Measurements of Income Tax Accounting Assets and Liabilities: An Experience from Application-Oriented Universities

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Abstract: The correctness of the temporary difference calculation not only affects the current income tax payable, but also affects the correct treatment of income tax accounting. Whether the temporary difference is correct or not is a key step in determining the tax basis of each asset and liability. The basis of tax calculation is to consider from the perspective of tax law, and the book value is inconsistent with the accounting perspective, that is, the caliber is inconsistent, which causes temporary differences. Therefore, grasping the basic method of calculating the tax base of each asset and liability, and comparing it with its book value to determine whether there are temporary differences, is important for how to recognize deferred income tax assets and deferred income tax liabilities, and to correctly calculate income tax accounting.

1. Introduction

Income tax accounting, whether in the intermediate accountant exam or in various professional titles and qualification exams such as senior accountants, CPAs, and certified tax accountants, cannot be ignored, and it is also a difficult point in the teaching content of undergraduate professional courses. For income tax accounting, the determination of the tax base is the key to determining whether there are temporary differences and the core of calculating income tax expenses. Through research on the taxation basis of various assets and liabilities, combined with practical analysis to grasp its basic principles, and compare with the book value determined in its accounting, the correct recognition of deferred income tax liabilities and deferred income tax assets, and the corresponding Paying income tax and accounting treatment of income tax accounting has important guiding significance.

2. Definition of book value and tax basis under assets and liabilities

2.1 Book value

The book value of assets refers to the amount of assets recorded on the balance sheet, which is the difference between the original value and various allowances, that is, the ending balance on the balance sheet [1]. Under different measurement models, the book value of assets. The calculation formula of the value is different. The calculation formula is based on historical cost measurement: the book value of an asset = the book balance (original value) of an asset-accumulated depreciation (or accumulated amortization)-provision for impairment, specifically fixed assets, Intangible assets,

investment real estate measured by cost model, inventory, financial assets measured at amortized cost, etc., the calculation formula for the book value of financial assets measured at fair value = the cost of acquisition (the amount recorded) + increase in fair value changes Value (-decrease in changes in fair value), such as transactional financial assets, other debt investments, other equity instrument investments ([2] [3]), etc.

The book value of a liability refers to the amount of the liability reflected on the balance sheet, which is the amount recorded when the current obligation occurs [4]. In most cases, liabilities are measured at historical cost. The calculation formula is: the book value of the liability = the booked amount, and a small part is measured at the fair value, such as transaction financial liabilities and financial liabilities measured at fair value with changes accounted into the current profit and loss. The calculation formula = booked amount + fair value increase-(fair value decrease).

2.2 Tax basis

In Accounting Standards for Business Enterprises No. 18-Income Tax, the basis for taxation of assets refers to the amount that can be deducted from taxable economic benefits in accordance with the tax law when calculating taxable income in the process of recovering the assets of an enterprise [5]. As mentioned earlier, the tax calculation basis is put forward from the perspective of tax law. Generally speaking, the tax calculation basis of an asset refers to the current point in time, and the tax law considers how much the asset is worth. For different assets, the calculation formula for the tax base is different, as mentioned above. The taxation basis of liabilities refers to the amount obtained by subtracting the book value of liabilities from funds deducted before taxes allowed in later tax laws [6]. The calculation formula is: tax basis of liabilities = book value-future deduction Amount.

3. Application of the tax base of assets and liabilities in practice

Whether the calculation result of the tax base is correct directly affects temporary differences, and then affects deferred income tax, and ultimately affects taxable income. Therefore, the basic principles of taxation of assets and liabilities are analyzed.

3.1 Taxation basis and application analysis of assets

First analyze the tax basis of assets, and choose fixed assets as the analysis object. Taxable basis of fixed assets = actual cost-accumulated depreciation under tax law, and its book value = actual cost-accumulated depreciation of accounting-provision for impairment of fixed assets. It is not difficult to compare the two formulas, and there will be two differences between the tax calculation basis and the book value: (1) the depreciation required by the tax law and the accounting requirement will differ depending on the depreciation method and depreciation period; (2) The tax law does not recognize the provision for impairment of fixed assets in accounting (which can be deducted only after a substantial loss occurs), which results in another difference. At the time of initial recognition, as no depreciation or impairment provision has been made, the book value of fixed assets and the taxable value are basically the same. However, in the subsequent measurement, there will be differences due to different depreciation methods, depreciation periods, and

impairment provisions. Deductible temporary differences and taxable temporary differences [7].

For example: A certain equipment acquired by an enterprise on December 20, 2017 is identified as a fixed asset, with an original value of 7.5 million yuan and a useful life of 5 years. Accelerated depreciation is used to account for depreciation and the net residual value is zero. The tax law stipulates that depreciation of this type of fixed assets that is accrued using the straight-line method can be deducted before tax. The enterprise uses the straight-line method to calculate depreciation and has a net residual value of zero. On December 31, 2018, Company A performed an impairment test on this fixed asset and its recoverable amount was 3.5 million yuan. Analysis: The book value of fixed assets newly added in 2017 is 7.5 million yuan. The initial recognition accounting requirements are consistent with tax law, that is, the book value is equal to the tax basis of the tax law; from the perspective of accounting in 2018, the fixed asset has been depreciated by 3 million yuan. Therefore, the book value before depreciation = 750-750 × 2/5 = 4.5 million yuan, greater than the recoverable amount of 3.5 million yuan, an impairment of 1 million yuan (450-350) will occur, and then provision for impairment The book value after it = 450-100 = 3.5 million yuan. From the perspective of tax law, the fixed asset allows a depreciation of 1.5 million yuan before tax and does not recognize the 1 million yuan provided by the accounting. Therefore, its tax basis = 750-750 / 5 = 6 million yuan. By comparison, The book value (3.5 million yuan) is less than the tax base (6 million yuan), which results in a deductible temporary difference of 2.5 million yuan. It should be noted that the reason for the deductible temporary difference of 2.5 million yuan There are two, one part is due to different depreciation methods, and the other is due to the emergence of impairment provisions. The next thing to judge is whether the impact of this difference on tax income should be increased or decreased? Is it eligible for asset recognition? The 2.5 million yuan difference is divided into two parts. One is the 1.5 million yuan difference due to different depreciation methods. Because accounting has deducted 3 million yuan, and the tax law only allows deduction of 1.5 million yuan, indicating that accounting has deducted 1.5 million yuan more than the tax law, it is necessary to increase taxable income by 1.5 million yuan; the other is due to impairment provision The difference of 1 million yuan. As for the provision for impairment, the accountant has deducted it in calculating the profit but the tax law stipulates that no pre-tax deduction is allowed before there is any substantial impairment loss. Therefore, the difference of 1 million yuan caused by the impairment provision is 1 million yuan more than the tax law The taxable income should be increased by 1 million yuan. And the deductible temporary difference of 2.5 million yuan meets the asset recognition conditions and should be recognized as deferred income tax assets, an increase of 625,000 yuan (250 * 25%).

3.2 Taxation basis and application analysis of liabilities

Next, analyze the tax base of the liability, and select the estimated liability as the analysis object. Unlike assets, the book value of a liability is equal to the booked amount, and the tax basis is the difference between the book value and the future deductible amount, where the future deductible amount is for tax law, the expenditure is not allowed to be deducted before tax, etc. Allowing deductions when actually happening in the future [8]. Comparing the tax basis of the liability with the book value, it is found that when there is a future deduction amount, the tax basis will be smaller than the book value, resulting in a deductible temporary difference. If there is no future

deduction amount, the tax calculation of the liability. The basis is equal to the book value, and there is no temporary difference, but there may be permanent differences. The same applies to projected liabilities. The estimated liabilities here are mainly confirmed because of selling goods, providing after-sales services, pending loose lawsuits, debt guarantees and other reasons. Among them, for after-sale services that are expected to occur, accounting standards stipulate that when the recognition conditions for liabilities are met, the estimated after-sale service expenses for the current period are recognized as sales expenses and estimated liabilities are also recognized. However, the tax law stipulates that the expenses related to the sales of products should be deducted before tax when they actually occur in the future, so the future deduction amount is equal to the book value, so the tax basis of this estimated liability is zero. In the case of pending litigation, the accounting requirements and tax laws are the same as the provision of after-sales service. At this time, the tax basis of this estimated liability is also zero. As a result, deductible temporary differences have occurred, and taxable income needs to be increased. However, the book value of the estimated liability in the case of debt guarantee is the same as its tax basis, because the tax law stipulates that such expenditure on debt guarantee is not allowed to be deducted before tax, whether or not it actually occurs, and the accounting side has confirmed the estimated liability. The equal tax basis does not produce temporary differences, but it does produce permanent differences, which affects the income tax payable in the current period and requires an increase in taxable income.

For example: Company A promised to provide a three-year warranty service for the sale of products in 2017. It confirmed the sales expense of 6 million yuan in the current year's profit statement, and also confirmed it as an estimated liability of 6 million yuan. The actual warranty expenditure incurred in the year was 1 million yuan. . The book value of the estimated liability is 6 million yuan. According to the tax law, the expenses related to the after-sales service of the product are allowed to be deducted before tax when it actually occurs (in the future), and the deductible amount stipulated by the tax law is 5 million (6-100 million). RMB, of which 1 million yuan has actually occurred in the current year and cannot be deducted, so the tax calculation basis is 600-500 = 1 million yuan. Comparing the book value of the liability to be greater than the tax base, a difference of 1 million yuan was generated, which is a deductible temporary difference, indicating that accounting has deducted 1 million yuan more than the tax law, and it is necessary to adjust the taxable income of 1 million yuan. In addition, the deductible temporary difference caused by the inconsistency of accounting and tax laws meets the asset recognition conditions, and further confirms the deferred income tax assets of 250,000 yuan (100 * 25%).

4. Confirmation and measurement of deferred income tax based on differences between book value and tax base

Temporary difference refers to the difference between the book value of assets and liabilities and their tax bases. Its types are divided into taxable temporary differences and deductible temporary differences [9]. Taxable temporary differences include two situations: one is that the book value of assets is greater than its tax base; the other is that the book value of liabilities is less than its tax base; deductible temporary differences include two cases: one The asset's book value is less than its tax basis, and the other is the liability's book value is greater than its tax basis. When the temporary difference meets the deferred income tax recognition conditions, deferred income tax

should be recognized [10].

4.1 Recognition and measurement of deferred income tax liabilities

Among them, the taxable temporary differences that are generated are basically unconditionally recognized as deferred income tax liabilities, but there are special circumstances that do not recognize the differences as deferred income tax liabilities. Taxable temporary differences that arise from the initial recognition of goodwill are not recognized For deferred income tax liabilities, and other transactions or events other than business combinations required by accounting, if the transaction or event does not affect accounting profits or taxable income, the resulting assets and liabilities If the initial recognition amount is different from its tax base and a taxable temporary difference is formed, the corresponding deferred income tax liability will not be recognized when a transaction or event occurs. The reason for the non-recognition is that once the deferred income tax liability is confirmed, in order to comply with the accounting identity, it means that another asset should increase simultaneously or another liability decrease simultaneously, but this accounting treatment obviously violates the historical cost principle [11]. In addition, the tax rate used in the measurement of deferred income tax liabilities should be the income tax rate applicable during the reversal of the relevant taxable temporary difference, referred to as the future tax rate, so the calculation formula is deferred income tax liability = temporary taxable temporary difference × future tax rates, it should be noted that the above formula calculates the amount of deferred income tax liabilities at the end of the period, not at the beginning or mid-term.

4.2 Recognition and measurement of deferred income tax assets

The deductible temporary difference generated is conditionally recognized as deferred income tax assets, mainly because the recognized deferred income tax assets should be limited to the taxable income that may be obtained in the future period. There are also special circumstances, that is, temporary differences have occurred but are not recognized as deferred income tax assets, such as the "new technology, new products, new processes" in R & D expenses incurred in the development of intangible assets stipulated by the tax law, "additional deduction" [12]. In this case, the book value of intangible assets should be capitalized R & D Expenses are accounted for, and the tax law is based on 175% of the cost of intangible assets as its tax basis. The inconsistency between the two amounts creates a deductible temporary difference, but because it does not meet the accounting standards, it is considered that the recognition of the intangible asset is not incurred. In a business combination transaction, while debiting intangible assets in the accounting process, and crediting R & D expenditures that do not affect accounting profits or taxable income, they are not recognized as deferred income tax assets. In terms of measurement, the tax rate used for deferred income tax assets should be calculated and determined based on the income tax rate applicable during the reversal period, that is, the future tax rate. The calculation formula is deferred income tax assets = deductible temporary difference at the end of the period × future tax rate. Similarly, the formula calculates the deferred income tax assets at the end of the period.

5. Conclusion

For the discrepancies caused by the inconsistencies between the accounting standards under the income tax accounting and the tax laws, the balance of assets and the basis of liabilities need to be correctly calculated under the balance sheet debt method, and the type and amount of the differences are directly determined. Recognition and measurement of deferred taxes, so to truly understand the basis of tax calculation in the teaching process is the key to the recognition and measurement of deferred taxes.

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