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Deferred tax asset journal entry ifrs

The word Deferred is derived from The Deferred, which means that something must be arranged later. Thus, deferred tax is the tax on items that are included in profit or loss A/c but which are not taken into account as taxable income, which may be recognised in future taxable income and vice versa. Deferred income tax can be a liability or an asset, respectively. According to AS 22, current tax is the amount of income tax determined for taxable income (tax loss) for the period due (to be covered). Deferred income tax is the tax effect of time differences. The differences in timing are differences between taxable income and estimated income for a period that originates from a single period and can be surrounded in one or more subsequent periods. There are permanent differences between taxable income and accounting income for a period that originates in a single period and does not subsequently re-change. Deferred tax is brought into accounts to make a clear picture of the current tax and future tax. If we take advantage of the income tax sections and pay less tax this year, we may have to pay tax in the future, so the advantage is the opposite. Similarly, if we have to pay more tax, if we do not allow any expenditure in the current year, it will be allowed in the future and this year the tax will be reduced. So, we may receive some gain or loss due to the difference between book profits and taxable profits. Expenditure depreciated in accounting over the years, but they are subject to tax in full in the first year. (e.g. significant advertising costs for product demonstration, etc., which are treated as deferred revenue costs in books). Costs paid without deducting TDS are not allowed for tax purposes and are permitted after deduction of the TDS. Costs of a nature (e.g. taxes, duties, fees, fees, etc.) which are accrued on the basis of the profit and loss statement but which are permitted to be taxed on the basis of payment in subsequent years. If we make bonus payments, insurance premiums, provisions for employees leave in cash, etc. but do not pay before submitting the refund they are prohibited this year, but are allowed in the payment year. If we make a partial payment before submitting the refund, it is the amount actually paid for tax purposes and the remaining amount will be allowed in the payment year. This is called a temporary timing difference. But if we pay cash over Rs.20000/this cost is not allowed for tax purposes at any time. So that's a lasting difference. We should remember that a deferred tax liability or deferred tax asset is created only because of the temporary time difference. If there is a lasting difference, it is not created because they are not reversed. Deferred tax book entries are very simple. We need to create a deferred tax liability deferred tax asset A/c by debiting or crediting profit and loss A/c accordingly. Deferred tax is generated at the normal tax rate. [1] Income and loss A/c Dr Deferred tax liability A/c [2] Deferred tax asset A/c To profit and loss A/c Please note that both transactions have not been passed on, but only an obligation or asset is created for the net deferred tax amount. If the book's profit is greater than the taxable profit, create a deferred tax liability. If the residual profit is less than the taxable profit, create a deferred tax asset. If there is a loss in the accounts but the profit made according to income tax and future adjustments (e.g. exp.) has been made on the basis of adjustments, create a deferred tax asset. If there is a gain in the accounts but losses on income tax and loss transfer are allowed (we have to pay MAT), create a deferred tax liability. It is therefore clear that deferred tax assets and liabilities that result from differences in timing and which are able to reverse in subsequent periods are recognised using tax rates and laws established or substantially established at the balance sheet date. A deferred tax asset shall not be recognised unless there is virtual certainty that there is sufficient future taxable income that such deferred tax asset is realised. In other words, DTL is recognised for temporary differences resulting in a taxable amount in the coming years, while DTA is recognised because of temporary differences resulting in deductible amounts for future years and for carry-forwards. It should be noted that dta is only created for certainty. Example of understanding the concept of deferred tax. But the calculation is more important. Let's take one simple example of the depreciation difference between books and taxable income. Let's say one company buys a machine at a cost of Rs. 300,000 /- 1ST April. The salvage value is expected to be zero. Working life is expected in 3 years' time. An enterprise uses a linear method to calculate depreciation in accounting books, but this type of machine is the type that can be fully depreciated for tax purposes in the first year. Let's say the tax rate is 30% in 3 years. For simplification, profit before depreciation and payment Rs.500000/-. AASTA I II III KASUM ENNE KULUMIT JA MAKSE 500000,00 500000,00 500000,00 KONTORAAMATU KULUM 100000,00 100000,00 100000.00.00.00 100000.00.00.00 100000.00.00 100000.00.00 1000000.00.00 100000.00 1000000.00.00 1000000.00.00.00 1000000.00.00 1000000.00.00 1000000.00 00 KASUM ENNE MAKSE 400000,00 400000,00 400000.00 MAKSUSTATAV TULU =KASUM – LUBATUD KULUM (500000-300000, 500000-0, 500000-0) 200000,00 500000,00 500000.00 JOOKSEVmaks @ 30 % MAKSUSTATAVALT TULULT 60000,00 150000,00 150000,00 EDASILÜKKUNUD TULUMAKSU KOHUSTUS 60000,00 0,00 0,00 EDASILÜKKUNUD ASSETS (REVERSAL LIABILITY) 0.00 30000.00 30000.00 TAX EXPENSE = 30% PROFIT BEFORE TAX OR CURRENT TAX +DTL-DTA 12 0000.00 120000.00 120000.00 NET TIMING DIFFERENCE 200000.00 100000.00 PAYMENT TAX 60000.00 30,000.00 ITEMS FOR THIS EXAMPLE: In I Profit & Loss A/C DR 60000/- provisioning income tax A/C 60000/- (Tax payable for the current year) Profit and loss A/C DR 60000/- Deferred tax liability A/C 60000/- (Deferred tax liability due to the created timing difference) The deferred tax liability in the balance sheet is reflected in the Rs.60000/Profit in year II & Loss A/C DR 150000/- Provision income tax A/C 150000/- (provided for in current year tax provision) Deferred tax asset A/C DR 30000/- until profit and loss A/C 30000/- (Deferred tax liability reduced reversing timing difference) In the balance sheet Deferred tax liability reflects Rs.30000 0/- In year III Profit and loss A/C DR 150000/- Income tax provision A/C 150000/- (tax payable for the current year) Deferred tax asset A/C DR 30000/- Profit and loss A/C 30000/- (Deferred tax liability in case of reduced timing difference) Deferred tax liability is zero, so there is no doubt to reflect it in the balance sheet. Note that the deferred tax liability and the net asset value are reflected in the balance sheet. There are so many reasons why the allowable tax depreciation and depreciation expense recorded on accounts is different. The depreciation rate may vary by law and book. The depreciation method may differ in law and books. The calculation method may vary because in books we may depreciate an asset individually, while depreciation can be calculated by a block for tax purposes. For the first time, the introduction of deferred tax books of Accounts. (Transitional provisions) According to AS 22 The first time income taxes are calculated in accordance with this Standard, an enterprise shall recognise in its financial statements a deferred tax balance accumulated prior to the adoption of this Standard as a deferred tax asset/liability with corresponding credit/expense on income reserves, provided that caution is taken into account for future tax assets (see paragraphs 15 to 18). The amount thus credited/entered in income reserves should be the same as would have occurred if this Standard had been in force from the outset. In addition to the deferred tax for the first time in the accounts, we must find the value of the asset according to the accounting book and the value of the assets in accordance with the Income Tax Act. To simplify if we have fixed asset accounts with a gross block of Rs.250 lacs and accumulated depreciationrs.150 lacs, the net worth of books is Rs.100 lacs. Let's say the net value of the block according to the income tax calculation (per tax audit) Rs.80 varnishes. This means that in the future we will calculate depreciation of Rs.100 lacs while under the Income Tax Act, depreciation is calculated in Rs.80 varnishes. This will help less permissible depreciation, which will generate more tax liability in the future. We must therefore create a deferred tax liability for this future tax liability. The timing difference is Rs.20 lacs, where we need to create a deferred tax liability for Rs.6 lacs with a presumptive I.tax rate of 30%. Similarly, we must establish a distinction between all assets and liabilities. Assume that an enterprise has the following positions as of 31 December 2015, difference DTL (+) DTA (-) @ 30% Assets : The discounted value of the net fixed asset. (In the future, less permissible depreciation according to tax law) 100.00 80.00 20.00 6.00 Liabilities: Provision for payment (if paid in the future it reduces tax at that time) 40.00 0.00 -40.00 -12.00,.00 Provision for employee leave (if paid in the future it reduces tax at this time) 30.00 0.00 -30.00 -9.00 Total -50.00 -15.00 Item to be transmitted to books Rs. 15.00 lacs DTA newly introduced. Deferred tax asset A/C DR 1500000/- Income Reserve A/C 1500000/- ANNUAL CALCULATION It may be noted that we do not have to calculate deferred tax for each related transaction. Deferred income tax is calculated annually on the basis of a comparison of accounting profit and taxable profit. A deferred tax liability or deferred tax asset is derived from a comparison of the profit and loss a/c of the balance sheet and from the calculation of total income for tax purposes. If any amount is costed in the Profit field in & Loss A/c, but not deducted from income for tax purposes, it creates a deferred tax asset. If any amount charged in income tax is more than costly profit and loss a/c, it creates a deferred tax liability. The net difference between DTA / DTL is calculated and reported as profit in & loss A/c. The balance of the deferred tax liability/asset is reflected in the balance sheet. The following simple statement can be used for this purpose: For the above example, Suppose in next year, the firm makes payments from provision and makes new provisions from P/L A/c. Details P/L A/c Computation of Income difference DTL(+) / DTA(-) @ 30% Opening balance of DTL(+) / DTA (-) -15.00 Comparison of P/L A/c and Computation of Income payment of staff leave encashment from provision 10.00 10.00 3.00 payment of gratuity from provision 15.00 15.00 4.50 new provision for staff leave made from P/L A/c 5.00 -5.00 -1.50 new provision for gratuity made from P/L A/c 5.00 -5.00 -1.50 depreciation as per books and tax audit 20.00 16.00 -4.00 -1.20 Total of comparison 3.30 Closing Balance of DTL(+) / DTA (-) -11.70 Or using Balance sheet approach also we can derive same figure as under : The final balance of assets with a depreciation rate of 20% is Rs.80 and 64, respectively. The final balance of the Gratuity provision is 40-15 +5=30 and the holiday contribution is 30-10+5=25 varnishes. Calculations be in the same area. Property/liability on books according to I.tax. difference DTL (+) DTA (-) @ 30% Assets : Net fixed assets 80.00 64.00 16.00 4.80 Liabilities: provision for additional money 30.00 0.00 -30.00 000 -9.00 Provision for employees found 25.00 0.00 -25.00 -7.50 total -39.00 -11.70 Last year deferred tax assets were Rs. 15 lacs, which reached 11.70 lacs this year. So there is a deferred tax liability of Rs. 3.30 lacs for the current year. Only one entry is transmitted to books Rs. 3.30 ceilings DTL newly calculated. Profit and loss A/C DR 330000/- Deferred tax liability to A/C 330000/- RS 11.70-varnish dta balance is reflected on the balance sheet assets side. According to the revised List VI , DTL/DTA is displayed under Long-term liabilities / fixed assets . Readers are asked to consult their tax consultant before implementing them. The writer takes no responsibility for the views reflected in the article. SOURCE: YOUR SOURCE (PERSONAL VIEWS) With published amendments

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