AS 22

1) ~~Incomes~~
- Accounting ⇒ PBT (as per P&L)
- Taxable ⇒ Income as per Tax Records

2) ~~Taxes~~
- Current Tax
- Deferred Tax

3) ~~Current Tax~~

CTL
↓
CT exp. a/c Dr.
To CTL a/c
Prov. For Tax

CTA
↓
TDS/Adv. Tax Dr.
To Bank a/c
or
party

* How to Calculate CT expense?

CT expense = Taxable Income × Tax Rate(%)

CT expense is Charged to P&L as under:-

P&L a/c Dr.
    To CT exp. a/c

CTL is a ST provision B/s

CTA is Other Current Assets B/s

4) Deferred Tax :- DT is Calculated on $\boxed{\text{Timing Differences}}$

$\boxed{\text{Timing Difference Amt.} \times \text{Tax Rate (\%)}}$

5) How to Calculate Differences ?

⇓

Difference of Accounting Income & Taxable Income

- Timing
  - arise in one year
  - Reversable in one or more
- Permanent
  - arise in one year

Future years

↓

DTA/DTL to be Created

• Never Reverse in Future

↓

No DT Required

6) Types of Timing Differences?

Taxable (Future में Tax ज्यादा Lagega)

Today A/c Income ↑

Taxable Income ↓

↓

Hence Create DTL Today

P&L a/c Dr.
  To DTL a/c

expense

↓

Jab Future आयेगा, Tax ज्यादा Lag Jayega, then Reverse DTL :-

DTL a/c Dr.
  To P&L a/c

Income

Deductible (Future में Tax की Saving Hogi, because Taxable Income Ke against Deductions ज्यादा milenge)

Today Taxable Income ↑

↓

Hence Create DTA Today Subject to Reasonable Certainity of Future Taxable Income (or) VCCE of Future Taxable Income

DTA a/c Dr.
  To P&L a/c

Income

↓

Examples OF DTL :-

Jab Future आयेगा, Tax की Saving Ho Jayegi then Reverse DTA :-

exp.

P&L a/c Dr.
To DTA

7) ~~DTA~~ (Para 15 & Para 17)

Para 17

There are Some Deductible Timing Differences on which DTA is Created only When there is VCCE that in Future there Will be Taxable Income

- C/F Business Losses
- Unabsorbed Depreciation

almost 90% or more probability

Para 15

On all Other Deductible Timing Difference, Create DTA Subject to Reasonable Certainity OF Future Taxable Income.

More than 50% probability

8) MAT :-

MAT Amount = Book profit (as per MAT provisions) (x) MAT (%)

125000

18%
15%
20%

Excess of MAT over Regular Tax :-

MAT Amt (−) CT expense = 25000

125000 100000

Entry :-

Excess (MAT − CT) Dr.
To CT Liability a/c

Charged to P&L

CT Exp 100000
Excess 25000
To CTL 125000

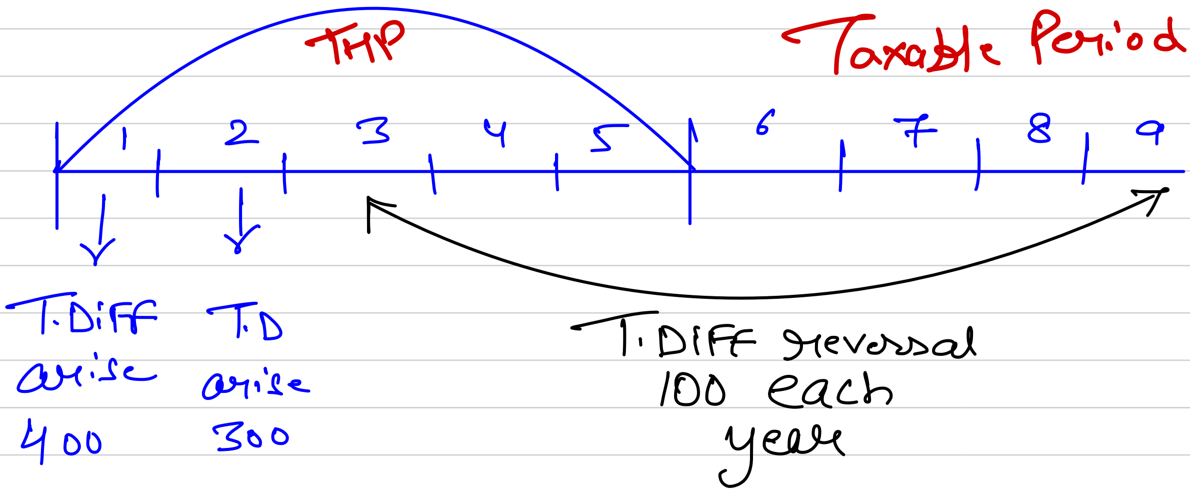
Note In DT Calculation, Never Use MAT Rate & Book profit as per MAT provisions.

9) Tax Holiday Period (THP) :-

- Do not Create any DTA/DTL on all Timing Differences which are Reversable in THP

- Create DTA/DTL on all Timing Differences

Which are reversable after THP.



⇒ No DT on First 300 of Timing Differ. out of 400

⇒ Create DT on remaining 100 T.D & 300 TD

10) Tax expense