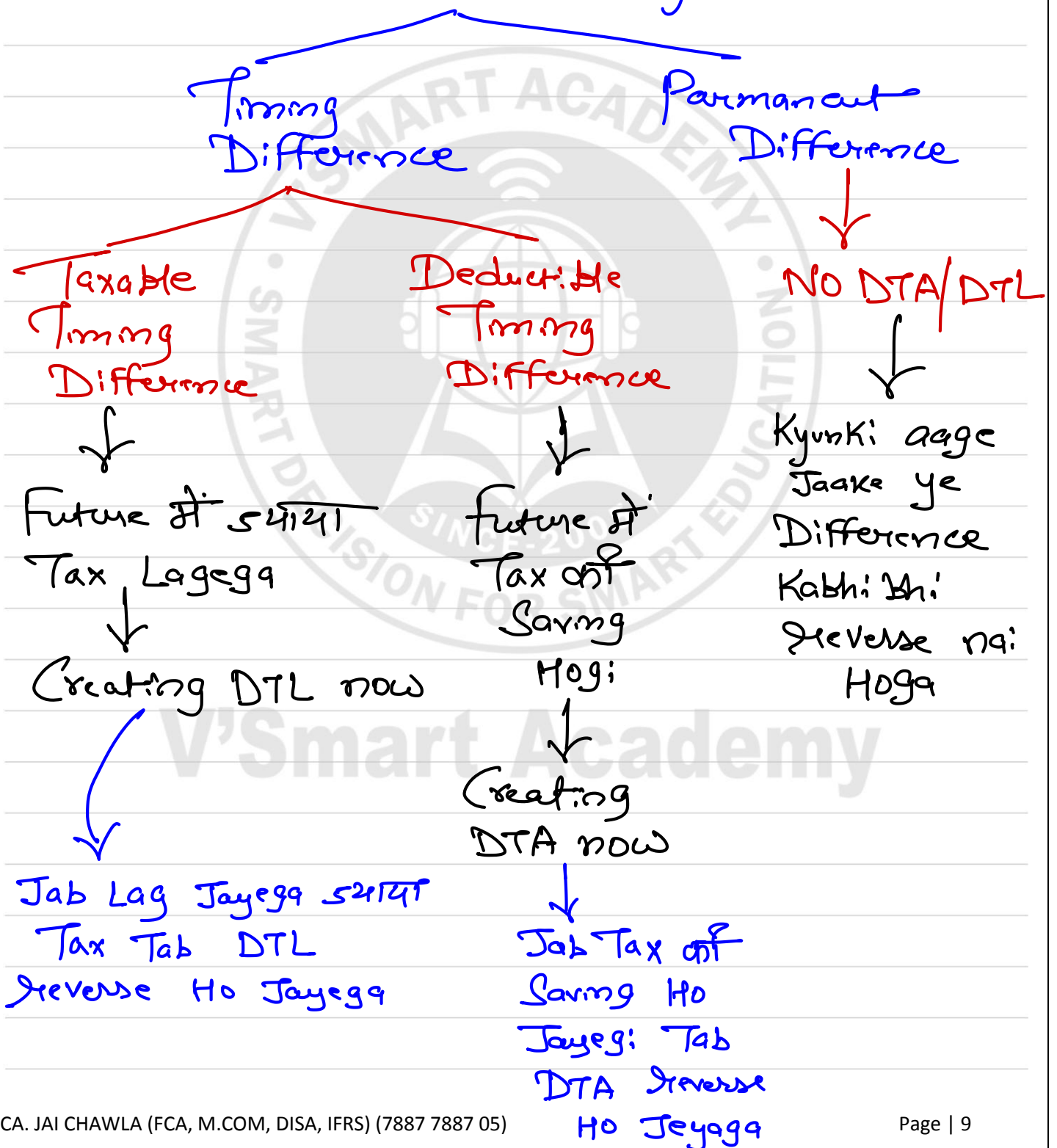


6) What is Deferred Tax?
Tax on Timing Difference

7) What is Timing Difference?
Difference between Ak Income & Taxable
Income are of two types :-



Example 1

Assume Income before Provision for Bad-Debts for 23-24 & 24-25 is 10,00,000 p.a.

In FY 23-24 Provision for Bad-Debts created of ₹ 70,000 & Debited to P&L but disallowed in Income Tax.

In FY 24-25 actual Bad-Debts occur for ₹ 70,000 & allowed in Income Tax.

Show Tax Accounting & P&L Extract for both years. Tax Rate 30%.

Sol):- Fy 23-24

WN-1 Books of Accounts

P&L a/c Dr. 70000
To provision for BD 70000

PBT = 1000000 - 70000 = 930000
(Accounting Income)

WN-2 Income Tax Computation

PBT = 930000

(+) items Disallowed

Provi. for BDD = 70000

Taxable Income 10,00,000

CT @ 30% 300000

a) CT exp. a/c Dr. 300000
To CT payable 300000

b) P&L a/c 300000
To CT exp. 300000

P&L a/c (extract) 23-24

| | |
|--------------------|--------|
| PBT (A/c Income) | 930000 |
| (-) Tax Exp. :- | 279000 |
| CT Exp. 300000 | |
| (-) DTA (21000) | |
| | |
| PAT | 651000 |

WN-3 Calculation of DT

A/c Income = 930000

Taxable Income = 1000000

Deductible Timing Diff. = 70000

DTA @ 30% = 21000

DTA Dr.
To DT Income

DT Income Dr.
To P&L

DTA is created because there is a **reasonable Certainty** that in future Bad-debts deduction will be allowed (Para 15)

Future
staying
Bad-debt
actual
Hoga
uska
Deduction
milega

WN-4 Total Tax Exp:- (fy 23-24)

$$\begin{aligned} \text{CT Exp. (Ds)} &= 300000 \\ (-) \text{DT Income (Cr)} &= 21000 \end{aligned}$$

$$\text{Tax Exp} = 279000$$

Fy 24-25

WN-1 Books of Accounts

Actual BD occurred

Provision Dr. 70000
 To Debtors 70000

$$\text{PBT} = 10,00,000 - 0 = 10,00,000$$

WN-2 Computation

$$\text{PBT} = 10,00,000$$

(-) Items
 allowed

$$\text{Bad-debts} = \underline{(70000)}$$

$$\text{Taxable Income} = 930000$$

$$\text{CT @ 30\%} = 279000$$

CT Exp. Dr. 279000
 To CT Payable 279000

P&I a/c Dr. 279000
 To CT Exp. 279000

P&I (Extract) FY 24-25

| | |
|------------------|-----------|
| PBT (A/c Income) | 10,00,000 |
| (-) Tax Exp :- | |
| CT Exp 279000 | (300000) |
| DTA Inv. 21000 | |
| PAT | 700000 |

WN-3 DT Calculation :-

- A/c Income = 10,00,000
- Taxable Income = 930000

Reversal of Timing = 70000
 Difference

Reversal of DTA = 21000
 @ 30%.

2) Computation of IT :-

$$\text{PBT} = 550000$$

(+) Disallowed

$$\text{Per. Exp} = 50000$$

$$\text{Taxable Income} = \underline{600000}$$

$$\text{CT @ 30\%} = 180000$$

- 3) This time the difference between A/c Income & Taxable Income is permanent which will never be reversed. Hence NO DTA/DTL shall be created.

P&L (extract) Fy 23-24

| | |
|-------------|--------|
| PBT | 550000 |
| (-) Tax Exp | 180000 |
| CT | 180000 |
| DT | - |

4) Fy 24-25

$$\text{PBT (A/c Income)} = 600000$$

$$\text{Taxable Income} = 600000$$

$$\text{CT @ 30\%} = 180000$$

P&L (extract)

| | | |
|-------------|--------|--------|
| PBT | | 600000 |
| (-) Tax exp | | |
| CT | 180000 | 180000 |
| DT | - | |

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