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There are two kinds of profit tax regimes

Company subjected
to the income tax

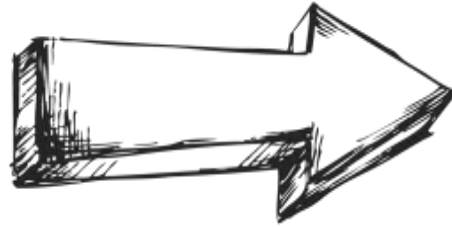


Company not subjected
to the income tax



There are two kinds of profit tax regimes

Company subjected
to the income tax



**Capital company
tax system**

There are two kinds of profit tax regimes

Company subjected
to the income tax



Capital company
tax system



INCOME TAX



DIVIDEND



I - HOW TO FIND THE INCOME TAX or IR ?

01

**DETERMINE THE ACCOUNTING
PROFIT AND THE TAXABLE INCOME**

02

MULTIPLY THEM BY THE RATE

03

DETERMINE THE DEFERRED TAX



01

ACCOUNTING PROFIT

It is the profit a company retains after paying off all relevant expenses from sales revenue earned



Total of income - Total of expenses

TAXABLE INCOME

FISCAL PROFIT

The basis on which the tax is calculated



**Accounting profit + Tax reintegration
– Tax deduction**

TAX REINTEGRATION

It consists in neutralizing the effect of an accounting expense or income on the tax result

Tax reintegration includes :

- ✓ Different type of provision,
- ✓ Fine(amende)
- ✓ Employer compensation
- ✓ Investment income
- ✓ Real estate rental income

TAX DEDUCTION

Tax deduction includes :

- ✓ Interest expenses on a loan
- ✓ Grant
- ✓ Charitable Contribution
- ✓ Vocational training expenses
- ✓ Interest business travel expenses

02

According to PCG 2005

LEGAL RATE 20%



$$\text{IR} = \text{FISCAL PROFIT (TAXABLE INCOME)} * 20 \%$$



03

DEFERRED TAX

Difference between a company's accounting income and the taxable income , which can result in either a future tax liability or benefit



03

DEFERRED TAX



The illustration features a blue background with several white icons. On the left is a calculator. In the center is a stack of papers, with the top one labeled 'DEFERRED TAXES'. To the right of the papers is a clock face. Below the papers is a blue bag labeled 'ASSETS'. To the right of the bag is a blue wallet with a dollar sign on it. There are also several small dollar signs and plus signs scattered around the central elements.

Deferred Tax Asset

[di-'fərd 'taks 'ɑ-,set]

An item on a company's balance sheet that reduces its taxable income in the future.



The illustration features a blue background with several white icons. On the left is a large clock face with a ladder leaning against it. To the right of the clock is a large dollar sign. Above the clock is a calendar with a checkmark and the word 'yes' written on it. The entire illustration is framed by a blue border.

Deferred Tax Liability

[di-'fərd 'taks 'lī-ə-'bi-lə-tē]

A listing on a company's balance sheet that records taxes that are owed but are not due to be paid until a future date.

03

DEFERRED TAX

Deferred Tax Asset

[di-'Yard 'Yaks 'a-set]

An item on a company's balance sheet that reduces its taxable income in the future.

Deferred Tax Asset

Taxable income $>$ Financial income



Result
Future tax savings

Deferred Tax Liability

[di-'Yard 'Yaks 'l-a-bi-la-ti]

A listing on a company's balance sheet that records taxes that are owed but are not due to be paid until a future date.

Deferred Tax Liability

Taxable income $<$ Financial income



Result
Higher taxes in future.

RECORDING

D	C	LIBELS	D	C
695		Income tax (accounting income*20%)	XXX	
133		Deferred tax asset (695-444)	XXX	
	444	State-income tax (Fiscal result*20%)		XXX

D	C	LIBELS	D	C
695		Income tax	XXX	
	134	Deferred tax liability (444-695)		XXX
	444	State-income tax		XXX

EXAMPLE 1

Suppose a company has annual sales of 100 000 000 ar and operating costs of 90 000 000 ar at the end of the year N-1.

The company also has interest expenses on a loan of 8,000,000 ar and has made a provision of 5,000,000ar for a customer CDS SA who may default.

JOB TO BE DONE

Determinate the income tax

Do the recording

EXAMPLE 1

Suppose a company has annual sales of 100 000 000 ar and operating costs of 90 000 000 ar at the end of the year N-1.

The company also has interest expenses on a loan of 8,000,000 ar and has made a provision of 5,000,000ar for a customer CDS SA who may default.

JOB TO BE DONE

Determinate the income tax

Do the recording

Accounting profit

$$100\,000\,000\text{ Ar} - 90\,000\,000\text{ Ar} = 10\,000\,000\text{ Ar}$$

Fiscal profit

$$10\,000\,000\text{ Ar} + 5\,000\,000 - 8\,000\,000\text{ Ar} = 7\,000\,000\text{ Ar}$$

$$\text{Income tax} = 7\,000\,000\text{ Ar} * 20\% = 1\,400\,000\text{ Ar}$$

Recording

D	C	LIBELS	D	C
695		Income tax (accounting income*20%)	2 000 000	
	134	Deffered tax liability		600 000
	444	State-income tax (Fiscal result*20%)		1 400 000

*Income tax payable is the higher between the
Minimum of Collection and the normal due tax*

Minimum of Collection

Minimum of perception according to Art 01.01.14 CGI

ACTIVITIES	DUE TAX
Agriculture, Craftsmanship, Manufacturing, Mining, Hospitality Industry, Tourism or Transportation	100 000 AR + 5 PER THOUSAND (5/1000) OF SALES REVENUE 500 000ar +1% CA
Other activities	320 000 AR + 5 PER THOUSAND OF SALES REVENUE 1000 000ar +1%CA

EXAMPLE 2

Suppose a company has annual sales of 100 000 000 ar and operating costs of 90 000 000 ar at the end of the year N-1.

The company also has interest expenses on a loan of 8,000,000 ar and has made a provision of 5,000,000ar for a customer CDS SA who may default. The revenue from sales is 110 000 000 Ar.

JOB TO BE DONE

Determine the income tax

Do the recording

EXAMPLE 2

Suppose a company has annual sales of 100 000 000 ar and operating costs of 90 000 000 ar at the end of the year N-1.

The company also has interest expenses on a loan of 8,000,000 ar and has made a provision of 5,000,000ar for a customer CDS SA who may default. The revenue from sales is 110 000 000 Ar.

JOB TO BE DONE

Determinate the income tax

Do the recording

$$\text{Income tax} = 7\,000\,000 \text{ Ar} * 20 \% = 1\,400\,000 \text{ Ar}$$

Minimum of collection

$$100\,000 + 110\,000\,000 (5/1000) = 650\,000 \text{ Ar}$$

PAYMENT DUE



1/ 6 of the last known tax (1/6 du dernier impôt connu)



1/6	28th february
1/6	30th april
1/6	30th june
1/6	31st august
1/6	31st october
1/6	31st december

Recording count for each payment :

4449

xxx

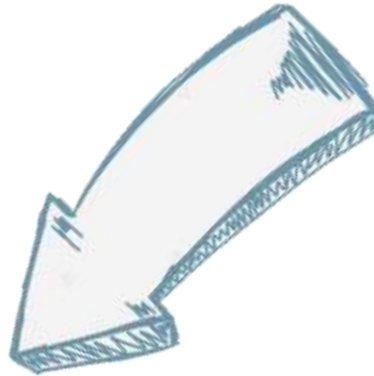
512

xxx



DIVIDEND

A portion of a company's profit that is paid out to shareholders typically in the form of cash or additional shares of stock



Supported by
the company

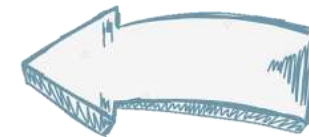


Supported by
the shareholders



DIVIDEND

Supported by the company



D	C	LIBELS	D	C
63XX		Taxes, duties and similar payments	XXX	
	444	Income tax		XXX
<i>Tax supported by the company</i>				

D	C	LIBELS	D	C
444		Income tax	XXX	
	512	Bank		XXX
<i>Payment to the tax office</i>				



DIVIDEND

Supported by the shareholders



D	C	LIBELS	D	C
12XX		Accounting result	XXX	
	444	Income tax		XXX
<i>Tax supported by the shareholders</i>				

D	C	LIBELS	D	C
444		Income tax	XXX	
	512/53	Bank/ Cash		XXX
<i>Payement to the tax office</i>				

EXAMPLE 3

Let's assume that you invested in stocks and earned a total of \$10,000 in dividends over the past year. The tax rate on dividends in your country is 20%.

How much tax will you have to pay on your dividends?

Make the necessary accounting operation

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Let's assume that you invested in stocks and earned a total of \$10,000 in dividends over the past year. The tax rate on dividends in your country is 20%.

How much tax will you have to pay on your dividends?
Make the necessary accounting operation

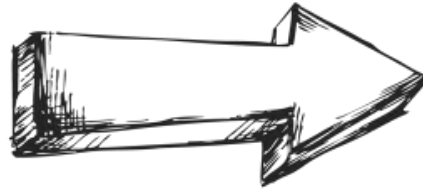
D	C	LIBELS	D	C
12		Accounting result	2000	
	444	State-income tax		2000
444		State-income tax	2000	
	512	Bank		2000

**Company not subjected
to the income tax**



**Partnership
company**

Company not subjected
to the income tax



Partnership
company



SYNTHETIC TAX (IS)

SYNTHETIC TAX (IS)

It is a single tax, representative and in full discharge of the income tax and the value added tax



5% of the turnover



HOW ABOUT FRANCE ?



INCOME TAX
(IR)



CORPORATE TAX
(IS)

INCOME TAX (IR)

It results in the direct taxation of profits on behalf of the company director or on behalf of each associate in case the company is made up of more than a single associate.



Companies normally subjected to the IR



REVENUES	TAX RATE
Up to € 9 807	0%
From € 9 807 to € 27 086	14%
From € 27 086 to € 72 617	30%
From € 71 617 to € 153 783	41%
More than € 153 783	45%



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Up to € 9 807	0%
From € 9 807 to € 27 086	14%
From € 27 086 to € 72 617	30%
From € 71 617 to € 153 783	41%
More than € 153 783	45%

Note

- When a company is subject to the IR , all profits are subject to a tax, whether they are distributed or reinvested within the company
- The IR is an additional taxation that can potentially be avoided , especially if the profits are reinvested within the company

CORPORATE TAX (IS)

It results in the direct taxation of profits on the company . The associates are afterwards subject to the IR according to the remuneration and the dividends that they receive.





PROFITS	TAX RATE
< € 38 120	15 %
Between € 38 120 and € 500 000	28 %
> and = € 500 000	33,3 %

Scale for 2018

The IS is set to be decreased by 2022 to a maximum of **25%**



PROFITS	TAX RATE
< € 38 120	15 %
Between € 38 120 and € 500 000	28 %
> ou = € 500 000	33,3 %

Note

- Once the IS is paid, the profits of the company may or may not be distributed amongst the associates. So, the company is free to determine the amount of profits that they want to distribute each year
- If none of the profits are distributed, the associates will only be taxed in the name of the company via the IS but they won't be subject to additional taxes driven from the professional activity concerned

HOW ABOUT AMERICA?



TAX

Corporate income tax in the United States is a tax collected by both the federal government and most state governments.

The federal corporate income tax is the most significant tax in terms of the tax rate, the number of entities involved, and the complexity of its rules.

Entities subject to federal corporate income tax



American companies



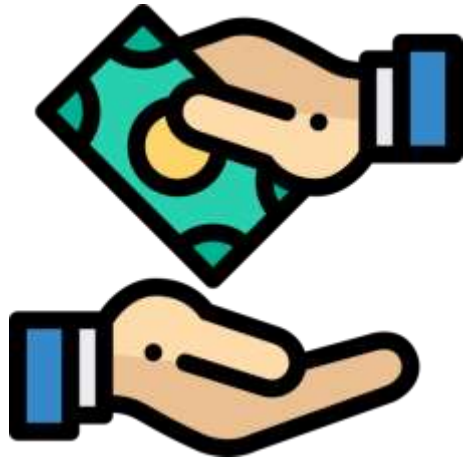
Foreign companies



TAXABLE INCOME (\$)	TAX RATE
0 to 50 000	15 %
50 000 to 75 000	25 %
75 000 to 100 000	34 %
100 000 to 335 000	39 %
335 000 to 10 000 000	34 %
10 000 000 to 15 000 000	35 %
15 000 000 to 18 333 333	38 %
more than 18 333 333	35 %



Following the tax reform adopted at the end of 2017 (Tax Cuts and Jobs Act of 2017), the corporate tax rate decreased from **35% to 21%**.



Companies are typically required to make quarterly(every three months) payments



THANK YOU FOR YOUR ATTENTION!