Business Performance Report Adjusted to the Taxation Purpose for Local Companies

by MEcon.NGUYỄN THANH SƠN

The process of reforming the current accounting system and perfecting the financial statement with a view to supplying useful information to various users (investors, creditors, etc.) will certainly lead to differences in goals for financial managers and tax agencies. The following table presents differences in definitions of various items by financial managers and tax agencies.

Item	For taxation purpose	For financial purpose
Sales Entry making time	- All income from goods sold or services supplied, including any charge or fee collected by the company when selling goods and services. - The time of delivery of goods or completion of services, or issuance of invoice.	- Sales noticed by the accountant according to guidelines set by Criterion 14 although it gives no instruction to make entry of sale after issuing invoices. - When receiving future income relating to increases in assets or decreases in liability, and - The added value should be reliably identifiable.
Amortization	- The sum written off is set by Decision 206/2003/QY-BTC dated Dec. 12, 2003 by the Ministry of Finance. - Fast amortization could be allowed but the sum written off should not be two times higher than the normal sum and should ensure some profit for the company.	- The company is allowed to choose the sum written off from three levels offered by three amortization methods set by the Criterion 03 for Tangible Assets and Criterion 04 for Intangible Assets.
Expenditures on raw materials, fuel and power	Reasonable expenditure levels and market prices of goods delivered from warehouse (losses of raw materials and goods are not included).	- Actual expenditures by the company.
Wages, salaries and lunch allowances	- According to rules set by the Labor Code. - Lunch allowance should not exceed the minimum wage set for civil servants.	Actual expenditures by the company.
R&D activities, training outlay, bonuses, health care service	As stated in legal invoices.	Actual expenditures by the company.
Purchase of services from outsiders	As stated in legal invoices.	Actual expenditures by the company.
Expenditures on female laborers, watchpersons' service, medical and social security, etc.	As required by rules.	Actual expenditures by the company.
Interest payments	Not 1.2 times higher than the lending rate offered by the commercial bank that had credit relation with the company at the time in question.	Actual expenditures by the company.
Contingency fund	Funds set for depreciation of goods in stock, bad debts, falls in prices of stocks and redundancy payment, etc. must comply with rules set by the Ministry of Finance.	Complying corporate policies on contingency funds.
Redundancy payment	As set by current rules.	Actual expenditures by the company.
Advertisement, marketing, sales promotion expenditures	Not exceeding 10% of total reasonable expenditures.	Actual expenditures by the company.
Export tax	Reasonable expenditure	Against the sales.
VAT when ineligible for tax refund	Reasonable expenditure	Actual expenditures by the company.
Tax-related fines	Not be included in reasonable expenditures.	As one of expenditures by the company.
Expenditures without legal invoices	Not be included when assessing corporate income tax.	As one of expenditures by the company.
Expenditures not relating to sales and taxable income	Not be included when assessing corporate income tax	As one of expenditures by the company.
Allocation for subsidiaries	According to rules on percentage allocated.	According to the policy of the company.
Other expenditures	Complying with guidelines by the Ministry of Finance.	Actual expenditures by the company.

To deal with these differences and serve the task of supervising and estimating business performance of the company, in my opinion, the company had better work out a report on the business performance adjusted to taxation purpose. The report suggested here is based on the form B02A-DN.

No	Item	Code	Realized in (year)	Predicted for (year)
01	Profit (loss)	30		
	Upward adjustment			
02	Expenditures not included when assessing taxes	30.1		
03	Incomes not included in financial statement but considered as taxable incomes	30.2		
	Downward adjustment			
04	Expenditures not included in financial statement but considered as reasonable ones when assessing taxes	30.3		
05	Income included in financial statement but not considered as taxable incomes	30.4		
06	Taxable profit (loss) from business	30.0		
07	Profit (loss) from other causes	40		
	Upward adjustment			
08	Expenditures not deductible when assessing taxes	40.1		
09	Income not included in financial statement but considered as taxable incomes	40.2		
	Downward adjustment			
10	Expenditures not included in financial statement as deductibles	40.3		
11	Incomes included in financial statement but not considered as taxable incomes	40.4		
12	Taxable profit (loss)	40.0		
13	Before-tax total profit (loss)	50		
	Upward adjustment			
14	Expenditures not deductible for taxation purpose	50.1		
15	Incomes not included in financial statement but considered as taxable incomes	50.2		
	Downward adjustment			
16	Expenditures not included in financial statement as deductibles	50.3		
17	Incomes included in financial statement but considered as taxable income	50.4		
18	Total taxable profit (loss)	50		
19	Losses suffered in the previous year	60		
20	Total taxable income after previous loss added	70		
21	Company income tax	80		
22	Tax reduction, if any	80.1		
23	Tax payment made in the fiscal year	80.2		
24	Remaining tax payment	80.3		
25	After-tax profit (loss)	90		

To make financial reports a useful instrument for taxation, the reporting system must be perfected by making reports suitable for taxation purpose, thereby making tax reports easier. The above-suggested report can help:

- separate information needed for making financial statement from one needed for tax assessment, and income considered as company profit from income considered as taxable one.
- provide company leadership with full information about its business performance, therefore they can work out necessary measures for the future; and allow potential investors to gain understanding of the company and decide on their possible investments.■