

IND AS 12 - Income Taxes

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4. Accounting Treatment
5. Offsetting Current Tax Asset & Current Tax Liab

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Ind AS 12 - Income Taxes

ofy (Eg 1)

Yr 1 (20x1 - 20x2)

A/c → Rev	1000 crores
Exp	<u>(700) crores</u>
PBT	300

Tax @ 30%

90

↓
To be Booked
in A/c's Books → 90

(20x1-x2)

→ ₹100 crores exp disallow

Tax Books

Rev →	1000 crores
Exp →	<u>(600) crores</u>
PBT	400 crores

Tax @ 30%

120

↓
To be paid

Current Tax.

J.E. Tax Exp (P/L) A/c Dr 90

~~Prepaid Exp A/c Dr~~ 30 Def. Tax Asset.

TO ClB A/c 120

Yr 2

A/c's

Revenue	1000 crores
Exp	<u>(700) crores</u>
PBT	300

Tax @ 30%

90

↓
To be Booked

Tax → p.y. Exp ¹⁰⁰ ↓ allow

Revenue →	1000 crores
Exp	<u>(800) crores</u>
PBT	200 crores

Tax @ 30%

60

Pay

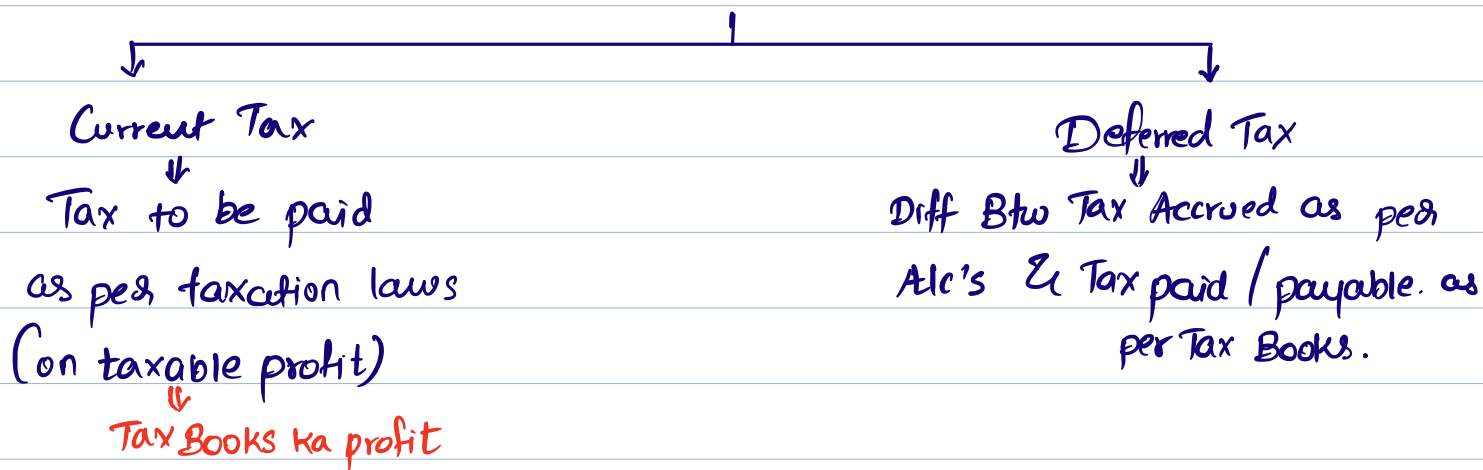
Current Tax

Tax Exp (P/L) A/c Dr 90

TO ClB A/c 60

TO ~~Prepaid Exp A/c~~ 30
(Reverse)
(Def. Tax Asset Reverse)

Income Taxes



Eg 1 → Proper J.E

① Current Tax

Curr. Tax Exp (PIL) 120
TO CIB 120

② Deferred Tax

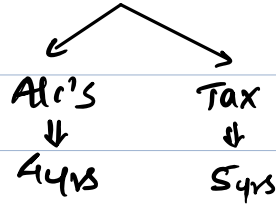
Deferred Tax Asset (BIS) 30
TO D.T. Exp (PIL) 30

<u>Sch III PIL (Draft)</u>		
<u>Tax Exp</u>		
Curr. Tax	120	
Def. Tax	<u>(30)</u>	90

Deferred Tax [~~PIA Approach~~] [B/S Approach]

above eg (AS)
X

01/04/21 - Asset Purchase → 10 cr → Life Tax Rate = 30%



A/c's

Tax

Day 1 J-E. PPE Alc DR 10cr
TO ClB 10cr

Day 1 J-E. PPE Alc 10 cr
Dr ClB 10cr

4yrs end Deprn Alc Dr 2.5cr
TO PPE 2.5cr
[10cr / 4yrs]

4yrs end Deprn 2cr
TO PPE 2cr
[10cr / 5yrs]

B/S Approach for Def. Tax

DTA → Deferred Tax Asset
DTL → Deferred Tax Liabⁿ.

Particulars	C.A. (A/c's)	Tax Base [Tax Books]	Diff	D.T.A / D.T.L
PPE (Day 1)	10cr	10cr	-	D.T. @ 30%
(4yrs end)	7.5cr (10cr - 2.5cr) ↓ Deprn.	8cr (10cr - 2cr) ↓ Deprn	0.5cr	0.15cr (D.T.A.)
				J-E. D-T-A Alc Dr TO D-T-Exp Alc (P/L)

Hint: Always Try to Bring C.A towards Tax Base

<u>Example List</u> Particulars	A/c's Books C.A ↕ C.A	Tax Books C.A ↕ <u>T-B.</u>	Diff	DTA/DTL @ 30%
1) PPE [10cr] Life A/c's → 4yrs Life Tax - 5yrs. Day ① 4r end	10cr 7.5cr	10cr 8cr	- D.T.D. <u>0.5cr</u>	- 0.15 D.T.A. ↓ D.T.A A/c Dr. To D.T. Exp (PIL)
2. Land → [₹100 crores] Life A/c's → Infinite Tax life → Infinite ↓ Non-Deprn Day ① 4r end	100cr 100cr	100cr 100cr	- -	- -
3. Land → [₹100 crores] On 4r end → A/c's → Rev. Mod ↓ ₹150cr. (Rev Gain 50cr (OCI (NR))) → Tax - No Revaln ↓ Book profit only when realised.	150cr	100cr	(TTD) 50 ↓ Rev. Gain (OCI (NR))	15 (D.T.L) ↓ J-E. OCI (NR) D.T. Exp (PIL) To DTL ↓ BIS
4. Prepaid Exp (Asset) ⇒ ₹100 [A/c's → Accrual Basis Tax → Cash Basis]	100 A/c's J-E. Prepaid Exp 100 To ClB 100	0 Tax Exp (PIL) 100 To ClB 100	(TTD) 100	30 (DTL) ↓ J-E D.T. Exp (PIL) 30 To DTL 30

<p>5. Outstanding Sal^y (Liab^y) = \$100 [A/c's → Accrual Basis Tax → Cash Basis]</p>	<p>100</p> <p>J-E (A/c's) Sal & Exp (PLU) 100 TO o/s Sal^y (Liab^y) 100</p>	<p>0</p> <p><u>No entry</u></p>	<p>100 (DTD)</p>	<p>30 (DTA) ↓ DTA TO D-F-Exp (PLU)</p>
<p>6. Advance Income \$100 [A/c's - Accrual Tax - Cash Basis]</p>	<p>100</p> <p>J-E A/c's c/B 100 TO Adv Inc (Liab) 100</p>	<p>0</p> <p>Tax c/B 100 TO Rev (PLU) 100</p>	<p>100 (DTD)</p>	<p>30 (DTA)</p>
<p>7. Prov for Bad debts \$100 [A/c's - Accrual Tax - Cash Basis]</p>	<p>100</p> <p>A/c's J-E Bad debts (PLU) 100 TO Prov 100</p>	<p>0</p> <p>Tax J-E No entry</p>	<p>100 (DTD)</p>	<p>30 (DTA)</p>
<p>8. Prov for Gratuity [A/c's - Accrual Tax - Cash Basis]</p>	<p>100</p> <p>A/c's → Grat. Exp 100 TO Prov 100</p>	<p>0</p> <p>Tax No entry</p>	<p>100 (DTD)</p>	<p>30 (DTA)</p>
<p>9. Interest Inc Receivable (\$100) [A/c's - Accrual Tax - Cash Basis]</p>	<p>100</p> <p>A/c's J-E Int receivable (Asset) 100 TO Int Inc (PLU) 100</p>	<p>0</p> <p>Tax J-E No entry</p>	<p>100 (TTD)</p>	<p>30 (DTL)</p>
<p>10. Preliminary Exp → \$100 [A/c's → Day 1 w/loff Tax → over 5yrs w/loff]</p>	<p>0</p> <p>A/c's J-E Exp 100 TO c/B 100</p>	<p>80</p> <p>Tax J-E Asset Prel-Exp (Prepaid Exp) 80 Exp (PLU) 20 TO c/B 100</p> <p>1/5</p>	<p>80 (DTD)</p>	<p>24 (DTA)</p>

11. Fines & Penalties ₹100
(Payable)

[A/c's → Acc-Basis
Tax → Disallowed]

Diff is Other than Temporary
Conclude → CA = T-B
∴ NO DTA/DTL.

12. Agriculture Income = ₹100
Relable

[A/c's → Accrual Basis
Tax → Exempt]

Diff is Other than Temporary
conclude → CA = T-B
∴ NO DTA/DTL.

DTA → In future → Pay less tax → Deductible Temp Difference (DTD)

DTL → In future → Pay more tax → Taxable Temporary Diff (TTD)

Eg: On 01.04.21 AK Ltd purchased Car (PPE) → ₹ 500 crore

Tax Rate = 30%. Acc's (life) 5 yrs Tax (life) = 4 yrs.

Compute Deferred Tax for all 5 years & Pass J.E for Deferred Tax.

[Assume Machine was used for all 5 years & Not sold in between]

Soln:

PPE	CA	T.B	Diff	DTA DTL @ 30%
Day ①	500	500	-	-
4r end ①	400	375	25 (T.T.D)	7.5 (DTL)
	$[500 (-) 100]$ 14r Depn ($500 \times \frac{1}{5}$)	$[500 - 125]$ 14r Dep ($500 \times \frac{1}{4}$)		↓ J.E D.T. Exp (PIL) 7.5 To D.T.L 7.5
<u>4r 2 end</u>	300	250	50 (T.T.D)	15 (DTL) ↳ cumulative till date.
				J.E D.T. Exp (PIL) 15 7.5 To D.T.L 7.5
<u>4r 3 end</u>	200	125	75	22.5 (DTL)
				J.E D.T. Exp (PIL) 7.5 To DTL 7.5
<u>4r 4 end</u>	100	0	100	30 (DTL)
				J.E D.T. Exp 7.5 To DTL 7.5
<u>4r 5 end</u>	0	0	0	0 (DTL) → Till date.
				No entry J.E DTL (Reversal) 30 To D.T. Exp 30 (PIL)

Illus 16 (LDR)

(i) Tax loss = 30L (Normally DTA is created on Tax loss)

But since Co. does not expect to earn future profits ∴ No DTA will be created.

	C-A	T-B	Diff	DTA (DTL @ 20%
(ii) Prov for closure costs (Liab) (A/c's - Accrual Tax - Cash Basis)	20L J.E Exp 20L TO Prov 20L	0 J.E No entry	20L (D.T.D)	4L (DTA)
(iii) Intangible Assets	15.2L (1.01.18 → 16L (80k) (-13m Amort'n (16 × 3/12 × 1/5)	0 J.E Dev Exp (PIL) 16L PCLB 16L	15.2L (TTD)	304000 (D.T.L)
(iv) Loan taken (F.L)	1,07,80,000 (WN1)	1,00,00,000 ↓ Face Value.	780000 (DTD)	156000 (DTA)

Imp

WN 1 Step 1 C-F

4r
0 1cr
1-3 - 0% coupon
3 → 1,30,43,800

Step 4 LAT

4r end opn
31.3.18 98,00,000
Jut @ 10% 9.8L
Repay -
C/L 1,07,80,000

Step 2 FV of FL (No relation, No CFI)

FV = T.P (-) Tr. Cost

FV = 1cr (-) 2L
= 98L

↓
C/A
in A/c's

Step 3 ~~Diff~~ EIR = 10%

Illust 9 (LOR)

Particulars	C-A	T-B	Diff	DTA/DTL @ 25%
(Asset) (31.3.22) ① Investment in Eq ↓ No profit is earned in tax books ∴ No Current Tax.	240000	200000	40000 (TTD)	10000 (DTL) ↓ J-E D.T-Exp (OCI) 10k To DTL 10k.

② Inventory (WNI) ↓ Current Tax ↓ Tax on Taxable Profit (Tax Books) $16000 \times 25\%$ $= 4000$ [No unrealised profit elimination in tax.] ∴ full 16k is taxable profit	38400	48000	9600 (OTD)	2400 (DTA) ↓ J-E DTA 2400 To D.T-Exp 2400
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③ Advance Income ↓ Current tax ↓ Taxable profit = 2L $2L \times 25\%$ $= 50000$ (Current Tax)	80K	0	80K (OTD)	20K (DTA)
	J-E Alc's ClB Alc Dr 2L To Rev 1.2L To Adv Inc 80K		J-E Tax ClB 2L To Rev 2L	

WN ① K → ^{Parent Sale} → A → ^{Subs}

Cost	S.P	Profit
64000	80000	16000

40% sold to 3rd party (25600) (32000)

60% Stock Unsold 38400 48000

Alc's eliminate profit

Alc's C-A [after elimination of unrealised profit]

(T-B) (No elimination of profit in Tax Books)

Eg On 01.04.X1 AK Ltd Purchased Fessari (PPE) → ₹ 100L.

Tax Rate = 30%. A/c's life - 5 yrs. Tax life = 4 yrs.

On 31/03/X2 → Fessari was revalued at ₹ 120 lakhs.

[In Income Tax → No Revaluation] Profits are taxed when realised.

Solⁿ: Day 1 NO Diff

4r1 end	A. C.A (If NO Reval ⁿ)	B. C.A (after Reval ⁿ)	C. T.B.	Diff	DTL @ 30%
PPE 31.3.X2.	80	Actual C.A. 120	75	45 (TTD)	13.5 (DTL)

Remaining life = 4 yrs

J.E.

D.T. Exp (PIL) 13.5	TO DTL 13.5
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Total Diff = ₹ 45

Deprn (A with C)

C.A	T.B	Diff	D.T.L
80	75	5	1.5

D.T. Exp (PIL) 1.5

TO D.T.L 1.5

Revaluation

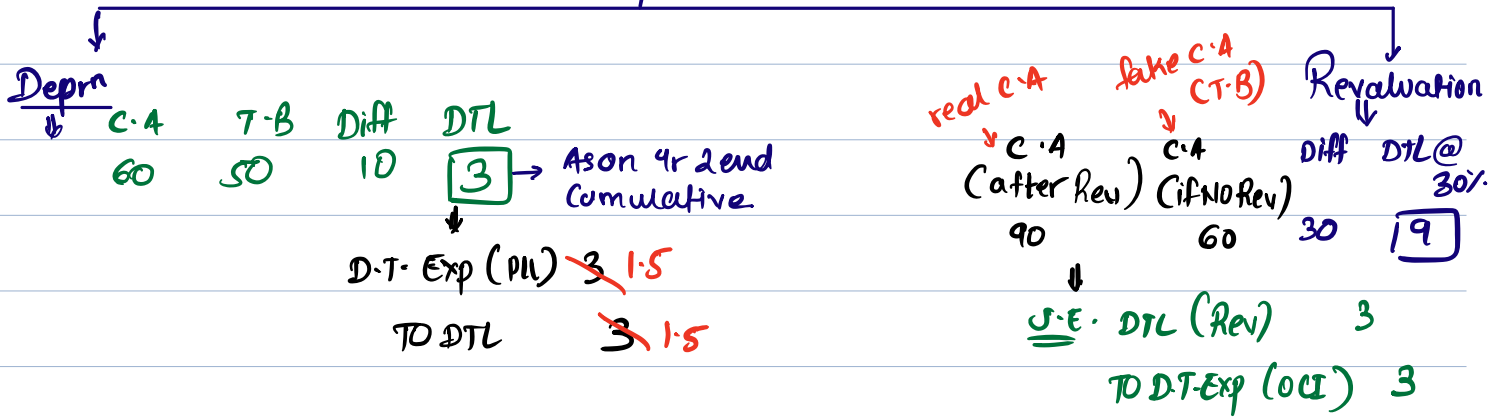
real C.A.	fake C.A.	But fig. (B with A)	Diff	D.T.L
→ C.A (after Rev)	→ T.B (If no reval)			
120	80		40	12 (DTL)

D.T. Exp (OCI/NR) 12

TO DTL 12

4r2 end	C.A (if NO Rev)	C.A (after Reval ⁿ)	T.B.	Diff	D.T.L
31.03.X3	60	90	50	40	12 (DTL)
		[120 (-) 1yr Depn] 30 (120/4)	[75 - 25] 50 Depn in tax		

Total Diff 40



OF4

4r1 end Total DTL = 13.5

4r2 DTL created 1.5

4r2 DTL Reverse (3)

Total DTL as on 4r2 end. 12

Quest 2 (LOR)

(i) MAT credit
 ↓
 Create DTA

31/3/16 → 8.5 crores → D.T.A TO D.T.Exp 8.5

31/3/17 → 9.75 crores → D.T.A ~~9.75~~ 1.25
 TO D.T.Exp ~~9.75~~ 1.25

(ii) PPE

	C.A (Bef Rev)	C.A (after Rev)	T.B	Diff	DTA DTL
31/3/16	22 (?)	40	22	18	3.6 (DTL)

(Assume to be same as T.B)

Total Diff = 18

Deprn			Reval ⁿ			
C.A (Bef. Rev)	T.B	C.A (Aft Rev)	C.A (Bef Rev)	Diff	DTL	
22	22	40	22	18	3.6	
No Diff					↓	

D.T.Exp (OCI NR) 3.6
 To DTL 3.6

(ii) 31-3-17 (PPE)

	C.A (Bef. Rev)	C.A (after Rev)	T.B	Diff	D.T.L @ 20%
	20 (22-2)	40 45 ↓ New Fair Value	20.75 (22-1.25)	24.25	4.85 <u>DTL</u>

Total Diff 24.25

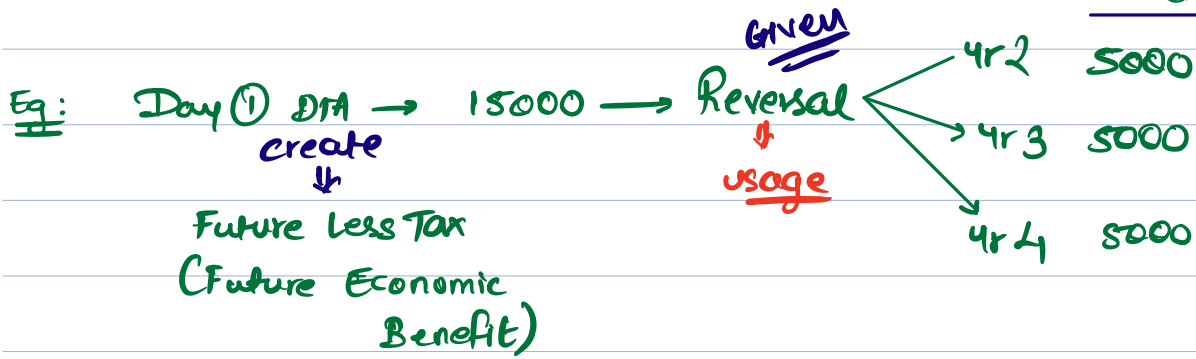
↓				↓			
<u>Deprn</u>				→ real C-A	→ Fake C-A (T-B)	<u>Revalⁿ</u>	
C-A	T-B	Diff	DTA @ 20%	C-A (After Rev)	C-A (Before Rev)	Diff	DTL @ 20%
20	20.75	0.75	0.15	45	20	25	5
			↓				↓
			DTA 0.15				D.T.Exp(OCE) 1.4
			TO D.T.Exp(PIC) 0.15				TO DTL 1.4.

OFY
Proof

Yr 1 end DTL 3.6
 (-) DTA (Yr 2) (0.15)
 (+) DTL (Yr 2) 1.4
 Yr 2 (DTL) 4.85
 end.

* Assess / Re-assess DTD (DTA)

DTA (Reverse)



Ans ①

DTA can be used in following 3 cases.

- ① Against DTL Reversal. (OR) → illus 15 [Jiss 4r DTA Rev hai uss 4r DTL Rev hona chahiye]
- ② when there in future profits (In the yr of DTA reversal) (OR)
- ③ Profits created through tax planning (in the yr of DTA reversal) → illus 6

Illustration 15 (LOR)

Particulars

	31/03/x1	31/3/x2	31/3/x3	31/3/x4	31/3/x5
① TTD 9000 @ 30% ↓ DTL = 2700	2700 (DTL create) D-T-Exp (PIL) 2700 TO DTL. 2700	(900)	(900)	(900)	-
		DTL Reversal			
② DTD 4000 @ 30% ↓ DTA = 1200	1200 (DTA create)	(300)	(300)	(300)	(300)
	Recognise DTA ₹900 ↓ (we can utilize only this much against DTL(Rev))	DTA Reverse.			FortWS DTA Rev we dont have DTL Reversal. ∴
	BIF ↓ ₹300 (Disclose)				

→ Min Alternative Tax

074 (MAT credit)

Yr 1 Tax Profit = 10 → Tax Payable = 0

Book Profit = 50000 @ 15% = 7500 (Tax as per MAT Prov)

(As per MAT provisions)

Future mein MAT credit credit (future less tax)

Pay Tax of 7500 to Govt in Yr 1.

Yr 2 Tax Profit = 80,000 @ 30% = 24000

MAT Profit = 10000 @ 15% = 1500

Yr 2 Tax Pay = 24000 (-) 7500 = 16500
MAT credit

In Yr 1 → Co. will create DTA (MAT credit) = 7500

Hint: - Jitna MAT credit hai, utna DTA Banega.

* Determine Tax Rates in Deferred Tax.

Eg ① C.Y (X1-X2) → Tax Rate - 30%

→ 1st Feb, X2 → Announced from Next Yr (X2-X3) & Implemented.

Tax Rate = 35%

Tax Temp Diff = 50000 @ ~~30%~~ / 35%

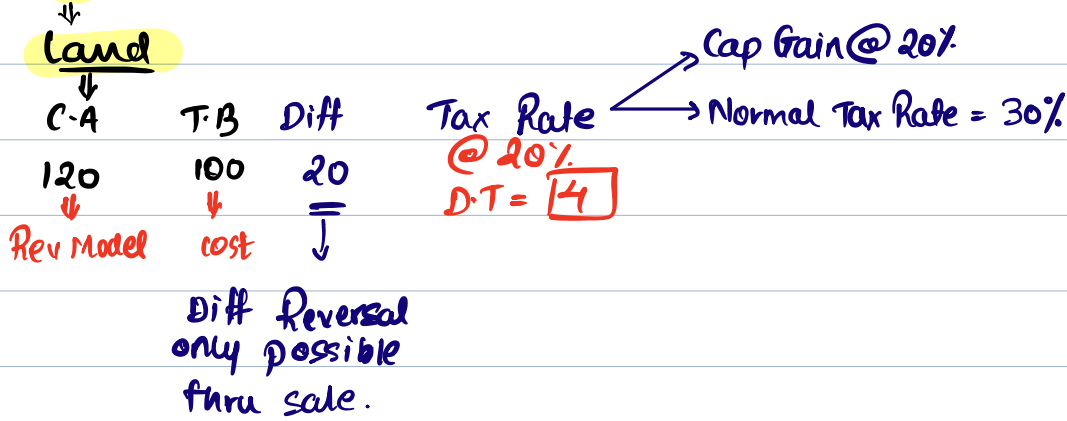
DTL

Future Rate.

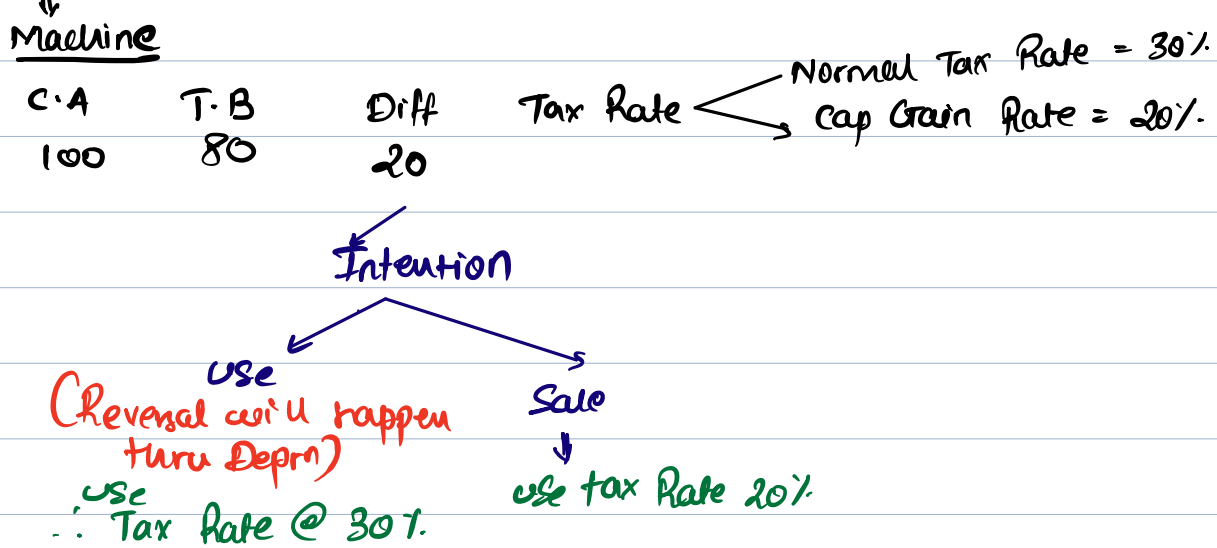
Future more tax

(Only if available (announced & implemented in C.Y.))

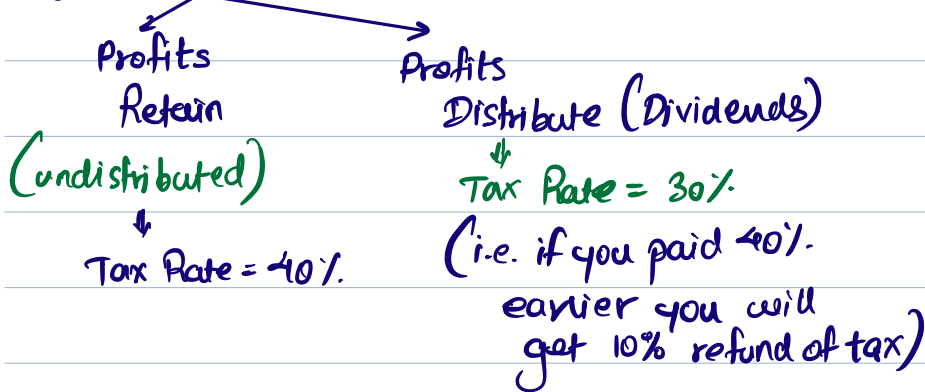
Eg 2: PPE (Non Deprn)



Eg 3: PPE (Deprn)



Eg 4: Co.



Curr. Tax / Def. Tax → Rate → 40% / ~~30%~~

In future if Co. distributes Div & 10% Tax becomes Refundable, the co. can Book a curr tax Asset for that 10%.

Illust 5 (LOR)

(£ in thousands)

① Current Tax

↳ on **Taxable Profit**

$$\downarrow$$

$$104 \times 25\%$$

$$= 26$$

$$\downarrow$$

J-E. Curr. Tax Exp (P/L) A/c Dr 26

To Curr. Tax Liab^y A/c 26

② Deferred Tax

	C.A	T.B	Diff	DTL @ 25%
① PPE (Purchased on 1st Feb)				
↓				
C.A 31.3.22	118	114	4 (TTD)	1 (DTL)
	$[120 - 2]$ $(120 \times \frac{1}{10} \times \frac{2}{12})$	$[120 - (120 \times \frac{1}{10} \times \frac{6}{12})]$		

② Donation → other than Temp Diff ∴ C.A = T.B ∴ No DTA/DTL

J-E

D.T. Exp (P/L) A/c Dr 1

To DTL 1

PIL (Extract)	
<u>Tax Exp</u>	
C-T	25
D-T	1
	→ 27

OFU

As per Accrual in Alc's

Alc's Profit = 100

Tax Rate 25%

Tax Exp 25

27 ← Reco

Tax Reconciliation in absolute numbers.

Profit Before Tax (Alc's)	100
Tax Rate	25%
Tax Amt	25
Exp for which tax ded ⁿ not allowed (8 x 25%)	<u>2</u>
Tax Exp (in PIL)	<u>27</u>

Tax Rate Reconciliation

Applicable Tax Rate 25%

Tax on Donatⁿ Not allowed

$$\text{Cin \%} = \frac{2}{100} \times 100 \quad 2\%$$

Tax on Donatⁿ

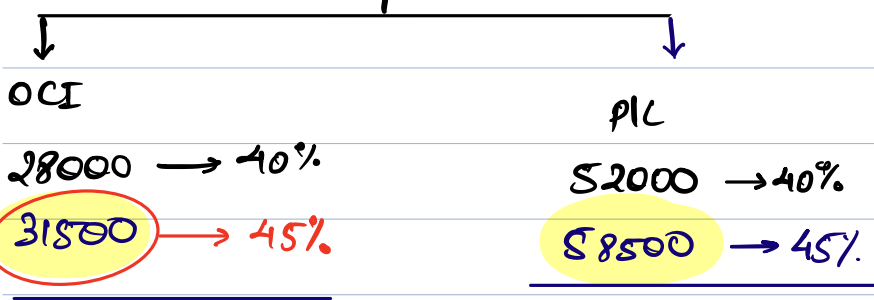
Profit (as per Alc's)

Avg Effective Tax Rate 27%

illus 18 (COR)

DTA @ 40%

80000



↑ in DTA 3500
↓

J-E.
D.T.A 3500
TO D.T-Exp 3500
(OCI)
NR

↑ in DTA 6500

J-E.
D.T.A 6500
TO D.T-Exp 6500
(P/L)

DTL

60000 → 40%
67500 → 45%

↑ in DTL → 7500

J-E.

D.T-Exp (P/L) 7500
TO DTL 7500

Ques 1

① Investment in Shares (Asset)	C.A	T.B	Diff	DTL @ 20%
31.3.17	70	45	25	5 → D.T-Exp 5 TO D.T-L 5
31.3.18	75	45	30	6 → D.T-Exp 6 TO DTL 6

Q3

① Tax loss = 20L (Normally DTA is created on Tax loss)

But since Co. does not expect to earn future profits ∴ No DTA will be created

ii) Fin Liab	C.A	T-B	Diff	DT @ 20%
31/3/20	53.9L (WNI)	50L	3.9L (DTD)	78000 (DTA)

WNI

Step ① CF

Step ② FV = FP(-) T-C
= 49L

Step ③ EIR = 10%

Step ④ LAT (In ques it is asked to verify EIR.

∴ Prepare LAT for all years & cls Bal @ the end should be NIL]

4r end	Op ⁿ	Int @ 10%	Repay	cls
31/3/2020	49L	4.9L	-	53.9L
31/3/2021	53.9L	5.39L	-	59.29L
31/3/2022	59.29L	5.929L	(65.219L)	<u>NIL</u> → <u>EIR is correct</u>

Q4

① Assota (Asset)	C.A	T-B	Diff	D.TA @ 30%
4r end	650000	800000	150000 (DTD)	45000
	C.A 10L R.A 6.5L Imp loss 3.5L Rev. C.A 6.5L			

* D.T. arising on Business Combination

PC = 43 lakhs

Seller Co.		Purchasing Co. AK Ltd.			After DTL	
Danish Ltd		C.A	F.V	PC	43	43L
	PPE	10L	15L	(-) Net Asset @ F.V	(30L)	(27L)
	I.P	5L	8L			
	Intangible Asset	5L	7L	Glw	13L	16L
C&S	2L	Cash	2L			Glw after D.T arising on B.C.
	+ FV = 2L					

Deferred Tax on Busn Combⁿ [Ind AS 12 → AK Ltd Purchasing Co.]

C.A → Fair Value on B.C.
 T.B → Seller Co.'s carrying Amt.

AK Ltd (Books)	(F.V on B.C)	(C.A of Seller Co.)	Diff	DT @ 30%
Items	C.A	T.B		
① PPE	15	10	5	1.5 → D.T.L
② I.P	8L	5L	3	0.9L → DTL
③ I.A	7L	5L	2L	0.6L → DTL
④ Cash	2L	2L	—	—
⑤ C&S	2L	2L	—	—

Make it a part of Net Assets acquired.

D.T. arising on Busn Combⁿ → 3L (DTL)
 → J.E. Pls Glw 3L
 DDTL 3L

Revised Glw = 13L (+) 3L = 16L

D DTL 3L

OFU logic: Excess payment of PC over NA is adjusted against Glw & NOT P/L
∴ D.T. arising on Busn Combⁿ is also adjusted against Glw.

If in above eg: DTA / DTL was already existing in Seller Co's Books.
That will also be taken over by purchasing Co. & it will become part of
Net Assets.

	C.A (F.V on B.C)	T.B (Seller Co. carrying Amt)	Diff
Glw	16L	0	

Amortization X

Separately Sale X

Other than Temp Diff

∴ C.A = T.B

∴ NO DTA / DTL.

Case: DTA / DTL arising on Busn Combⁿ

↳ make it a part of Net Assets

↳ Automatically it is adj against Glw.

Illus 3 (LDR)

Purchase Consideration (80%) → 25cr

(+) NCI (20%) → $\frac{6cr}{31cr}$ → Pending → After Ind AS 103

(-) Net Assets

As per Book value 23

(+) Prop	} Fair value Adj	} <u>Imp</u>	}	3
(+) Plant & Eq				2
(+) Inventory				0.5

Imp (-) D.T.L $\frac{(1.1)}{(27.4)}$

GLW
↓
3.6.

After D.T arising on Busn Comb

<u>Q. No</u>	<u>D.T on B.C</u>	(Fair Value)	(Old carrying Amt)	Diff	D.T @ 20%
		C.A	T.B		
①	Property	18	15	3	0.6 → DTL
②	Plant & Eq	13	11	2	0.4 → DTL
③	Inventory	3	2.5	0.5	0.1 → DTL
					<u>1.1 → DTL</u>

Illust. 14

Deferred Tax on B.C Comb ⁿ .		(Old C.A.)		
Item	C.A (F.V)	T-B	Diff	D.T. A @ 30%
① Plant	250	260	10	3 → DTA
② Inventory	120	125	5	1.5 → DTA
③ Debtors	200	210	10	3 → DTA
				<u>7.5 → DTA</u>

Calc of GLW	
PC	500
(-) Net Assets @ FV	<u>477.5</u>
(470 + 7.5)	
↓ Net Asset	↓ DTA
GLW	<u>22.5</u>

Journal Entry	
Plant A/c Dr	250
Inventory A/c Dr	120
Debtors A/c Dr	200
DTA A/c Dr	7.5
GLW A/c Dr	<u>22.5</u>
TO 9% Deb A/c	100
TO PC	500

Illus 19.

D.T arising on Busn Combⁿ.

Items	C.A (FV)	T.B (old C.A)	Diff	D.T @ 30% 40% ^{Jump}
① Land & Bldg	700	500	200	(80) → DTL
② PPE	270	200	70	(28) → DTL
③ Inventory	90	100	20	8 → DTA
④ Accounts Receivable	150	150		-
⑤ Cash	130	130		-
⑥ A/c's Payable (liab)	160	160		-
⑦ Retirement ob (liab)	100	0		40 → DTA
				<u>40 → DTA</u>
				<u>Net DTL 60</u>

Car ⁿ of GLW	(₹ in '000s)
PC	1500
(-) Net Assets @ F.V	(1010)
(1070 (-) 60)	
↓ Net Asset	
↓ DTL	
GLW	<u>490</u>

why 40% Rate?

→ Originally Assets & Liab belong to S Ltd (sell^g Co)

∴ use Tax Rate of Sell^g Co.

* Share Based Payment (Remember this)

Eg: 01/04/11 → Announce (3yrs Plan)

V.P = 3yrs

No. of emp = 50 employees.

No. of shares = 100

F.V. of shares = ₹75 per share.

Alc's

4-D (01.04.11) → No entry.

4r 1 end Exp → ₹125000

$$\left[\frac{50 \text{ emp} \times 100 \text{ shares} \times 75}{3 \text{ years}} \right]$$

Tax Books

Full Exp is directly allowed @ the end of 3rd yr.

Ind AS 12.

Item
↓
ESOP (Share Based Payment)
4r 1 end

C-A	T-B	Diff	D.T @ 30%
0	125000	125000	37500 (DTA) ↓ D.T.A 37500 To D.T. Exp (PIL) 37500
0	250000	250000	75000 (DTA)

Always zero

Hint: Alc's Exp

future exp. claim Benefit
∴ Future less tax (∴ DTA)

(Cumulative Exp till 2nd yr).

J.E.
D.T.A 75 37500
To D.T. Exp (PIL) 75 37500

4r 2 end

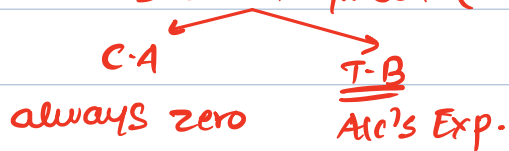
4r 3 end

last yr.

why 0?
Because in 4r 3 end full deduction is allowed in Tax ∴ Tax Base becomes NIL.

D.T. Exp (PIL) 75K
To DTA (Reversal) 75K.

Case for Share Based Payment (D.T. Impact)



Always DTA create, last yr full DTA Reverse

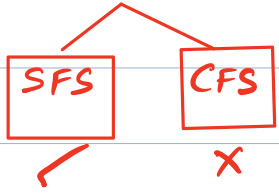
Illustration 4 (LDR)

SBP - 2yrs V.P.	C.A	T.B	Diff	DTA / DTL @ 30%
01/04/11 (Day 1)	—	—	—	—
31/03/12 (4r end)	0	0.80 (1.6/2yrs)	0.80	0.24 <u>J-E</u> D.T.A Atc Dr 0.24 To D.T. Exp 0.24
31/03/13 (4r 2 end) ↳ Tax Exp claim ∴ Tax Base = 0	0	0	0	0 No entry <u>J-E</u> D.T. Exp (DIL) 0.24 To DTA (Reversal) 0.24

* Investment in Subs / J.V / Associate

AK Ltd purchased 75% stake in BB Ltd on 01.04.X1 @ ₹ 500 crores.
 ↓
 Parent

Subsidiary



AK Ltd (SFS) Day 1

Alc's Invest in BB Ltd (75%) 500 crores
 TO ClB 500 crores

Tax → Same on Day 1

Particulars	C.A	T.B	Diff	DTA / DTL
Invest in Subs (BB Ltd) (Day 1)	500	500	-	-

In the year XI-X2, BB Ltd earned profit of ₹ 100 crores.

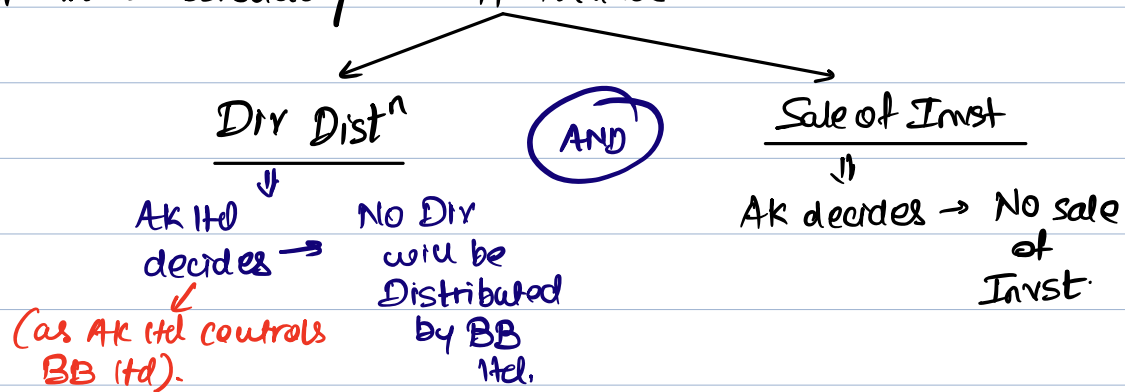
↳ 75% of AK Ltd.
 (Alc's)

	C.A	T.B	Diff	DTL @ 30%
4r end (31.03.X2)				
<u>Invest</u>	575	500	75	22.5 → DTL
Alc's → (Invest value increases by the share of unrealised profit)	[500 + 75]		(TTD)	
			Diff Reverse	
			Div Dist ⁿ by BB Ltd to AK Ltd.	
				Sale of Invest. by AK Ltd to 3 rd party.

Tax - Book profit only on realisation

Exception :

In case of Invest in Subsidiary \rightarrow Diff Reverse



If Both conditions are met, then Diff will Not get reversed

\therefore Diff Becomes other than Temporary

$\therefore CA = T-B$

\therefore NO DTA / DTL.

In case of Subs,
(Invest more than 50%)

Assoc
(20% - 50%)

Joint Venture
[50:50 / 25:25:25:25]

AK Hld acquired 35% of BB Hld.

CA T-B Diff
create D.T.

Exception

① AK Hld (+) other SH (agreement) that Div will Not be distributed.

AND

② No Sale of Invest

Same conditions as Associate.

If Both met

then Diff other than Temp

$\therefore CA = T-B$

\therefore NO DTA / DTL.

Note: These above exceptions are Not applicable on Normal Invest [which is Not Invest in Subs / Assoc / JV]

eg: Invest in Rel Hld (10%) \rightarrow Assoc J-V Sub
X X X

Diff \rightarrow Always create D.T even if ques says that there is No intention sell