

## **РОЗДІЛ 9. СИСТЕМА ОПОДАТКУВАННЯ В УПРАВЛІННІ СТАЛИМ РОЗВИТКОМ СУБ'ЄКТА ГОСПОДАРЮВАННЯ**

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### **PRACTICAL ASPECTS OF REVENUE FORMATION FROM INCOME TAX**

According to par.3 of the national accounting standard 17 «Income Tax» the enterprise may have expenses or revenue from corporate income tax [1]. Corporate income tax expenses had formed as a result of the positive value of the algebraic amount of the current corporate income tax, determined according to the norms of the Tax Code of Ukraine, deferred tax liabilities, and deferred tax assets, represented by the formula (1):

$$\begin{aligned} \text{Expenses (revenue) from corporate income tax} = & \text{Current corporate} \quad (1) \\ & \text{income tax determined per chapter III of the Tax Code of Ukraine} \\ & + \text{deferred tax liabilities} - \text{deferred tax assets} \end{aligned}$$

If the result of the comparison is negative, it should be noted about the formation of revenue from corporate income tax. In particular, revenue from corporate income tax arises in the case of the application of various methods of depreciation and terms of use of non-current assets, for which the amount of depreciation in accounting exceeds the depreciation accrued under the rules of tax accounting (par. 138.3 of the Tax Code of Ukraine); creation of allowance for doubtful accounts (par. 139.2 of the Tax Code of Ukraine); accrual of interest on loans received from non-residents under the rules of «thin» capitalization (par. 140.2 of the Tax Code of Ukraine) [2].

Mostly, in the practice of business entities, if they have taxable income, there are expenses from corporate income tax. However, in today's world, there are more cases with revenue from corporate income tax. One of the reasons is the creation of allowance for doubtful accounts to the bankruptcy of banking institutions where businesses had served. After all, during 2014-2016, 50% of banking institutions in Ukraine were declared insolvent and withdrawn from the market.

Therefore, if the company had funds in the bank, which was initially declared insolvent, and later the liquidation procedure was started implies the need to reclassify

these assets in receivables (current or long-term) depending on the assessment of situations.

In the future, it is quite logical to create in the accounting system an allowance for doubtful accounts following par. 7 of the national accounting standard 10 «Accounts receivable» [3] on the actual amount of certain receivables and cover it with financial results spent over several periods.

However, according to par. 14.1.11 of the Tax Code of Ukraine, this type of accounts receivable is not considered as hopeless for the entire period, as long as continuing the liquidation of the bank (about two years). Therefore, it could be attributed to the expenses in tax accounting only at the time of entry on the termination of the legal entity (banking institution) in the Unified State Register.

This situation leads to an accounting loss associated with the formation of the reserve, which is not included in the calculation of corporate income tax under the rules of tax law in the reporting period and the negative value of deferred tax assets. This amount will have the effect of reducing the tax in future periods, but only if the company is confident in the availability of sources of compensation for such tax losses [5].

In the annual financial statements, the results of this transaction are reflected in line 2300 «Income tax expense (revenue)» and in line 2455 «Corporate income tax related to other comprehensive revenue» of the Profit or Loss Statement. Besides, it is needed to fill in line 775 of chapter VII «Provisions and allowance» of the Notes to the annual financial statements and chapter XII «Income tax» of this report.

The tax consequences of the transaction are reflected in line 2.1.2 – when creating an allowance and in line 2.2.3 – when it is written off to the Tax Difference Annex to the corporate income tax declaration.

Thus, the problem of reflecting revenue from corporate income tax had solved through the proper application of accounting and tax rules. The company will spend more money at the time of formation of the allowance (for corporate income tax payment) but will save it in the future – when writing off receivables from the allowance for doubtful accounts. That is, research has shown that companies have another legal opportunity to receive revenue from corporate income tax.

### **References**

1. *The national accounting standard 17 «Income Tax» approved by the order of the Ministry of Finance of Ukraine on December 28, 2000, № 353 with changes and additions.* URL: <https://zakon.rada.gov.ua/laws/show/z0047-01#Text>
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5. *Regarding certain accounting issues. Letter from the Ministry of Finance of Ukraine dated January 16, 2013, №05-19.* <https://zakon.rada.gov.ua/rada/show/v-191201-03#Text>