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ORGANIZATION OF TAX ACCOUNTING IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

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Abstract

This table of ratings of rules includes accounting for income taxes and new requirements of International Financial Reporting Standards (MCFO). Opinions are given on the differences between current tax and deferred tax, the problems of their reflection in financial statements and their solutions.

Keywords

income tax, tax base, accounting profit, international financial reporting standards (IFRS), international accounting standards (IAS), current tax, deferred tax.

Introduction

In the development of any country, taxes play a major role. Taxes are the main source of funds necessary for the state to fulfill its functional tasks and implement political and socio-economic reforms. Therefore, for the economic development of the state and society, the issues of application of taxes are determined by the legal basis of tax policy.

Our country is taking effective measures to reform the national economy, liberalize tax and financial policies, support entrepreneurship and ensure the inviolability of private property, security and the rapid development of regions.

As a result, at the end of 2022, the share of net taxes on products in GDP amounted to 6.8 percent. In 2021, this figure was 6 percent. According to the World Bank, at the end of 2021, the share of net taxes on products in Armenia's GDP was 11.0 percent, 10.2 percent in the Russian Federation, 13.4 percent in Kyrgyzstan in Kazakhstan and 6.4 percent in Kazakhstan.

The correct organization of tax payments through tax policy leads not only to the economic and social development of the state, but also to the effective organization of business activities warring entities and the correct organization of mutual settlements with the state.

At the samww time, in arrange to extend the stream of remote speculation by giving outside financial specialists with the vital data environment and growing get to to universal money related markets for the reason of quickened improvement of the country line economy and guaranteeing tall development rates in joint stock companies, commercial banks, protections organizations and commerce substances included to the category of expansive citizens, worldwide monetary announcing guidelines are being presented.

With in the presentation of International Standards financial reporting (IFRS), it is vital to appropriately organize pay charge calculations and reflect them in monetary detailing inside the system of the necessities of International Standards financial reporting (IFRS).

Methodology

When carrying out the research work, studies of foreign and domestic economists were used to account for current and deferred taxes based on IFRS using data collection methods, both communication, grouping, comparison, induction and deduction.

Literature review

Among the economists of our country are Abdullaev A.B. (2020), Israilov B.I. (2010), N.B.Abdusalomova (2022), A.Ostanakulov (2016), Sh.T.Ergasheva (2019), S.N.Tashnazarov et al. (2018) studied the methodological and practical aspects of improving the merger of tax payments and calculation of income tax in business entities. based on international financial reporting standards.

According to foreign economist M. Knoll (2006), taxes affect competitiveness in many directions. Taxes affect competition in at least two ways. Firstly, they can cause a change in the composition and total quantity of goods and services produced. Secondly, they can change manufacturers of various goods and services.

Economist A. Ostonokulov (2016) believes that “the determination of income tax based on international financial reporting standards serves to reflect the tax obligations of enterprises in accounting in depending on changes in profit received. As a result, the financial report provides greater transparency of information.

Economist D. Pashakhodzhaeva (2021) believes that the indicators that are the basis for calculating the income tax and reflecting the further fate of this tax are collectively called “tax indicators” a for profit.” Income tax indicators are the basis for calculating income tax and a set of relative indicators.

Results

Business entities operating in our republic, when preparing financial statements in accordance with national accounting standards (NAS), make tax calculations a profit in accordance with the rules of the Tax Code of the Republic of Uzbekistan.

Chapter 12 of the Tax Code is called “Income Tax” and consists of 10 chapters (Chapters 42–51) and 70 articles (Articles 294–363). These articles define taxpayers, the object of taxation, the tax base and its adjustments, total income and expenses of taxpayers, tax rates, tax calculation, payment procedure you tax and other features of income tax.

In order for business entities to be able to make income tax calculations when preparing financial statements in accordance with IFRS and reflect them in financial statements, it is necessary to use international standards such as IFRS No. 12 “Income Tax” (IFRS is an international accounting standard) , No. 23 “Uncertainties regarding the procedure for calculating income tax” review by IFRIC (IFRIC - International Financial Reporting Standards Review Committee), “Income tax, change in the tax status of an organization or its shareholders” No. 25 KIS. Commentary (SIC – Standards Interpretation Committee).

The purpose of IAS No. 12 “Income Tax” is to determine the rules for accounting for income taxes and methods for accounting for current and future tax consequences arising from their calculation. Tax amounts for future tax consequences consist of current and deferred taxes.

According to IAS No. 12, income tax is carried out through calculations in relation to all types of activities from which taxable profit is received. Taxable profit is profit determined in a certain order, established by the tax authorities, and on which income taxes are paid. Taxes calculated on taxable income are called current taxes, and a tax liability is recognized in relation to this calculated amount.

The current tax calculation is shown in the table below:

Table 1

The procedure for calculating the current tax for business entities

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№	Indicators	Line code	Amount
1	Total income	010	
2	Deductible expenses	020	
3	Taxable profit	030=010-020	
4	Benefits and corrections (in the manner established by the laws of the country)	40	
5	Tax base	050=030±40	
6	Tax rate, %	060	
7	Amount of income tax	070=050*060	

When a business entity calculates the current income tax tax, it is reflected in the following double entry:

Debit Income tax expenses;

Credit Income tax liability.

Deferred taxes arise as a result of the difference between the current carrying amount of the assets and liabilities of the business entity and their recoverable amount or the tax effect of the carry forward of unused tax losses and tax credits for future periods. That is, this is a profit tax that will be paid or reimbursed in future periods.

Calculations of deferred taxes are made due to the fact that accounting profit and taxable profit of an economic entity are not equal to each other. There are two reasons why accounting and taxable profits are not equal:

- permanent differences;
- temporary differences.

Permanent differences are differences between taxable profit and accounting profit that arise in the current reporting period and are not recalculated in subsequent periods (do not affect the tax base). Such a difference is usually not taken into account under the tax laws of the country in which the separate income and expenses used to determine accounting profit are taken into account. For example, income in the form of dividends and income on bonds, expenses in the form of fines, penalties and sanctions. That is, differences arising as a result of permanent differences do not give rise to deferred taxes, even if they lead to inequality in accounting and taxable profits.

Temporary differences are differences between taxable profit and accounting profit that arise in the current reporting period, but are recalculated in subsequent periods.

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Temporary differences are also divided into 2 types:

taxable temporary differences are temporary differences that create taxable amounts when calculating taxable profits for future periods in which the carrying amount of the relevant asset or liability body is compensated or depreciated (for example: differences in methods for calculating depreciation of fixed assets, differences in cash and calculation methods for calculating interest income and etc.);

deductible temporary differences are temporary differences that create deductible amounts in computing taxable profits of future periods in which the carrying amount of the relevant asset or liability is offset or is redeemed (for example: assets measured at fair value).

Figure 1. Types of Temporary differences.

Deferred taxes arise as a result of temporary differences and are divided into deferred tax liabilities and assets:

- deferred tax liability - the amount of income tax payable in future periods on taxable temporary differences of an economic entity;

- deferred tax assets represent the amount of deductible temporary differences, unused tax losses and benefits carried forward to future periods that will be recovered in future periods.

In accordance with IAS 12, deferred taxes are calculated in the sequence indicated in the following table:

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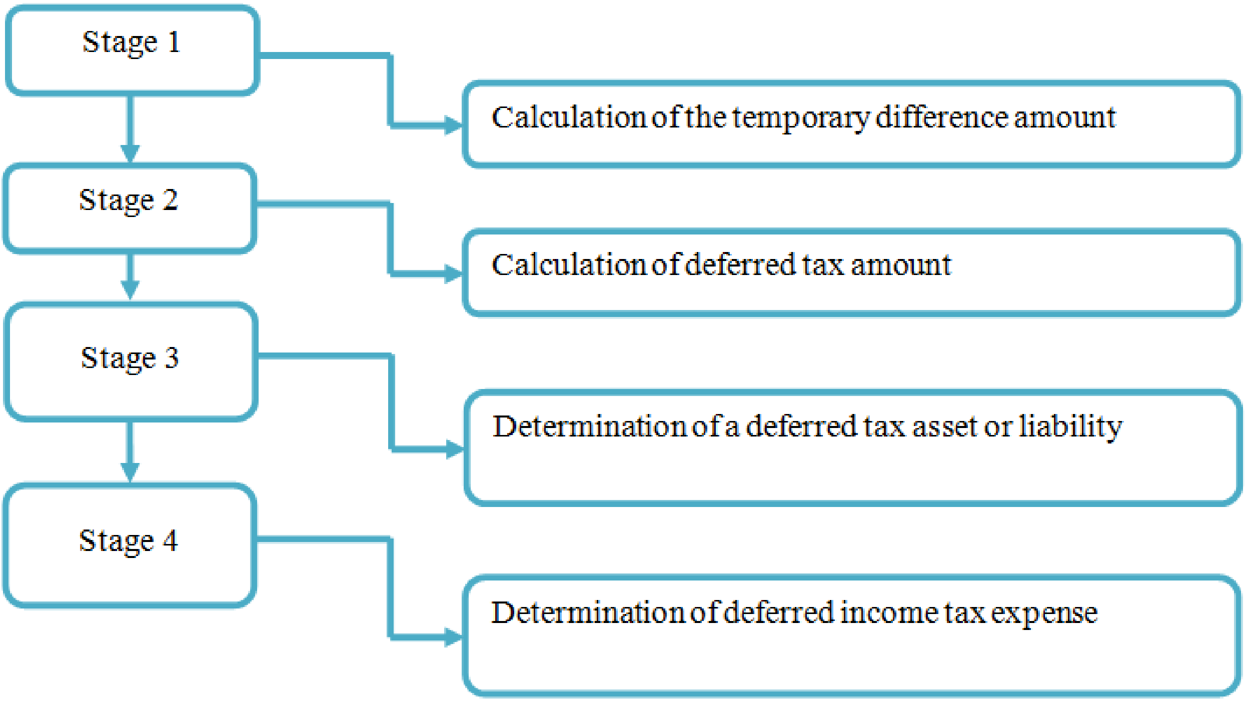

Figure 2. Sequence of accounting for deferred taxes taking into account IFRS requirements

Stage 1. At this stage, the difference between the book value of assets and liabilities of an economic entity and the tax base is determined. The tax base of assets and liabilities is the value of the relevant asset or liability for tax purposes.

Carrying amount – Tax base = Temporary difference

Stage 2. At this stage, the amount of deferred tax is determined by multiplying the temporary difference determined at the first stage, the income tax rate:

Temporary difference * Income tax rate = Deferred tax

Stage 3. At this stage, it is necessary to divide the deferred tax into 2 categories - deferred tax asset or deferred tax liability.

If the book value of assets and liabilities of an economic entity exceeds the tax base:

Carrying amount > tax base, i.e. – a deferred tax liability arises (taxable temporary difference).

If the book value of assets and liabilities of an economic entity exceeds the tax base:

Carrying amount < Tax base, i.e. – a deferred tax asset is created.

Stage 4. At this stage, the amounts of deferred tax liabilities and assets determined at stages 2 and 3 are compared with the previous and current periods, and the resulting difference is recognized in profit or loss:

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Amount of deferred tax for the current period -	010
Amount of deferred tax for the previous period -	020
Differences relating to profit or loss -	030=010-020

If the difference relating to profit or loss is positive, the following double entry is recorded:

Debit Income tax expenses;

Credit Deferred tax liability.

If the difference relating to profit or loss is negative, the following double entry is recorded:

Debit Deferred tax asset;

Credit Income tax expenses.

Let's consider a case study on income tax. On January 1, 2022, "Neftmakhsulotlari" JSC acquired fixed assets for 200 thousand soums. According to the accounting policy, depreciation of fixed assets is calculated from 30% using the reducing balance method.

However, according to tax legislation, the maximum depreciation rate for this fixed asset is set at 15%. How will the amount of deferred tax be reflected in Neftmakhsulolari JSC if the income tax rate for 2022 and 2023 is 12%?

Based on the above sequence, deferred taxes are calculated in accordance with IFRS №12:

As of 12/31/2022:

1. The carrying amount of fixed assets is 200,000 – (200,000 *30%) = 140,000 thousand soums;

The tax base of fixed assets is 200,000 – (200,000 * 15%) = 170,000 thousand soums;

Temporary difference: 140,000 – 170,000= -30,000 thousand soums.

2. Deferred tax amount: 30,000 thousand soums * 12%= 3,600 thousand soums.

3. In this case, the deferred tax asset arises due to the fact that the book value is less than the tax base.

4. The amount of deferred tax in the current period is 3,600

The amount of deferred tax in the previous period is equal to 0

The difference related to profit or loss is 3,600 thousand soums.

Since the difference related to profit or loss is positive, this amount is reflected in the following double entry:

Debit Income tax expenses – 3,600 thousand soums;

Credit Deferred tax liability – 3,600 thousand soums;

As of December 31, 2023:

1. Carrying amount of fixed assets (140,000 – (200,000 – 60,000)*30%) = 98,000 thousand soums;

The tax base of fixed assets is 200,000 – 2*(200,000*30%) = 120,000 thousand soums;

Temporary difference: 98,000 – 120,000= -32,000 thousand soums.

2. Amount of deferred tax: 32,000 thousand. sum * 12% = 3,840 thousand. sum.

3. In this case, the deferred tax asset arises due to the fact that the book value is less than the tax base.

4. The amount of deferred tax in the current period is 3840 thousand soums.

The amount of deferred tax in the previous period was 3,600 thousand soums.

The difference related to profit or loss is 240 thousand soums.

Since the difference attributable to profit or loss is positive, this amount is reflected in the following double entry:

Debit Income tax expenses – 240 thousand soums;

Credit Deferred tax liability – 240 thousand soums;

We can see the main aspect of the analysis and the results of the above mentioned IFRS 12 with the following double entry.

Debit Income tax expense (calculation is carried out within the framework of IFRS requirements);

Credit Income tax (calculated in accordance with the Tax Code of the country).

According to IFRS, the amounts of income tax and income tax liability are not equal, therefore, as a result of using a deferred tax asset and a deferred tax liability reflected by double entry.

Conclusion

As a conclusion, we can say that if enterprises operating within the framework of IFRS requirements apply the 12th IASB "Income Tax", we think that the indicators of the quality of financial reporting will increase even more.

Because, when analyzing the above-mentioned IAS No. 12, as a result of disclosure of information to the required tax authorities, it is possible to provide the necessary information to consumers of financial statements.

Consumers of financial statements, depending on the presence of deferred tax liabilities and assets, receive information on the amount of taxes payable in future periods according to taxable temporary differences of the enterprise, or the amount of tax reimbursed in future periods for unused tax losses and transferred benefits.

Of course, we believe that this is another step towards achieving the goals of investors-consumers of financial statements to make effective decisions, have confidence in financial statements, and also provide foreign investors with the necessary information environment in accordance with the investment policy of our country, as well as increase the flow of foreign investment expanding access to international financial markets.

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