

Q206

Statement of Profit/Loss (Extract)

<u>Particulars</u>	<u>Amount</u>
Profit Before Depreciation	640000
(-) Depreciation :- 280000 + 30000	(310000)
<u>PBT (A/c Income)</u>	<u>330000</u>
(-) <u>Tax Expenses</u>	<u>(132000)</u>
CT (WN-1)	132000
(WN-2) [DTL Reversed	(36000)
[DTL Created	36000
	<u>198000</u>
	<u>PAT = 198000</u>

WN-1 Computation of Taxable Income & Tax

$$\begin{aligned} \text{PBT} &= 330000 \\ (+) \text{ Disallowed Dep} &= 310000 \\ (-) \text{ Dep. allowed} &= (190000) \\ & \quad (120000) \\ & \quad \text{100\% Dep on} \\ & \quad \text{Scient Res.} \end{aligned}$$

$$\text{Taxable Income} = \underline{\underline{330000}}$$

CT @ 40% 1,32,000

WN-2 Calculation of DT

<u>Particulars</u>	<u>Nature</u>	<u>Amnt.</u>	<u>DT Amnt</u>	<u>Entry</u>
Difference of Dep. on Existing Assets	Reversal OF Taxable T. Diff.	90000	36000 (DTL-R)	DTL Dr. To P&L
Dep. differ. in New Machine	Creation OF Taxable T. Diff. IT 120000 Books 30000	90000	36000 (DTL)	P&L Dr. To DTL

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9) Concept of Minimum Alternate Tax (MAT)

a) In Income Tax, there are two different Tax Rates :- (i) Regular Tax Rate
(ii) MAT Rate

b) Regular Tax Rate is applied on Taxable Income Calculated as per Normal Sections (Sec 28 to Sec 44) of IT Act

eg. Taxable Income = 1200000

Reg. Tax Rate = 30%

Regular Tax = 360000

c) MAT Rate is applied on Book Profit which is Calculated as per Sec 115 JB of I.T. Act

(Mind it :- This Book Profit is different Concept as Compare to Ak Income)

Suppose Book Profit (115 JB) = 30,00,000
MAT Rate = 18%

MAT = 540000

d) If MAT Amt is more than Regular Tax Amt. Then Entity has to pay MAT Amt & take Credit of Excess Tax payment in future.

e) Relevance of MAT in AS 22:-

(i) While Calculating Timing Differences & DT, we should always ignore Book profit (115 JB) & MAT Rate

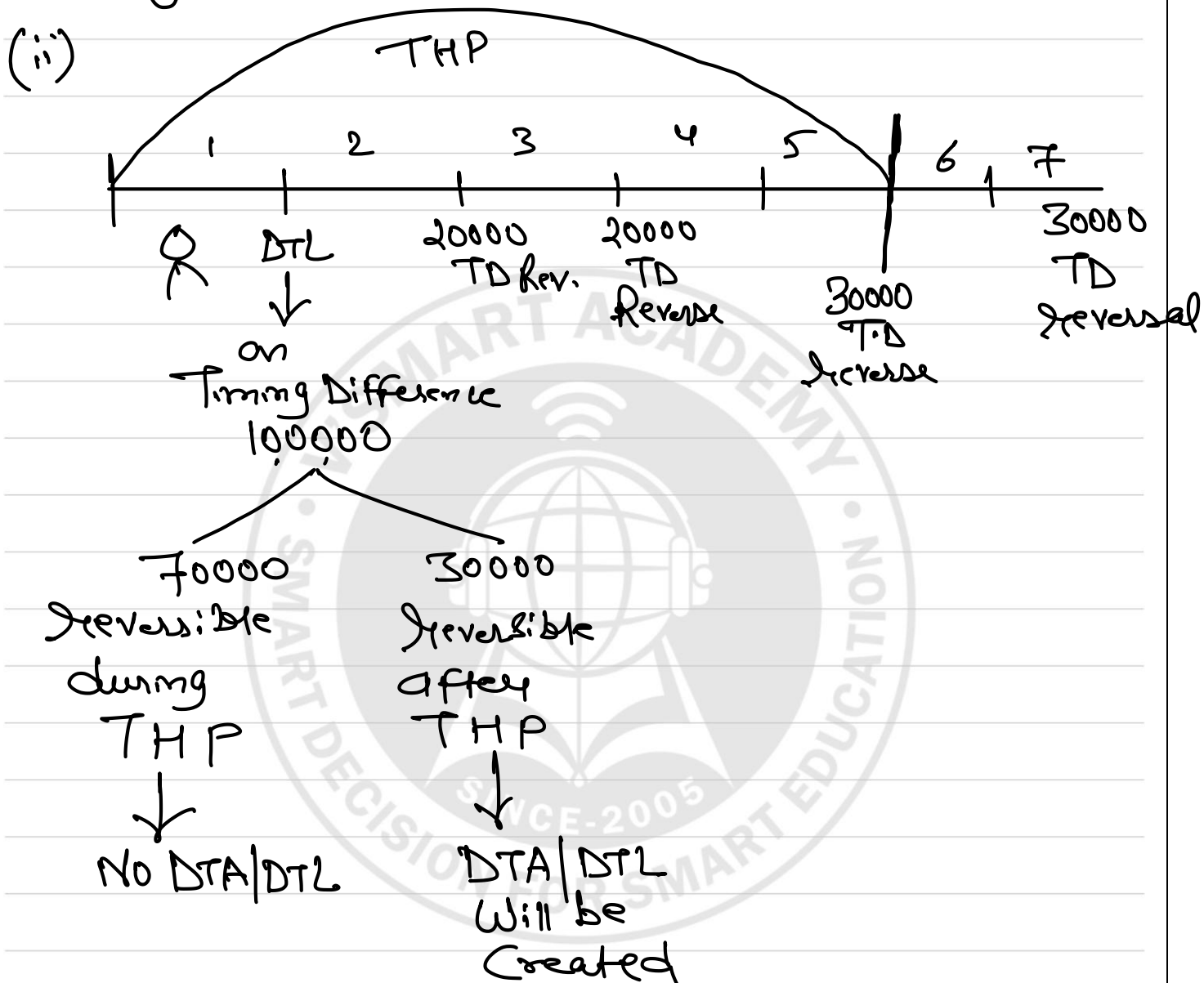
(ii) Now Tax Expense will be presented as Under :-

Tax Expense (in P&L):-

CT (Regular Tax)	36000
(+) Excess of MAT over Regular Tax	18000
(+/-) DTL/(DTA)	✓

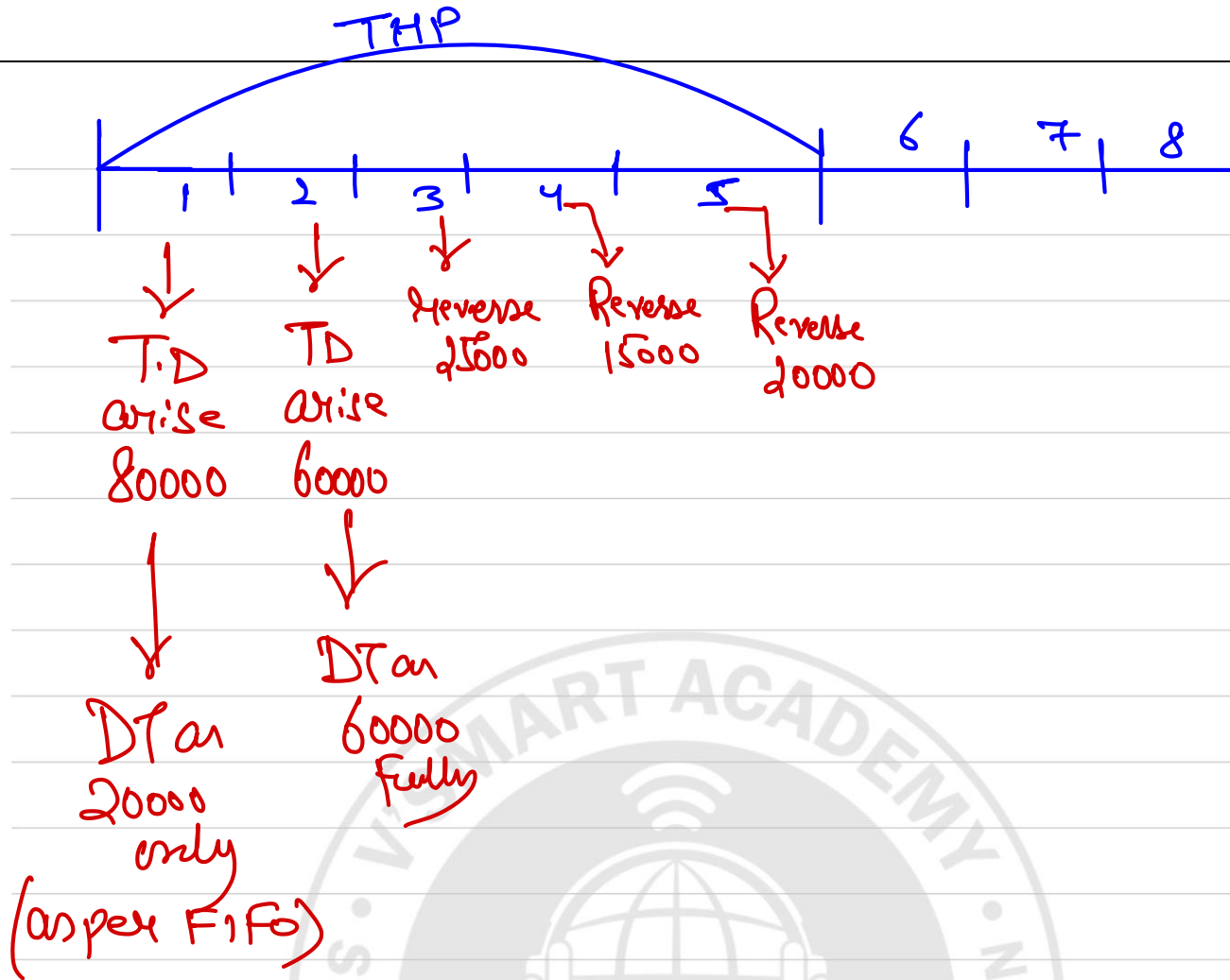
10) Deferred Taxes Under Tax Holiday period:-

(i) No Tax is payable during Specified No. of years.



(iii) DT on that portion of T. Difference which will be reversed during Tax Holiday period will not be Created.

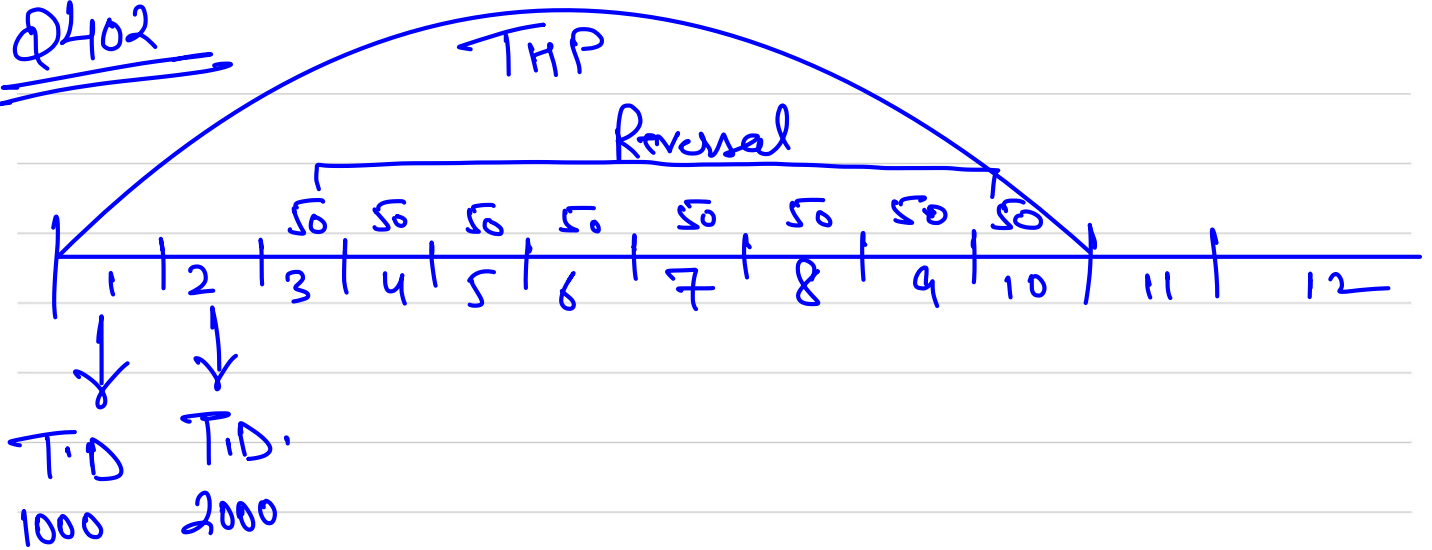
(iv) DT on that portion of T. Diff. which will be reversed after the end of THP will be Created.



(v) To Check the Reversal of Timing Difference of Which period \Rightarrow always apply FIFO if nothing is specified in Question

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Q402



- 1) T. Diff. that is expected to be reversed during T.H.P (i.e Rs. 400 lakhs) is of No Use & No Deferral shall be Created.
- 2) Remaining T. Diff. (i.e 2600 lakhs) is Considered For Deferred Tax working.
- 3) Assuming T. Difference is reversed on FIFO basis.

	<u>1</u>	<u>2</u>
Time Difference	1000	2000
(-) T.D. Reversed in THP	400	-
	<hr/> 600	<hr/> 2000
DTL @ 40%	240	800
P&L Charge	240	800

$$\begin{aligned} \text{DTL Closing Bal. at 2nd yr. End} &= 240 + 800 \\ &= 1040 \text{ Lakhs.} \end{aligned}$$

ii) Creating DTA means Recognising Income of future, is this actually allowed?

DTA Recognition is allowed only on fulfillment of following paras :-

a) Para 17 :- Para 17 is apply to those Timing Differences (Deductible) :-

- Unabsorbed Business Loss
- Unabsorbed Depreciation

inn dono ϕ DTA bana sakte hai kyunki future taxable profit se inko set-off karenge.

Par Kya future taxable profit Honge ?

There is a Virtual Certainty Supported by Convincing Evidences that there will be Sufficient future Taxable profit
 \downarrow
DTA Can be Created

There is NO VCCE OF future Taxable profits
 \downarrow
NO DTA