

# TAX ACCOUNTING

**Let's start!**



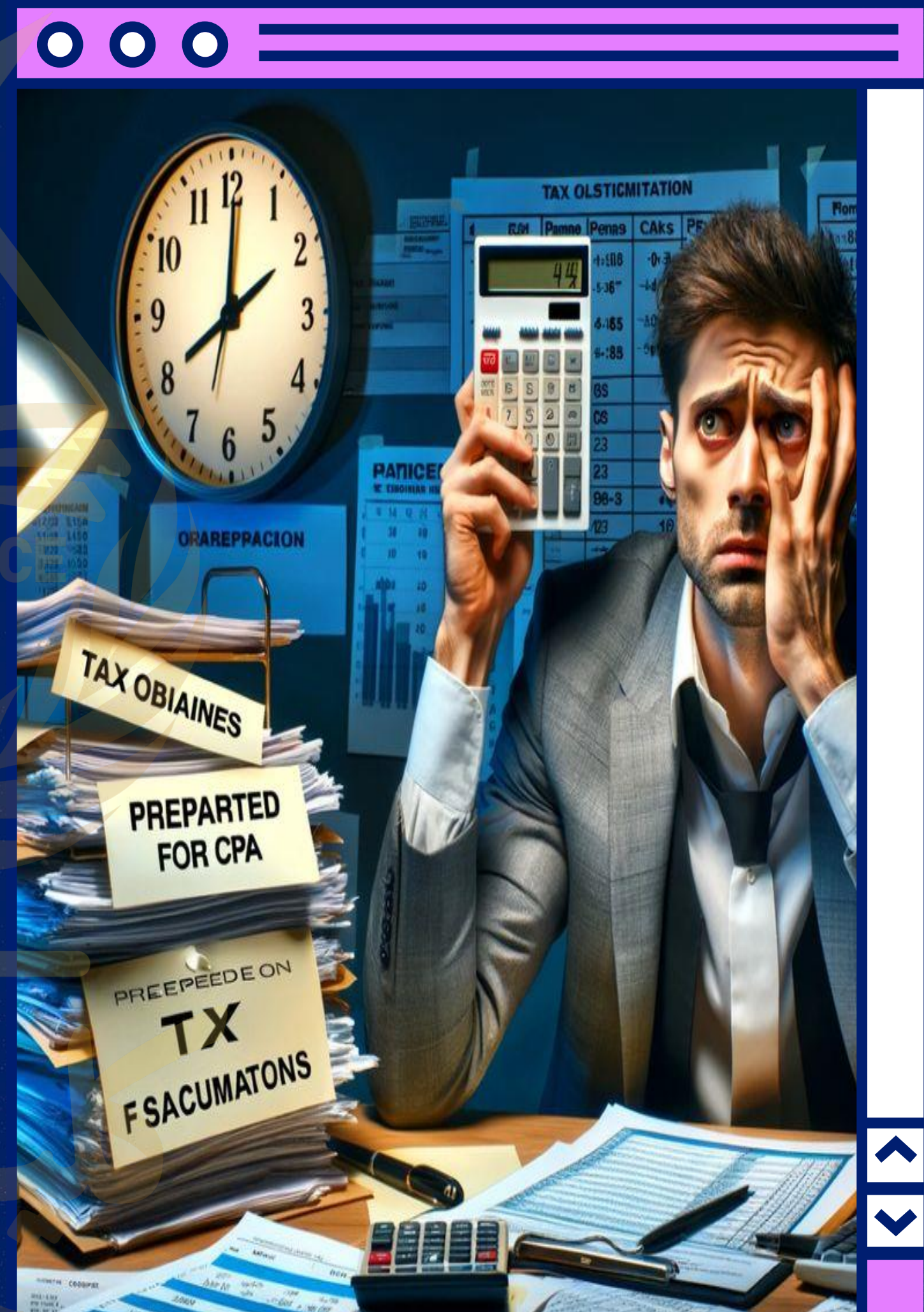
**Presented by Noha Hamed**





# CHAPTER 4

## Tax on commercial and industrial activity





## Example 7



- ❖ An individual contracting facility contracted with a client to establish a residential complex within 4 years. The contract data and execution processes were as follows:

Statement	Value
Contract Value	EGP 12,000,000
Estimated costs	EGP 8,000,000



## Example 7



- ❖ The actual costs of the works carried out during the years of the contract (in millions of EGP)

Statement	First year	Second year	Third year	Fourth year
Actual costs	1,600,000	1,500,000	3,000,000	1,900,000

- ❖ The project was implemented within the agreed period and delivered to the client.



## Example 7



**Required:** Determine the profits of this contract during the years of its implementation and calculate the tax due, assuming that the company implements this contract only, and that the estimated costs of the contract include all other costs and expenses in accordance with the tax legislation.



# Solution



**First:** Calculating the percentage of completion for the contract:

Completion	=	Actual costs to date	× 100
Percentage		Total estimated costs of contract	

Statement	First year	Second year	Third year	Fourth year	Total
Actual costs	1,600,000	1,500,000	3,000,000	1,900,000	8,000,000
Estimated costs					8,000,000
Completion percentage	20 %	38.75 %	76.25 %	100 %	



## Solution



**Second:** Calculating the estimated profit for the contract:

Estimated profit of the  
contract

=

Contract Value – Estimated costs

Statement	First year	Second year	Third year	Fourth year	Total
Estimated costs	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Contract value	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Estimated profit	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000



# Solution



**Third:** Calculating the contract's profit for the period:

**Contract profit to date = Estimated profit × Completion Percentage**

Statement	First year	Second year	Third year	Fourth year	Total
Completion percentage	20 %	38.75 %	76.25 %	100 %	
Contract value	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Estimated profit	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Contract profit for the period	800,000	750,000	1,500,000	950,000	
Contract profit to date	800,000	1,550,000	3,050,000	4,000,000	



## Solution



- ✓ **First year:** the profit for the period was 800,000.
- ✓ **Second year:** the profit for the period was 750,000.
- ✓ **Third year:** the profit for the period was 1,500,000.
- ✓ **Fourth year:** the profit for the period was 950,000





# Solution



Statement	First year	Second year	Third year	Fourth year	Total
Contract profit for the period	800,000	750,000	1,500,000	950,000	
<b>Tax Brackets</b>					
15 %	9,000	9,000	-	-	
20 %	28,000	28,000	-	-	
22.5 %	45,000	45,000	-	90,000	
25 %	100,000	87,500	300,000	137,500	
27.5 %	-	-	82,500	-	
<b>Tax due</b>	<b>182,000</b>	<b>169,500</b>	<b>382,500</b>	<b>227,500</b>	<b>961,500</b>



## Example 8



- ❖ The approved losses of a tax payer for his industrial activity in 2018 amounted to EGP 200,000, if the approved profits for the following six years: EGP 30,000, EGP 40,000, EGP 28,000, EGP 27,000, EGP 20,000, and EGP 700,000, respectively:

**Required:** Carry forward of 2015 losses for this tax payer:



# Solution



Losses in 2018	Statement	2019	2020	2021	2022	2023	2024
200,000	Profits	30,000	40,000	28,000	27,000	20,000	700,000
	Losses Carried Forward	200,000	170,000	130,000	102,000	75,000	0
	Residual losses	170,000	130,000	102,000	75,000	55,000	do not carry over to the sixth year



# THANK YOU!

Noha Hamed

**Good Bye**

