35% – ½)	1
	Subtotal	6
(ii)	**Final settlement of personal income tax liability for the year 2007 based on Vyateslav's tax return**	
	Gain on listed shares:	
	Sales income from listed shares	1
	Commission fee	½
	Incurred expenses:	
	Purchase price	½
	Broker's commission and registration fee	½
	Other expenses	½
	Interest on employer's loan (½ for deduction of interest, 1 for limitation to the CBR rate, 1 for correct days)	2½
	Tax due to the budget at 13% and 35%	½
	Tax withheld by the employer	½
	Tax payable to the budget	½
	Subtotal	7
(iii)	Comment on the rule before 1 January 2007 as a tax planning point for Vyateslav	1
	Calculation of the property deduction	½
	Comment on the period of ownership for entitlement to the property deduction	½
	Subtotal	2
	Total	**15**

	Marks
5 Pavel	
(a) Personal income tax on Pavel's dividend income	
Profits tax and profits after tax	½
75% distribution	½
Interim dividends received deductible	½
Correct PIT at 9% tax rate	½
Correct Pavel's share of taxable income	½
PIT to be withheld by L-Technology at 9%	½
Net amount received by Pavel	1
Subtotal	**4**
(b) (i) Yura's personal income tax withheld and UST payable for the year 2007 as a creative manager for Jullans	
Correct range for UST calculation	½
Gross-up equation	1½
Tax at 13% to be withheld	½
Correct value of UST	½
Subtotal	**3**
(ii) 1) Polina's personal income tax withheld by Enita and UST liability for the year 2007	
Correct calculation of gross fees for January	1½
Calculation of gross fees for February to August	1
Personal allowance does not apply	½
Children allowance applies for January only	½
Tax withheld at 13% rate	½
Correct UST rates on civil law agreement	1
Subtotal	**5**
2) Polina's final personal income tax liability for the year 2007	
Comment on professional deduction	½
Social deductions:	
Voluntary medical insurance for her children – 30,000 out of 50,000 RR	½
Mother's capital received – non-taxable item	1
Tax at 13%	½
Tax to be refunded	½
Subtotal	**3**
Total	**15**