COVID - AS 22 - ACCOUNTING TAXES ON INCOMES

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1 Imp. Definitions

- **A/c Income** — PBT as per P&L a/c
- **Taxable Income** — Tax Calculated as per Tax Law (IT Act, 1961)
- **Current Tax** — Tax on Taxable Income
- **Deferred Tax** — Tax on Timing Difference
- **Tax Exp.** — CT + DTL - DTA

2 Difference between A/c Income & Taxable Income

A/c income → PBT as per books of A/c

Permanent Diff. — Arises in one perod but no reversal in future

Examples :
- Donations interest,
- Penalty, I.Tax Contri. to national lab.
- Personal expenses

→ No DTA/DTL

Timing Diff. — Arises in one period & to be reversed in future

Examples :
- Bonus not yet paid (sec. 43 B)
- Interest to nationalised bank
- PF Contri
- Govt. taxes
- Prov. for BD / Legal damages depreciation

3 Types of Taxes (as per AS 22)

Current Tax
- **CT Asset** → TDS, Adv. Tax
- **CT Liab.** → Income Tax payable for Current & Previous years
  → P&L a/c Dr. To CT/ Prov. for Tax

and

Deferred Tax
- **DTA** → Tax Saving in Future
  → DTA ---- Dr To P&L A/c
  → DTA subject to below
  - **Para 15 items other than B/F Losses & Unabsorbed Dep"** → Check Reasonable Certainty → Yes: Create DTA; No: Do not
  - **Para 17 Entity has B/F Losses & Unabsorbed Dep"** → Check Virtual Certainty with Convincing Evidence → Yes: Create DTA; No: Do not
- **DTL** → Tax Liab. of Future
  → P&L A/c ---- Dr To DTL

4 Special Cases

Tax holiday Period (THP) (Sec 80 IA)
- **Timing Diff arise in THP & Revered in THP** → Ignore - No DTA/DTL
- **TD arise in THP & to be Revered after THP** → Created & DTA/DTA in the year of Occurrence

Minimum Alternative Tax (MAT)
- **No Impact on DT Calculation** → for DT Calculation ignore -
  - Book Profit of MAT
  - Mat Rate
- **Treatment of MAT**
  - If MAT is more than Regular Tax → CT = MAT
  - Excess of MAT over Reg. Tax is Asset → "MAT Credit Receivable A/c" → Recognise if Recoverable
    MAT Credit A/c Dr. To P&L

5 Other Areas

Offsetting of CTA & CTL / DTA & DTL
- Possible If
  - Entity has Legal Right to set off
  - Intention to Settle as Net Basis
- Otherwise Not Possible

Presentation of CT & DT
- **BS**
  - CTA/CTL → Current (Short Term Provision CTL, Other Current Assets - CTA)
  - DTA/DTL → Non Current
- **P&L** → After PBT → Show Tax Expersp on CT
  + DTL Recog
  - DTA Recog
  + DTA Reversal
  - DTL Reversal

Remember
1. DTA/DTL - No discounting at Present Value
2. Measurement at applicable Tax Rate
3. Reviewed / Recalculated at each B/S date

COVID - 19

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