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Treatment of the Losses According to Iraqi Penetrative Tax Legislation and International Standard (12) Income Tax and its Role in the Disclosure

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The goal issues accounting standards that related to income tax no. (12), is development of accounting treatment and contents of the financial statements to achieve the disclosure, transparency and to improve measurement methods and disclosure. Therefore, it isn't committing apply this standard effects on credibility of financial statements in its disclosure, transparency and capability for comparison. So the attention of international standard (12) leads disclosure elements of tax variances that should be measured and disclosed. The tax variances are taking place like losses and carrying out them forward are one of the temporary variance which treated by the international standard as tax asset appears in the statement of balance sheet, while these variances didn't treat in Iraqi tax legislation, and it doesn't adoption applications of the General commission for tax which it's failure in disclosure, then it's not available suitable information related to mount of payable and deferred tax for beneficiary parts of financial statements to making economic decisions. The research has dealt with the variances arising from realized tax losses that can be carry forward which requires follow the tax impress in the future through carrying out the losses and their advantage to achieve tax savings for future.

Key words: *Iraqi Penetrative Tax Legislation, Income Tax, Role in the Disclosure*

Introduction

The taxes imposes on the gains, but the enterprise that encounter losses, it avoids the tax obligation. As an enterprise contributes to develop the economic reality of the country, namely it subscribes partly in prosperity of the country, it is not fair the tax authority deducts the tax from an enterprise when is getting earns. While it doesn't help to stand up from the losses and giving back its position to attain the gains. While it does not help them to rise from the losses and re-achieve profits, hence the text of the Iraqi tax legislation that in case of proving the loss by the enterprise, it has the right to recycle this loss for five years and thereby reducing profits for the later years and consequently reduction of the tax amount, and as a result of the development of measurement methods.

The accounting disclosure in the field of accounting, the incompatibility of tax laws to develop the accounting are resulted differences between the calculation of net accounting profit and net tax profit, so it was necessary to issue the international standard 12 income taxes to treat these differences and to facilitate process of taxation, whereby measuring the amount of the tax and then disclosing it in the financial statements.

The research aims to track the tax effect and showing the future impacts to carry forward losses according to items of the financial statements. The researcher reached a set of recommendations, the most important of which is the need to disclose deferred tax assets resulting from the carry forward of losses in accordance with the requirements of the revised international standard 12, and the General Authority for Taxes should introduce Professionals and appraisers in development and induction courses in the revised International Standard 12 on Income Taxes. Therein lies the importance of the research through the most transparent presentation and disclosure of financial statements items related to the deferred tax asset, and to be more useful and rational for users, and it has been selected Al Wathaq engineering company as a research sample for 2011 as one of the leading contracting companies in the field of services. The researcher reached a set of recommendations, the most important of which is the need to disclose the deferred tax assets resulting to carry forward the losses according to requirements of the revised international standard 12, and the General Commission for Taxes should enter the professional staff and assessors in the developmental and introductory courses to know more the revised international standard 12 on income taxes.

The First Axis

Research Problem

The taxable income is accounting income after making adjustments according to tax legislation. Therefore, the financial statements are basic to account taxation and every development and up to date of financial statements should attend the tax project. So that there is not gap between the tax legislation and evolution of continues accounting thought that leads to improve an accounting treatments and contents of financial statements to achieve the disclosure, transparency, and improving measurement and disclosure methods, and the tax project must concern with this development. The study shows the most important points of research problem through the following questions:-

1- Is Iraqi tax legislation adapted with phases of improving the accounting thought presented the international standard (12) income tax related to treat the losses?
2- When using the international standard (12), is there more disclosure through deferred taxes recognition in the financial statements?

Importance of Research

Importance of research appears to determine the losses from tax and accounting aspect, and how to turning the losses for other years as well as showing the disclosure which be more transparency of financial statements terms related to deferred taxes that leads to give financial statements more usefulness and rationality for users of accounting information in these statements.

Objectives of Research

The research aims:-
1- To know concept of a tax losses according to Iraqi tax legislation, and concept of the losses from accounting aspect.
2- To know concept of carrying out the tax losses according to Iraqi tax legislation, impact of carrying out on taxable income.
3- To know applications of the international accounting standard (12) income tax related to losses topic.
4- Follow the tax impress and showing the prospective impacts to carry forward the losses into the financial statements terms.

Research Hypothesis

The research depends on prime hypothesis (the tax environment in Iraq doesn't achieve requirements of international accounting standard (12) income tax related to disclosure requirements about the financial elements of deferred taxes). This hypothesis divides to following two hypothesizes:-

1- Applying acts of Iraqi tax legislation related to losses topic doesn't produce fiscal values which are important for deferred tax assets that treated by the international standard (12).

2- Reliance of the international accounting standard (12) income tax of losses topic leads to disclose deferred tax assets in the financial statements.

The Second Axis

Losses

The losses is defined as economic sacrifice that an enterprise didn't get profits or services such as unexpected expenditures, involuntary, or unexpected thing doesn't give utility in the present or future which results depletion and disappearance of economic source and element without getting return. In the other word, minimizing of the property and increasing expenditures on the revenues for specific time as result expenses without revenue.

The research discussed losses as a tax concept and not under accounting assumptions and principles on the basis that the taxable income is determined on the basis of the tax law and not the basis of accounting theory. Therefore, the allowable losses to deduct them should be according to tax rules and not based on the accounting rules.

Concept and Definition of Tax Loses

Most of the tax legislations take up losses topic generally without clear definition of losses, or determining types of losses to be deducted, and because of the importance of losses topic and its effect on the taxable income must there be a clear and specific definition of the meaning and types of losses, as well as how to deduct and treat the income of the taxpayer based upon the loss.(Muhsan, 1999; 37)

In fact the tax loss defines as actual shortfall at the income of the real taxpayer which results loss of certain amounts and the individual bear obligations towards others, while the tax loss confines to the taxable works. In this sense, they differ from accounting losses.
Thus, tax losses affect the taxable income and fall within deductions that should be offset from the income of taxpayer at the tax accountability, thereby; the tax loss effects on the capital of the taxpayer, which effects on its production capacity. Then the loss can be defined as any actual shortfall affecting the income assets of the taxpayer without compensation as in the theft and fire. In other words, the loss means real and final shortage of capital cost whether natural or physical person when practicing a particular economic activity without obtaining compensation corresponding to this loss and that this shortfall should be supported legally acceptable documents, and such a loss would affect the amount of taxpayer's taxable income clearly.

Types of Tax Losses

There are three types of tax losses that a taxpayer may encounter while practicing economic activity are **(Al Marzuq, 2012; 2)**

1- Losses of activity or the ordinary utilization: - These are arising as result practicing the taxpayer and its ordinary economic activity, and his disposal in return assets by sale or any method of disposal through value below cost of the obtainment. The Iraqi Make law lays down special act of the losses without determine type of the losses can be deducted and certainly activity losses deduct from tax accountability.
2- Capital losses:- these are resulted to sale any asset of financial and physical assets return to the enterprise and specifying to produce the income, reevaluate their assets, or changing their shape whether the enterprise is active or when its turn out or dissolution.
3- Accidental losses (losses due hurtful accidents):- these losses take place to the taxpayer in the places when he practicing his activity as result the natural disasters, theft, or the fire. Namely, the reason is beyond him and he can't to predict it, which are taking place accidental and it doesn't happen when he practices his activity like the loss because earthquake or the theft.

The Economic and Legal Base to Deduct the Losses

The principle that all should adopt it to treat the losses is conserving the capital. Therefore, when the loss has happened in any year, it expecting has adjusted from gains of the previous or following years according to penetrative tax laws. And this harmonize with justice rule to impose the tax, also justice imposes the tax on sources of taxpayer income have to deduct the losses that caught the taxpayer as result his practice of economic activity from his taxable income **(Al Hasani, 1971; 302).**

To save the capital of economic units' projects should deduct the taxpayer losses whether the person was natural or physical that helps the national economics to be more powerful because the economic activities that practice them by the natural and physical persons represent corner stone of the state economics. Therefore, it is necessary help these activities or economic units when they encounter the losses through deducting and carrying out into the later years according to the tax law to help them for giving back their activity generally and these economic units particularly by conserving the capital.

The Loss within Iraqi Tax Legislation and Its Treatment

The Iraqi tax lawmaker shows his viewpoint of the losses in act (11) law of income taxation no. 113 in 1982 revised law and it says (loss of taxpayer is deducted in some income sources in Iraq and it has fixed account supported legally acceptable documents from the gains due from other taxable sources for the same evaluative year, but the loss that couldn't payment carry forward its account and then deduction from income of the taxpayer during five years which be continuous with keeping the following two conditions:-

1- Not allow to deduct more half of the taxable income yearly of the five years.
2- Not allow to deduct the loss unless be from income source which resulted.

It is noted from the above that Iraqi legislator referred to the losses in general without giving details for them and their types, for example he did not refer to accidental or capital losses, which means there is no explicit provision in the law permitting deduction such losses, but some researchers see very necessary to deduct such Losses (losses due to harmful accidents), especially when they relate to the taxpayer's economic activity, and as long as they can be proved by acceptable documents of the tax authority, that's why they advocate to deduct the losses taken place because of the fire hit his shop or part of his goods drowned due to an order beyond his control, in contrast to capital losses caused by his will and choice of taxpayer that should not be deducted **(Ramadhan, 2002; 450),** but with respect to capital losses, it is not permitted to deduct them as capital gains are not taxed.

It should be noted if there is a compensation of losses, such as if the funds are insured and paid compensation, in this case the taxpayer will not be affected by the loss if the compensation is equal to the shortfall, but if the compensation is less than the loss suffered the project, the difference between the amount of loss and the amount of compensation is a loss fall within rule of losses, So it turns out the act (11) Income Tax law of amended, also indicates that lawmaker has demanded certain conditions which may be referred to their legal text which they are**:-**

1- The loss must be supported with acceptable documents to the financial authority and it should be very convincing.
2- The allowable loss to deduct is loss within the tax rules not according the accounting rules.
3- The loss should be resulted an activity inside Iraq, and not a personal loss. That means the loss caused outside Iraq is not permitted to be deducted.
4- The sources of income should be taxable that the loss is deducted from it.
5- The taxpayer shall bear the burden of loss and not another person.

The act (11) of the Income Tax Law shows that the legislator has treated deduction of the loss through two cases, they are:

1- First case, if the taxpayer has several sources of income, that the loss incurred in some his sources of income is deducted from the profits of other taxable sources during the same estimated year.

2- Second case, deducting the loss from the later years' profits.

If the taxpayer cannot deduct the loss taking place in a year of the other sources profits during the same estimated year, either because the taxpayer has only one source of income or the other sources are not sufficient to deduct all the amount of the loss, which cannot be covered from the profits of those sources, then the legislator has permitted carry forward it to the following year and deducted from his profits in that year and up to five continuous years. This means that the five-year period is the maximum limit that is allowed to deduct the loss whether the taxpayer can deduct his loss from the profits of those years or not due to shortfall of profits in some or all of those years.

It is essential to note that allowing to deduct the loss one year of the following profits years is a departure from the annual tax rule as well as the imposition of the accounting period, which means bearing a certain year or years for annual previous expenses and consequent necessity of the independence of the results Its business for each year by matching the revenues with its expenses for each year **(Ramadhan, 2002; 443).**

Applications of taxation in the General Commission for Taxes in Iraq

The uniform accounting system is followed in Iraq and the instructions related to the treatment of accounting issues that aims to achieve the service of tax administration, mainly in determining the taxable income. method of calculation the tax in Iraq under the uniform accounting system requires extraction of surplus current activity and deduction of marketing and administrative services from surplus of the current activity, and adding other revenues and subtracting the other carry forward expenses to reach surplus of activity during the year, and multiplying the distributable surplus in the tax price of 15% (which represents the percentage of tax) to reach the tax allotments that represent the tax payable due for this year, also can be reach the net tax income in the General Commission for Taxes by adjusting the distributable surplus for accounting income through the following methods Net income accounting:

+ Taxable revenue according to tax law, but it is not revenue as accounting concept.
+ Expenses as accounting concept but they don't confess them in the law of income tax as expenses.
-Expenses are allowed deducting in accordance with law of income tax, but they don't assume as accounting concept.
-Revenues as accounting concept, but they don't assume in law of income tax.

As result this process can reach net taxable income, and then expense of income tax. It is noting from above there are many clauses that leads to differences between the accounting income and the taxable income, as resulting for these variances showing temporary differences and permanent differences. The method of tax calculation in Iraq empties from any adjustment of temporary differences that taking place between the accounting income has been calculated according to accounting rules, and between the tax income has been calculated according to tax rules because its didn't determine the differences between the accounting income and the tax income. In other words, it is ignoring the tax impact for the future.

International Accounting Standard (12) About Income Taxes

The international standard (12) issued in 1994, and it's revised many times. It aims to describe the accounting treatment of income taxes, and concerns with the following main issues:

1- Prospective multitudes in the tax (or adjustments) due to adjusted value of assets or liabilities are written down in the budget.
2- The other transactions and events in the present time are recorded in the financial statements of enterprise.
   This standard concerns with all income taxes whether national or foreign, also the income tax is resulted distribution of prepaid gains, as well as definitions of many items are:-
1- The accounting profit: is net income from profit or loss resulted by applying accounting principles before deducting income tax.
2- Taxable profit (tax loss): is Profit or loss of the period according to the rules laid down and found out by the tax authorities on the basis of which income tax is prepaid or recovered.
3- Tax expenses (tax income): are amount using to determine net profit or loss of the period according to the current tax or deferred tax.
4- The deferred tax obligations: - are income tax amount should payable in the future periods for the temporary differences.
5- The deferred tax assets:- are amount of income tax expect to be recovered in the future periods due to:-

a. Temporary differences should be deducted.
b. Carrying forward tax losses untapped at yet.

The Accounting Treatment of Losses According to the Revised International Standard 12 on an Income

Income taxes are important items that reduce the value of profits to owners, so the administration strives to take advantage of tax breaks and tax planning that can have positive repercussions by reducing tax income and thus maximizing the wealth of owners. Most countries in the world have legislation and tax laws determine in details revenues items that subject to income tax and their timings and the acceptable expenses deducted from tax. Although there is a significant similarity between financial accounting based on generally accepted accounting principles and international accounting and financial reporting standards and the tax legislation of different countries in determination of the timing to recognize the revenues and expenses. On the other hand, there are some differences between them, which results for this difference the asymmetry between the net profit figure that apparent in the income statement and the taxable income calculated under the law of the income tax in each country. Based on this difference, the income tax expense the apparent in the income statement of the financial period for the amount of income tax repayable for the same period. The asymmetry of the net accounting profit with the taxable income calculated under the tax law resulting from some differences that gives two types of differences.

1- Temporary differences: are differences between the adjusted book value of the asset or liability mentioned in the statement of financial position and the tax basis used to calculate them. Temporary differences can be as follows:
a. Taxable Temporary Differences:- are Temporary differences lead to taxable amounts when determining tax profit (tax loss) for the coming financial periods by recovering or adjusting the adjusted book value (recorded) of the asset or liability.
b. Deductible Temporary Differences:- are temporary differences lead to deductible amounts when determining the taxable profit (tax loss) for coming periods by recovering or adjusting of the adjusted book value (recorded) of asset or liability.
2- Permanent differences:- are resulting between accounting profit and tax profit because of certain requirements in tax legislation that are incompatible with accounting rules and standards, and impacts of these differences are not reflected in other financial periods.

The temporary differences that arise in the current period and are reflected in the coming periods reflect recognized tax effects, and treatment of these impacts is one of the most important axes of international accounting standard (IAS12) (income taxes), where that the main axes of the standard are about the following things (Al Ja'arat, 2008; 504):-

1- To identify the rules of tax recognition whether income tax for the current period or it led to deferred tax assets or liabilities.
2- Determining methods of recognizing the tax assets and liabilities and how to measure them.
3- Determining requirement of the disclosure and showing tax assets and liabilities.

It aspect which concerns us in this papers are the temporary deductible differences or deduction that lead to deferred tax assets related to carried forward losses that the Standard recognized them as tax benefits by deducting these losses from taxable income for the later periods. Consequently, reducing the tax burden on the enterprise in the future, that requires to recognize retained losses as deferred assets that extent to which there are expectations almost certainly profitability to achieve earns in the future to the extent that it is available to cover this tax loss.

Examples about temporary deductible differences or deduction is carrying out the losses forward because the Iraqi Income Tax Law permits carrying out the losses forward without carrying out the losses backward, carrying out the losses result to negative temporary tax differences which means deferred tax differences are adjusting in the future.

The tax effect of carrying forward losses represents future tax savings. Certainly, for achieve future tax savings depends on the future profits. Therefore, ignoring the temporary differences, as in the method of the taxation in Iraq leads to ignoring the tax assets and liabilities that may affect the financial position of the company, as such that connecting the tax effect or showing the tax implications of the temporary differences provides more useful disclosure to the users of the financial statements (Al Mayahi, 2014; 84).

The Third Axis- The Disclosure

It is defined generally full publicity, but in the accounting, it means financial statements that show all key information that interest to users of information and help them to make decisions correctly. The quantity of information should be disclosed depends on user's experience of information and its requirements.

Types of Disclosure

There are three types of disclosure can summarize them as follows:-
(**http://mouhasaba.3oloum.org/t279-topic**)

1- Full disclosure requires to disclose all information and details whether are necessary or not, so as not to be ambiguous to their users. This type of disclosure may not be useful to the user of information even if it is achieved because too much details that are not important and may confuse user of information and does not help him to make the right decision at the right time.
2- Fair Disclosure is concept focuses on ethical goals of fairness and equality among users of financial statements to offer the facts, which revolve around the activities of the organization for help them to make the right decisions. However, this concept has been criticized because the concept of justice is relative concept and indeterminate.

3- Adequate disclosure is most used by professional organizations and most writers and researchers in which offer and provide the appropriate information that is consistent with needs of the information user, which helps him to make appropriate decisions in the right time.

The Key Elements of the Disclosure about Accounting Information

The disclosure of accounting information in the published financial statements is based on the following key elements:

1- Determining the intended user of accounting information.
2- Determining the purposes for which the accounting information will be used.
3- Determining the nature and type of accounting information to be disclosed.
4- Determining the manners and methods of disclosure of accounting information.
5- Timing of disclosure about the accounting information.

The Tax Disclosure

The tax disclosure is defined that the taxpayer should disclose in the tax return all the financial and economic facts and data related to the taxable activities clearly and accurately, whether he is natural or legal person and it should promotes the recognition with the financial statements, this means giving a true picture of the taxpayer's status and these promoting returns should be submitted in the legal deadlines, as this is one of the basics of accounting disclosure for taxation.

Some researchers define the tax disclosure that the two parties of taxation, they are the taxpayer and the tax administration, both should provide each other with the necessary information to serve the other party, on the basis that the taxpayer represents the application field of taxation **(Al far, 2010; 87),** and to apply the disclosure principle, the administration should provide or inform the taxpayer with clear data, methods of taxation, and how to connecting and collection as well as issuing periodic publications that help the taxpayer to understand the provisions of the tax law, and the disclosure should be based on all legal procedures that will help the taxpayer to know the real tax on his income, and limiting some practices of information disclosure such as internal discussions undertaken between the taxpayer and the authority representative inside the Commission.

It's mentionable that the tax information is one of the most important information that users of accounting information use them through financial reports to make their investment, operational and financing decisions, but any change in the amount of tax expense leads to change many elements of financial statements that affect the amount of distributable profit, and then changing the amount of profits distributed to shareholders or owners, and changing the components of owner's equity and the liabilities associated with the statement of financial position and changing in the cash flows **(Al far, 2010; 87)**.

Therefore, the importance of developing accounting disclosure in providing the required information for tax purposes in financial reports has become important and necessary as follows:

1- It represents an development of the general objective of accounting, which is to provide important information for users' needs and this in turn represents an expansion of accounting disclosure.
2- It helps to determine the tax burden of the taxpayer whether it is a natural or physical person and represents an obligation that must be performed.
3- Responding the needs of tax legislation and international accounting standards.
4- The importance of tax accounting disclosure in financial reports is an important source of information for investors, lenders and professionals, and this represents a high level of importance compared to other sources of information.

The tax disclosure shall achieve some of the purposes, including the benefit of the departments of the General commission for Taxes, which have the possibility and the ability to access for any information by virtue of the law, which means to reach through this information to the real tax center of the taxpayer. It's mentionable that the tax return attached with the financial statements helps to determine the tax and financial position of the taxpayer. The amount of the tax is disclosed in the income statement based on the requirements of adjusted international accounting standard 12 (Income Taxes), and tax information should be available to users of financial reports in form of tax expense that charged to the income statement.

The significant components of income tax expense should be disclosed either in the income statement or in the notes of the financial statements, in other words the tax payable is disclosed for the deferred period and part of income tax expense. Also, within the requirements of the revised international accounting standard12 (Income Taxes) should disclose items that relating to taxes payable (current) and deferred taxes in the statement of financial position as deferred tax assets or liabilities **(International Accounting Standards Board, 2006; 40).** and that's should disclose the tax information relating to the components of the income tax burden which includes the tax reduction due to carried losses forward as a deferred tax asset.

The Fourth Axis - The Practical Aspect

Al Wathiq Engineering Company was selected as a research sample for 2011 as one of the leading contracting companies in the field of services.

Overview about Al Wathiq Company

It is a shareholding company established under the certificate of incorporation numbered M/23245 dated 15/1/2005 and issued by the Ministry of Trade-National Companies Registration Department. The company aims to invest capital in the field of general contracting.

Analytical Aspect of Financial Statements

2011/12/31 The general budget in		
Amount 2011	Account	**Directory Number**
	An assets	1
600,000	**Fixed assets (book value)**	11
2000,000	**Deferred revenue expenses**	118
2600,000		
	Current assets	
305,658,950	**Inventory of works in progress**	1363
15,397,877	**Insurance for others**	1661
1,122,578,643	**Money**	18
1,446,235,470	**Assets**	
	Sources of funding	2
	Sources of long-term funding: -	
800,000,000	**Nominal paid up capital**	211
337,517,930	**Reserves**	22
1,137,517,930	**Ownership rights**	
308,717,540	**Creditors**	26
1,446,235,470	**Funding sources**	

Statement of current operations for 2011

Amount	**Account**	**Directory Number**
	Current Revenue	
0	**Revenue of current activity**	45-41
	deducting Current expenses	
0	**Salaries and wages**	31
35000	**Commodity Supplies**	32

4,656,000	**Service supplies**	33
620,000	**Deprecations**	37
575,000	**Taxes and fees**	384
5,886,000		
(5,886,000)	**Surplus (deficit)**	

Each company prepares a statement of allocations in accordance with the usual statements of companies, as this statement shows the apparent income in the current activity adjusted for unacceptable items in order to reach the tax calculated by the external auditor, and then the tax authority deals with the net extracted by the auditor and adjusted items Unacceptable from the tax legislator's point of view, or accept it as it is if it does not need amendments, but according to the financial statements of the company sample search we find that the financial statements of the company is free from the list of allocations, and may be because the company is convinced that the tax authority will Reject the amount of tax extracted by the auditor, so leave it to the tax authority to extract it.

The notice of the company's valuation show that the tax authority calculated the tax of Al-Watheq Company on the basis of rejecting the accounts and adopting the controls set for the profits of the activities, and then calculating the profit achieved based on these controls, and then multiplying with specific tax rate for the corporate which is 15%.
Profit earned according to the tax authority 61,591,508
So the tax entailed on the company = 61,591,508 × 15% = 9,239,000

It is apparent under the financial statements that the branch of the tax authority follows the method of the total contract in the taxation, while we find that the main branch of the tax authority follows the method of accomplished indexations in the taxation.
But if the Company follows the revised International Standard (12) in the treatment of losses, the tax effects should be recorded to carry the losses forward, which represent future tax savings, and this can be seen from the statement of current operations that the company has been made a loss in this year, which means that the company will not pay taxes in this year, as well as this loss will lead to tax savings result in deferred tax asset because of carrying the losses forward and matching them with future taxable income and a maximum for 5 years that is calculated as follows:-

The deficit under the accounts (loss) is 5,886,000 and therefore the deferred tax asset is: -

"Deferred tax asset = 5,886,000 x 15% = 882,900"

882,900 from B/ deferred tax asset
882,900 To B/ tax savings

Proving deferred tax asset resulting from carrying losses forward
Statement of current operations for 2011 adjusted after carrying the losses forward

Amount	Account	Directory Number
	Current Revenue	
0	**Revenue of current activity**	45-41
	deducting the Current expenses	
0	**Salaries and wages**	31
35000	**Commodity Supplies**	32
4,656,000	**Service supplies**	33
620,000	**Deprecations**	37
575,000	**Taxes and fees**	384
5,886,000		
(5,886,000)	**Surplus (deficit)**	
882,900	**deducting Income tax savings**	
(5,003,100)	**Net loss**	

Revised general budget in 31/12/2011		
Amount in 2011	Account	Directory Number
	Assets	1
600,000	**Fixed assets (book value)**	11
2000,000	**Deferred revenue expenses**	118
2600,000		
	Current assets	
305,658,950	**Inventory of works in progress**	1363
15,397,877	**Insurance for others**	1661
1,122,578,643	**Money**	18
882,900	**Deferred Tax asset**	
1,447,118,470	**Assets**	
	Sources of funding	2
	Sources of long-term funding: -	
800,000,000	**Nominal paid up capital**	211
338,400,830	**Reserves**	22
1,138,400,930	**Ownership equities**	
308,717,540	**Creditors**	26
1,447,118,470	**Funding sources**	

The tax authority does not recognize temporary differences, but the previous treatment which stated in the revised international standard (12), it provides more useful disclosure to the users of the financial statements. The reason that is the tax authority does not recognize temporary differences and while IAS recognizes such differences is due to the nature of Iraqi tax law, since the Iraqi law works on two bases are cash and maturity, as there are revenues dealt with on cash basis and are subject to tax such as compensation, while other items are dealt with on the basis of maturity, This is relevant to the international standard that deals on the basis of maturity.

Year: 2012

[2]There are other points of view that the researcher can show the deferred tax asset by reducing its value of cash, except for the rotation of the losses as the treatment appears as shown in the revised budget.
Taxable income before carrying the losses forward 112,512,450
Deducting the loss that is carried forward (5886000)
Taxable income for 2012 106,626,450
× Tax rate 15% 15%
Income taxes payable for 2012 15,993,968
Income tax expense from B/ 16,876,868
Deferred tax asset B/ 882,900
Accrued income tax B 15,993,968
Proving Accrued Tax
Through carrying the loss forward, it has absorbed in the deferred tax asset for 2011 which is 882,900 and reduced its balance for 2012.

Statement of the current operations for 2012		
Amount	Account	Directory Number
664,231,500	**Revenue of current activity**	45-41
	Deducting Current expenses	
13,820,000	**Salaries and wages**	31
435,359,000	**Commodity Supplies**	32
100,520,050	**Service supplies**	33
620,000	**Depreciations and Amortizations**	37
1,400,000	**Taxes and fees**	384
551,719,050		
112,512,450	**The surplus distributes as follows:**	
5,625,622	**General reserve**	222
90,852,828	**Accumulated surplus**	224
16,034,000	**Creditors, distribution of profits**	268
112,512,450		

Statement of adjusted current operations for 2012		
Amount	Account	Directory Number
664,231,500	**Revenue of current activity**	45-41
	Deducting Current expenses	
13,820,000	**Salaries and wages**	31
435,359,000	**Commodity Supplies**	32
100,520,050	**Service supplies**	33
620,000	**Depreciations and Amortizations**	37
1,400,000	**Taxes and fees**	384
551,719,050		
112,512,450	**The surplus distributes as follows[3]:**	
	Subtracting the tax expense:	
15,993,968	**Accrued (for the previous year)**	
882,900	**Deferred**	
95,635,582	**Net distributable income**	

The above statement shows Impact of the tax for 2012, but the budget for 2012 is as follows:

Assuming that the declared surplus accepted by the auditor

The General Budget in 31/12/2012		
Amount in 2012	**Account**	**Directory Number**
	Assets	**1**
480,000	**Fixed assets (book value)**	**11**
9000,000	**Deferred revenue expenses**	**118**
9,480,000		
	Current assets	
0	**Inventory of works in progress**	**1363**
33,211,575	**Insurance to others**	**1661**
2,410,698,805	**Money**	**18**
2,453,390,380	**Assets**	
	Sources of funding	**2**
	Sources of long-term funding: -	
2000,000,000	**Nominal paid up capital**	**211**
433,996,380	**Reserves**	**22**
2,433,996,380	**Ownership equities**	

19,394,000	Creditors	26
2,453,390,380	Funding sources	

The Adjusted General Budget in 31/12/2012		
Amount in 2012	**Account**	**Directory Number**
	Assets	1
480,000	Fixed assets (book value)	11
9000,000	Deferred revenue expenses	118
9,480,000		
	Current assets	
0	Inventory of works in progress	1363
33,211,575	Insurance for others	1661
2,410,698,805	Money	18
2,453,390,380	Assets	
	Sources of funding	2
	Sources of long-term funding: -	
2000,000,000	Nominal paid up capital	211
418,002,412	Reserves	22
2,418,002,412	Ownership equities	
19,394,000	Creditors	26
15,993,968	Accrued income taxes	
2,453,390,380	Funding sources	

Hence, the main research hypothesis is achieved by observing the two previous disclosures. The lists show a more useful disclosure by showing the deferred tax asset and the accrued income tax. Also, the tax environment in Iraq does not meet the requirements of IAS (12) income taxes about the disclosure requirements of financial elements of deferred taxes.

The Fifth Axis: The Conclusions and Recommendations

The Conclusion

Through research can be reached the most important conclusions which are: -

1- The loss dealt with in this research is the tax loss, which means, the loss in the tax concept and not the loss determined by the rules, assumptions and accounting principles.
2- There is a difference between accounting income and tax income and this difference arises from temporary differences and permanent differences, it's mentionable that the General commission for Taxes does not adopt temporary differences, but all differences are treated on the basis of permanent differences.

3- There is no adjustment of temporary differences arising between accounting income and tax income in the applications of the general commission for Taxes, which means follow of the tax impact during the accounting period or future periods is be ignored, and thus the entries reconciliation of the temporary differences, and it has observed this in the empirical aspect when is treating the losses in the company (sample of the research).
4- Disclosing the deferred tax assets and liabilities according to adjusted accounting standard No. (12), resulting from temporary differences leads to show the financial position as a whole and to achieve more fair disclosure. This is what was observed when presenting the budget of the research sample company according to the revised International Standard (12) through the treatment of losses.
5- The possibility of the company benefit from tax savings, which is carried the losses forward through the reduction of taxable income as a result of deducting the losses and this was observed in the company.
6- Deferred tax assets and liabilities are one of the components of the tax burden that should be disclosed according to the adjusted accounting standard (12) that leads to show the financial position and achieve more the fair disclosure, and It is one of the information that should be disclosed in the financial statements, and this has an impact on the decisions of investors as well as affect the value of the company, and in this research has been noted deferred tax assets due to the losses achieved.

The Recommendations

According to the conclusions reached many recommendations could be drawn up which could be usefulness:
1- It is necessary to disclose deferred tax assets and liabilities to show the right financial position of the company through clarifying the temporary differences under the international standard (12) on income taxes, as noted in showing deferred tax assets in carrying the losses forward.
2- Adjusting the Iraqi tax law in accordance with the requirements of the international standard (12) income taxes, and the committee should be common that formulates the adjustment from university professors (academics) and specialized experts in tax affairs by the general commission for Taxes.
3- Developing the professional staff in the General commission for Taxes represented by assessors and auditors in developmental and introductory courses to know the international accounting standards, especially that related to the revised international standard (12) income taxes, for increasing their knowledge and experience, and thus the application of the standard in their work, and this is important because the entry of foreign companies and the expansion of international markets These international standards lead to the unification of the regulation of financial statements at the

international level and the adoption of a clear disclosure policy that benefits the various parties.

4- It is necessary to contain the accounting curriculum concepts of international standards and study them that relating to income taxes. And the need to encourage the preparation of future researches.
5- Emphasizing the role and responsibility of the auditor to promote the disclosure that mentioned in the financial statements by highlighting deferred tax assets and liabilities that help the data users to making decisions as the intermediary between the management of the company and the users of these statements.

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