The effect of depreciation the methods of extinction on the identification of the tax base applied research for a sample of the listed companies listed in the Iraqi Stock Exchange

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Abstract

Tax is one of the main items of the state budget and a source of revenue to strengthen the public treasury of the state. The importance of taxation increases with the increase of the state intervention in the economic and social affairs of natural and legal persons,With the increased need for security and stability to protect these people and preserve the sovereignty and independence of the State,Tax is one of the important sources to strengthen the treasury tax revenues,By identifying the ways of extinction and their impact on the tax revenue in the case of change in the method of extinction,The research reached a number of conclusions and recommendations,The most important conclusions were that extinction is an expense that should be deducted by the tax administration without reference to the taxpayer to submit a request in accordance with paragraph 8 of Article 8 of the Income Tax Act No. 113 of 1982,And proved that the method of producing units is better than the straight-line method by increasing the tax revenue,The main recommendations of the research is that it is necessary to hold seminars to discuss the issue of extinction through the studies provided by academics such as university professors and professionals interested in applying the practical side such as men of thought and law working in the field of taxation,And working on the expansion of the publication of studies related to the problems resulting from practical application to address extinction with appropriate solutions for each case.

Introduction

It is known that the value of fixed assets decreases gradually because of the use, obsolescence or expiration of the specified period of time. Therefore, the owner of the establishment must adopt the precautionary principle of deducting annual amounts of gross profits, which enables him to buy what he needs from fixed assets instead of Enterprise ,The amounts deducted are deducted from the tax collector because they represent parts of the capital that entered the production process, The tax is imposed on profit and not on capital, so these amounts must be returned to the capital so as not to impose a tax on it, And that the tax legislator resorted to the imposition of tax on net income because it reflects the discretionary capacity of the taxpayer,Here we have

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achieved tax justice, which is one of the rules of the tax and maintain the source of income, which is (capital) Attention must be paid to the tax costs, so we see the tax law in general concern the tax costs, including in particular extinction,In order to increase the tax revenue to provide the state treasury with revenues to cover public expenditures and provide services to citizens and keep abreast of developments in the world.

The first topic

Research Methodology

This section, which is the defining identity of the subject in terms of problem, importance, objectives, hypothesis, and determinants, will be presented.

I. Research problem:

The problem of research lies in the fact that article 6 is the paragraph (first - second - third - fourth) of the system No. (9) for the year 1994 on the extinction and extinguishment of the private sector and mixed and cooperative, Allowed the taxpayer to choose methods of extinction, although the ways of extinction have a direct impact on the tax revenue, And left the option to the taxpayer to choose the method of extinction for each type of assets and this may motivate the taxpayer to choose the way that inflates its expenses and reduce profits and thus reflected negatively on the tax revenue.

2.Research importance:

The importance of the research is illustrated by the effect of the methods of extinction on taxable income, which thus contributes to the increase in the tax revenues to the public treasury to the revenues to cover the general tunnels.

3.Research Objectives:

1. Identify the methods of extinction approved by the taxpayer.
2. Check for any extinction methods that have a direct impact on the tax revenue.
3. Statement of methods of extinction from the accounting point of view.
4. Indication of the advantages and disadvantages of each method of extinction.
5. A comparison between the methods of extinction approved by the system (9) for the year 1994 on the decline and extinguishment of the private sector and mixed and cooperative.

4. Research Hypotheses:

In view of the multiple methods of calculating extinction and allowing the taxpayer to use the method appropriate to him under the law, although it cannot be changed only with the approval of

the Ministry of Finance after the submission of a request with justification, and this will therefore be reflected on the tax revenue decrease.

The hypothesis is to choose the method of extinction followed by the taxpayer and have a direct impact on the tax revenue.

The second topic

Extinction

First. The concept and definition of extinction.

The issue of the extinction of fixed assets is of particular importance to many branches of the economy. It is within the sphere of interest of accountants and auditors Because it is one of the ways to achieve a fair measurement of the business outcome, where the financial period bears the required percentage of consumption of the fixed assets of the economic unit (Faraj, 1987: 127)."Depreciable assets (ie, extinction) are material things that have size and shape but ultimately wear out and are not consumed physically as assets such as inputs,However, their economic benefits are diminishing over time. Depreciable assets such as buildings, all equipment, fixtures, furniture, and even railways,

Land is not considered to be expendable because it has unlimited life indefinitely and, in some cases, diminishes part of the utility of the depreciable asset and thus recognizes part of the cost of the asset as a consumption expense "(Meigs et al., 2006: 147). It is necessary to define the linguistic extinction and the different names in some tax legislation and accounting systems in the Arab countries.

Extinction in language: - extinction has the meanings of different linguistic and intended muffle extinction thing:It is said that the house has become old and has been extinct: worn and destroyed, and he put the jacket on his shoulder so hewas muffled with it (covered with the jacket), and in this sense it is possible to measure what affects the fixed assets of wear and tear, oxidation and so on (Lexicon / Mediator, 1960).

Second: Definition of extinction

Before starting the definition of extinction, the fixed asset must be defined and the consolidated accounting system defines fixed assets as "movable or immovable property, tangible or intangible, produced by the unit for purposes other than sale or modification, but for continued use throughout its existence as tools of production" (Khairat Deif, 570: 1981).

That most of the Arabic tax legislation and accounting systems depend on the term (consumption) except the income tax legislation in Iraq No. (33) for the year 1957 abolished where it calls (extinction) or (for consumption),It appears that the Egyptian legislator adopted the new label (depreciation) to avoid confusion between the consumption of fixed assets, accounting and tax, and the final consumption of goods and services economically (Hassani, 1979: 209) On this basis, the term "extinction" will be adopted in this topic.

Extermination: - The transfer of material from one case to another, such as consuming the machine, which decreased gradually until it wear out , and means the elimination of one thing at a time, and the material and its properties are lost (Amin, 1997: 81).

"Al-Shawi, 1986: 309) is the part of the fixed cost that cannot be recovered when the facility is depleted and its services are eliminated (Ali, 1991: 79:78) (Yusuf, 1980: 88).

Third. Properties of extinction

Depreciation is the distribution of the cost of the fixed asset and it is an expense that complements the expenses of the economic unit and does not depend on the profit on its opponent, so we will determine its characteristics in the following points: - (Ali, 1987: 23:22).

1. Impairment in accounting is not intended to impair the market value of the fixed asset over the period, but rather to allocate the cost of the fixed asset over the periods that have benefited from the services of those assets.

2. Extinction is no different from any other operating expenses. The economic unit needs the services of the fixed asset as well as labor and materials, but it is a non-cash expense.

3. The concept of extinction is linked to the concept of economic unit income because a portion of the underlying services of the expendable asset is carried out in revenue generation operations for each accounting period.

4. Extinction helps to maintain the capital employed in the economic unit and prevents its leakage through the distribution of profit divided.

5. The general budget of the economic unit is presented in a more fair and transparent manner.

6. Excess is not cash or money but is for the purpose of replacement, which is a measurable expense.

Fourth. Causes of depreciation of fixed assets.

It is necessary to know the reasons that lead the fixed asset to the extinction and consequent reflected on his life and age of production and result in a gradual decrease in the value of fixed assets due to use for the purposes of the institution, which load the profit and loss account by the

shortfall so as not to impose a tax on part of the capital by the tax administration and reasons Are as follows:

1. Usage: The expected use of an asset by an enterprise is determined by the reference to the expected energy of the asset or output (IAS 16, 12.5). It also results in a decrease in the productive capacity of the asset, an increase in the use of the asset leads to the increases amount of the deficiency and reduces the efficiency of the asset and its productive capacity. The amount of extinction (Jerobo et al., 2002: 145)

2. The passage of time: Time factor has a direct effect on the extinction of the existing constant even if the existing is not used as the a new machine for example that left behind without long use subjected to rust and corrosion (Amin, 1997: 99).

3. Aging: Due to the emergence of inventions and new discoveries of assets and fixed assets that have an economic impact, where the old asset is replaced by the new asset so that the institution can compete freely in the market and maintain its productive capacity (Jerobo and others, 2002: 145).

4. Access: tangible fixed assets are subject to be finished such as mines, quarries and oil wells because of minerals consuming gradually in mining until the metal is executed from the quarry or mine. (Al-Shawi, 1986: 310,311).

5.. Modernity: the replacement of a more efficient existing such as the replacement of the second-generation computers by the third generation (which uses the transistor) or the replacement of the Boeing 767, by Boeing 727 (Kiso et al. 1995: 506).

Fifth. Determination factors of extinction premium.

Depreciation is a real expense that must be deducted and charged to the profit and loss account at the end of the period whether the activity result is profit or loss (Al-Shawi, 1986: 311).

We will address each of these factors in a simplified way.

1. Historical Cost: Text No. (9) for the year 1994 concerning the extinction and extinguishing of the private, mixed and cooperative sectors,material (2) Firstly Secondly"The historical value of fixed assets is primarily based on the calculation of depreciation and amortization". The historical cost of the fixed asset means all expenses necessary to obtain the fixed asset to be ready to operate, with the addition of the expenses required to increase or develop its production capacity (Jijawi, 2009: 253).

2. Productive life: - The duration of the asset to provide the service expected of it. The Productive life may be years, productive units, kilometers or any other measure. When calculating the useful life of a fixed asset on the project, : - (Jjawi, 2009: 253).

1. Project experience in similar assets.

2. Status of existing fixed at present.

3. Method used by the project in maintenance.

4. Knowledge of the conditions surrounding the fixed property such as moisture and heat.

5. Knowledge of technology and modern developments.

the protective life of the fixed asset: - the period of time in which the fixed asset is expected to operate efficiently and effectively,The factors affecting the fixed asset, aging and inadequate, changes in the social environment (Richard and Akron, 2006: 347, 348). Three factors affect the estimation of the useful life of a fixed asset (Ramadan, 2002: 358) (KISO, 2013) : 540).

• Natural consumption.

• Aging.

• Inappropriate.

3. Value of scrap or debris (Scrap): - Scrap or rubble's value -The amounts obtained when the fixed asset is disposed of at the end of its productive life or service,The difference between the cost of an asset and the expected price to be received when the asset is sold as scrap represents the amount to be depreciated over the useful life of the asset.

(Jarbo and others, 2002: 149) (narrator, 2011: 33).

seventh - Methods of extinction.

 The four methods used according to the extinction system are the extinction system No. (9) for the year 1994 concerning the extinction and extinguishing of the private, mixed and cooperative sector.

1. Fixed Installment Method.

The most common and used methods in Arab countries and accounting systems ,shall be carried in equal amounts of the cost of the asset for each financial period. As in the following equation (Adli et al., 1986, 571: 572) Under this method, depreciation expense remains constant for each financial period.

$$\text{Extinction for one period} = \frac{\text{Cost - rubble}}{\text{Number of years of productive life}}$$

The symbols can be used to equation: -

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Q = the amount of depreciation of the unit.

C = the total cost of the asset.

S = Estimated debris (waste).

P = the useful life of the fixed asset.

The equation above can be written with the following symbols:

$$O = \frac{T - S}{P}$$

This method is characterized by simplicity and ease of calculation and the speed of reaching results in the accounting books, especially when calculating the expense of extinction, a process that includes two elements of guessing, thus lack of need for followers of long and complex roads (Zafar, 2003, 295: 296).

The disadvantages of this method are as follows:

1. This method assumes that the amount of use and benefit of the fixed asset are equal during the productive life years. Therefore, the profit and loss account is charged annually in equal amount. In fact, the degree of utilization of the majority of the asset is inversely proportional to the age of the asset. The high degree of utilization is not yet new, on the contrary, the older the existing are the less useful it becomes.

2. The calculation of the project costs due to the use of the asset will be disproportionate and unacceptable, because the project bears the annual maintenance cost of the asset in addition to the expense of extinction. In the first years of life its benefit is as high as previously stated. , While in subsequent years of life the amount of benefit obtained from the asset is reduced, so the cost is high because it will be cover the depletion plus maintenance expenses.

2-The decreasing installment method

Under this method, the asset is allocated for the years of service in decreasing installments. In other words, the first year bears the largest share, followed by the second year and so on until the last year is the one that bears the smallest installments. The decreasing installment method is more preferred than fixed installment method Because it satisfies the requirement of equity between the accounting periods benefiting from fixed asset services and distributes the depreciation charges between these periods according to the amount of interest from fixed assets services (Mattar, 2010: 367).

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E

Annual Extrusion Ratio = 1 - n ———————————

W

Where they represent: -

N = number of years of productive life.

X = Estimated value of scrap or waste.

W = cost.

After determining the annual depreciation rate, the annual depreciation or depreciation expense is determined by the following equation:

Annual depreciation expense = Net book value of asset * Extinction ratio

The net book value of the asset is the historical cost minesthe accumulated depreciation.The main advantage of this method is that the premium in the early years of the life of the asset is high in the period in which the maintenance is low, while in recent years the value of the premiums drop and the maintenance costs rise.

The disadvantage of this method is that the amount of extinction decreases annually, while the actual shortage of fixed assets increases as time passes, and the fixed asset balance ends at the end of its useful life with the value of the debris, the rate of extinction should be high (Yusuf, 1980, 94: 95 These methods are called Accelerated Depreciation and there are many methods to achieve this goal. We will present them briefly (Noor,2004: 534: 538: 539).

3. Method of producing units.

Under this method, the decomposition rate is calculated on the basis of the units produced according to the number of units that can be produced. This is the method used for declining assets such as mines and oil fields, which we will explain in the following equation: (Judge, 2010, 152: 153).

The value of the asset is depreciable

Annual Extrusion Rate = ——————————————————————

Number of units produced during the

lifetime of the asset

Determination of annual depreciation premium = Number of units produced during the year * Unit's rate of extinction

Under this method, the annual depreciation premium is calculated on the basis of the amount of production realized from the asset during the financial year and the amount of production is

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determined for the entire useful life of the asset. This method applies to assets with technical specifications such as photocopying machines.

$$\text{Annual Extrusion Rate} = \frac{\text{Value of the asset subject to depletion}}{\text{orTotal hours or quantities of production}} * \text{Number of Working Hours}$$

during the lifetime of the asset

In the event that no adjustment or change is made to the fixed asset during the useful life, the percentage of the value of the asset subject to depreciation to total quantities or hours remains constant during the life of the asset.

Annual Expiration Premium = Annual Extrusion Ratio * Number of hours or annual production units (Al-Saffar, 2003, 301: 302).

4. Method of recalculation.

Under this method, the value of the fixed assets is reassessed at the end of each financial period and the difference between the value of the fixed asset at the end of the period and its estimated value at the end of the period is deemed to have been amortized for that period. If the estimated value is more than the book value (cost - accumulated depreciation) It is not counted for that year. (Chaoui,1986, 332: 333).

This method is suitable for some assets whose life is short, such as tools, small equipment and containers (Noor, 2004: 543).

The third topic

Tax revenue

Taxation is one of the important sources of state treasury funding because it contributes directly to covering public expenditure and achieving political, social and economic goals. The tax revenues are limited to the amounts received by the state of the imposition of multiple taxes under the laws and tax instructions,the tax revenue is the amounts collected by the tax administration after the identification of the material subjected to tax.In this section, we review the tax revenue, what are the methods of collecting it and what are the factors influencing it.

First: Result (Proceeds) in Arabic language.

• Proceeds: - Acquired funds and others, resulting from the recruitment of funds and effort: - Proceeds of profits / sales / taxes.

Labeed said: Every person will know his quest, if you get the rewards and benefits of the God: the remnants, the one (Glossary of meanings / the whole).

Second: Collecting the tax.

Tax collection means a set of operations carried out by the tax administration in order to put tax laws and regulations in place, thus collecting tax receipts and delivering them to the public treasury. When the tax reaches the collecting stage, it reaches its final stages.

There are two ways in the collection process:

1 - indirect method: It should be noted that the collection of tax collection in some countries did not come from the departments directly, but the state often resorted to the collection of tax in the manner of "contracting" (Awadah and Qatish, 1995: 444), As the tax administration to contract with the people to take the tax collection agent for their own account and with the assistance of the tax administration for a lump sum to the Treasury,It is clear that this method causes damage to the treasury because of the waste of money that is the difference between what the obligor pays and what he pays to the treasury.This difference, which in many cases exceeds the expenses of collecting in large amounts of money,

This has led all developed countries to abandon this method and to collect public imports by state employees directly, although this method is currently practiced in some areas in Lebanon.

2 - Direct method: which is carried out by the State directly by its employees, and this is followed by most countries, but all developed countries.

• The method of direct fulfillment: - Under this method the taxpayer pays the amounts directly to the tax administration, and may be met the amount of tax at once (Sultan: 522-53) (Draz: 234-235).

• The method of the installments provided: - The taxpayer pays periodic installments during the fiscal year in accordance with a declaration of his expected income or according to the value of the tax due for the previous year, provided that the final settlement of the tax after the linking of the tax, He pays the premium under the tax account, or pays what may be less than it (TAQA and AL-AZZAWI, 2007: 113).

• Method of booking from the source: - This method involves the deduction of tax from income before receiving it from the taxpayer, meaning "collecting it at the point of income verification ,before it is received" (Afana et al. 114). (A) A third person connected to the real taxpayer is

obliged to make a debt or subordination relationship by recording the value of the tax due and supplying it directly to the public treasury (TAQA and AL-AZAWI: 114) (Penguin, 2005: 81).

Third: factors affecting the tax revenue

There are several factors that affect the tax revenue as follows:

First (national mandated capacity) tax energy

The concept of tax energy among the specialists in the field of public finance, to the degree of ambiguity that characterized this concept, has several definitions of this concept, Stamp defines it as "national income minus the subsistence limit, and the fact that national income itself does not specify the energy Tax, but other important economic, social and political factors in this regard. "The tax energy also expresses" the ability of national income to bear taxes, "(Khadr, 2008: 54) (Shafi'i, 2005: 6).

Second: The economic factors affecting the tax energy

Tax energy is influenced by a range of economic factors, which in turn will affect tax revenues:

• **The economic structure of the state**: - The nature of the structure of the national economy affects the overall capacity. In agricultural societies, it is less expensive than the industrial societies due to the low level of liquidity in the former, which is characterized by a relatively low level of self-consumption due to the small size of the economic circle On the other hand, especially in developing countries, agricultural income is characterized by almost complete exemption, unlike the economic structure adopted by developed countries on the industrial sector, and mining, which is characterized by multiple tax vessels, through the multiplicity of activities and increasing purity In which capital and thus to increase tax revenue. (Karkhi, 2012: 78).

• **The volume of national income**: - The tax base is the income resulting from work, capital (direct taxes) and the various purposes in which these incomes are employed, especially consumption. Therefore, the increase in the volume of national income leads to increased incomes and then increase tax containers, And the increase in tax revenues. National income per capita is one of the essential elements in determining tax revenues and constitutes a "main" pillar of the tax revenue (Shafei, 2005: 8).

• National income distribution pattern: - The method of distribution of income affects the general commissioning capacity because of its impact on the technical method of regulating the tax deduction, societies with low incomes and wealth among individuals, it is preferable to apply relative taxes to a large number of middle-income individuals, In societies where income inequality is high, among individuals, wealth is usually in the hands of a small number of capitalists, preferring to apply progressive taxes (Khadr, 2008: 56).

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• **State of economic activity**: - Monetary fluctuations have a "significant" impact on tax revenues,As monetary inflation leads to an apparent increase in tax revenues, due to the fact that inflation implies a decrease in the real value of the monetary unit, Deflation leads to a reduction in tax revenues when it is not accompanied by a decrease in the tax rate, while its real value increases when prices fall. Deflation leads to an increase in the in-kind compensation in the form of goods and services for the relative part of the national income, Shafei, 2005: 9).

• **The degree of openness of the national economy:** - The relative importance of economic relations with the outside world, export-import-related activity is an easily insurmountable activity, Then it can be taxed without there being much room to avoid paying it, In addition, the units carrying out foreign trade operations, Unforeseen units are of relatively large size which facilitates the collection process, The national spending depends on a large part of the imports from abroad,Thus, exports and imports are important in determining the size of the tax energy in these countries (Obeidi, 2012: 74).

• The amount of public expenditure that is financed by taxes: - Government spending contributes to the determination of tax energy, as countries receive their revenues from the entry of individuals from their own activity, so the expansion of this activity leads to an increase in tax energy. The activity of the public sector weakens the tax energy if it is at the expense of private consumption (consumption and investment), but this may not be true for the following reasons:

1 - Government spending contributes to the creation of the investment environment necessary to support the productive activity, through spending on fixed social capital, the expansion of production of the economy and the high incomes of individuals, and then the rise in tax energy.

2. Government spending directed at the areas necessary for economic development, far from private sector competition, extravagant behavior, and unnecessary waste, keeps and develops tax energy.

3 - Public spending affects the tax revenues in two ways. On the part of the public sector, which is taxed by salaries and the wages granted by the state to its employees, the increase in spending on this aspect positively affects the increase of the general commissioning capacity and the increase of the individual commissioning capacity resulting from the increase in salaries and wages (Karkhi, 2008: 57). In the event that the tax proceeds are used for unproductive purposes, the tax is a burden on which the national income is borne (Morocco, 2004: 19).

• **Political factors**

 Political factors are a major component of the level of tax awareness among taxpayers. The greater the tax awareness of citizens, the greater the tax revenue. Every citizen must have the sense that he or she really has "the services of the state authorities, On the other hand, the

political instability of any country leads to a weak tax revenue, because it increases taxpayers' evasion (Shafei, 2005: 10).

• **Tax rate**

The price of the tax (tax rate) is the ratio between the amount of the tax and the value of the subject matter, that is, the amount to be paid by the taxpayer after the value of the taxable substance is determined by law (Taqa and Al-Azzawi, 2007: 108). As appropriate, and its political, social and economic reality, taking into account the nature of the tax it imposes, the type of pot, the prescription of the persons subject, and the purposes that the tax legislator seeks to achieve (Amin, 1997: 130).

The fourth subject

Viewing the results of the practical cases

First case: - company A / joint / mixed.

The reduced installment method of the fixed assets shall be adopted below, except for the land account. (111) Land shall not be calculated to be depleted by multiplying the percentage of extinction according to Article (3) of Regulation No. (9) of 1994 for extinction of the private and mixed sectors. Of the profits earned.Equation of the decreasing installment method.

Annual depreciation expense = Net book value of asset * Extinction ratio

The tables are prepared according to the decreasing installment method and the book value is taken at 31/12 and becomes the book value at 1/1, ie the beginning of the financial year, after which additions or downloads are made in that year to calculate the depreciation premium as shown in the following tables.

Note: - Totals rounded to the nearest dinar.

Table (4_1)

Disclosure of Fixed Assets and their Impairment as at 31/12/2011 in a Discounted Payment Method (1,000 JD)

H / Buildings 112

Book value as at 31/12 (7) (6-4)	Extinction Premium (6) (5 * 4)	Extinction rate (5)	book value after adjustment (4) (3-2 + 1)	decreasing (3)	Addition (2)	book value at 1/1 (1)	Year

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140576	8972	% 6	149548	0	11434	138114	2011
138191	8820	%6	147011	0	6435	140576	2012
335987	21445	%6	357432	0	219241	138191	2013

Table (4_2)

H / Tools and equipment 113

Book value as at 31/12 (7) (6-4)	Extinction Premium (6) (5 * 4)	Extinction rate (5)	book value after adjustment (4) (3-2 + 1)	decreasing (3)	Addition (2)	book value at 1/1 (1)	Year
398427	99606	%20	498034	0	0	498034	2011
323890	80972	%20	404862	0	6435	398427	2012
338817	84704	%20	423522	0	99631	323890	2013

Table (4_3)

H / means of transport and transmission

Book value as at 31/12 (7) (6-4)	Extinction Premium (6) (5 * 4)	Extinction rate (5)	book value after adjustment (4) (3-2 + 1)	decreasing (3)	Addition (2)	book value at 1/1 (1)	Year
16050	4012	%20	20062	0	0	20062	2011
12840	3210	% 20	16050	0	0	16050	2012
31625	7906	%20	39531	0	26691	12840	2013

Table (4_4)

Number of templates 115

Book value as at 31/12 (7) (6-4)	Extinction Premium (6) (5 * 4)	Extinction rate (5)	book value after adjustment (4) (3-2 + 1)	Decreasing (3)	Addition (2)	book value at 1/1 (1)	Year
4915	3277	% 40	8193	0	0	8193	2011
2949	1966	%40	4915	0	0	4915	2012
1769	1179	% 40	2949	0	0	2949	2013

Table (4_5)

H / furniture and office equipment 116

Book value as at 31/12 (7) (6-4)	Extinction Premium (6) (5 * 4)	Extinction rate (5)	book value after adjustment (4) (3-2 + 1)	decreasing (3)	Addition (2)	book value at 1/1 (1)	Year
159328	106219	%40	265547	105	0	265652	2011
121124	80749	%40	201874	0	42545	159328	2012
139697	93131	%40	232828	14077	125781	121124	2013

Table (4-6) shows the comparison table for the following calculation of buildings (112) Machinery and equipment (113) Transport and transport (114) Number and molds (115) Furniture and office (116) For the three years above, the table shows the difference between the two methods The decreasing depreciation premium is higher than the fixed depreciation premium in the first years of the useful life of the fixed asset and then decreases in recent years, and we see this in the statement of accounts as clear that the decreasing installment method in the first years of the life of the fixed asset is high, Where expenses are higher and consequently reflect the result Tax decline.

Table (4_6)

The decreasing depreciation premium for the three years (1,000 dinars)

Fixed Assets and Accounting Guide Number						
Total	Furniture or office equipment 116	Tools and molds 115	Transport and transport 114	Machinery and equipment 113	Buildings 112	Year
222086	106219	3277	4012	99606	8972	2011
175717	80749	1966	3210	80972	8820	2012
208365	93131	1179	7906	84704	21445	2013

Table (4_7)

Fixed depreciation premium for the above three years (JD 1,000)

Fixed Assets and Accounting Guide Number						
Total	Furniture or office equipment 116	Tools and molds 115	Transport and transport 114	Machinery and equipment 113	Buildings 112	Year
109404	53109	-	2006	49803	4486	2011

110900	43408	296	2006	60659	4531	2012
158013	61638		4675	86655	5045	2013

Table (4_8)

The premium for the three years above for the two methods (JD 1000)

Decreased depreciation premium	Fixed depreciation premium	Year
222086	109404	2011
175717	110900	2012
208365	158013	2013

Note: - Depreciation is stated only for the rest of the other expenses in order to show the difference between the amortization of the fixed premium and the reduced depreciation premium.

Table (4_8)

Profit and loss account on a straight-line basis (1,000 JD)

2013	2012	2011	Statement
4354182	1190322	93054	Total income from current activity
18729	83348	252871	Total other transformational income
4372911	1273670	345925	Total revenue
2790298	1490595	271551	Total current activity expenses before extinction
158014	110902	109405	Extinction
302025	9489	266078	Total other transfer expenses
7325033	1610985	647034	Total expenses
1122574	-337315	-301109	Distributable surplus
%15	%15	% 15	Share of tax 15%
168386	0	0	Tax

Table (4_9)

Profit and loss account by way of decreasing installment (JD 1,000)

2013	2012	2011	Statement
4354182	1190322	93054	Total income from current activity
18729	83348	252871	Total other transformational income
4372911	1273670	345925	Total revenue
2790298	1490595	271551	Total current activity expenses before

			extinction
208365	175717	222086	Extinction
302025	9489	266078	Total other transfer expenses
3300688	1675801	759715	Total expenses
1072223	-402131	-413790	Distributable surplus
%15	%15	% 15	Share of tax 15%
160833	0	0	Tax

In this section, the profit and loss calculations will be clarified in the decreasing installment method. There is a deficit in the distributable surplus which is greater than the revenues (2011). The total expenses were only 759715, The total revenues (345925) three hundred and forty-five million nine hundred and twenty-five thousand dinars only, which resulted in the emergence of a deficit by (413790) four hundred and thirteen million and seven hundred and ninety thousand dinars only, The year (2012) also achieved a loss because of expenses greater than its revenues were expenditures by (1685801) one billion six hundred and eighty-five million and eight hundred thousand dinars only, The total revenues amounted to (1273670) billion two hundred and seventy-three million six hundred and seventy thousand dinars only, As for the year (2013), the total revenues (4372911) were four billion three hundred and seventy-two million nine hundred and ten thousand dinars only. The total expenditure was (3300688) three billion three hundred million six hundred and eighty-eight thousand dinars only, This shows the surplus that can be distributed by (1072223) one billion seven hundred and twenty-two million two hundred and thirty thousand dinars only, The share of the tax by (160833) one hundred sixty million eight hundred and thirty three thousand dinars only, and found that the fixed rate tax is higher than the reduced installment tax.

Table (4_10)

Table of tax comparison of fixed and decreasing depreciation premium (JD 1000)

Difference	Discounted premium tax	Fixed premium tax	Year
0	0	0	2011
0	0	0	2012
7553	160833	168386	2013

The second case: - Company (B) Joint Contribution.

The second case: - The company (B) one of the research samples does not differ significantly from the previous situation in terms of changing the accounting policy only in numbers and the method of producing units will be applied to their fixed assets(113) Machinery and equipment (115) Number and molds,The annual depreciation premium is calculated based on the amount of production realized from the asset during the financial year,Because (113) machines and equipment (115) number and molds are entered into production directly and the premium is calculated by applying the equation in the below.

$$\text{Annual percentage of depreciation} \quad \frac{\text{Value of the asset subject to depletion}}{\text{Total hours or quantities of production during the lifetime of the asset}} \quad \text{x number of work hours or production}$$

Table (4_11)

Disclosure of fixed assets and their derivatives as at 31/12/2011 (thousand dinars)

Machinery and equipment113

Expiration premium (10) (9*8)	the actual quantity of production / (9)Ton	destruction of one unit (8) (7/4)	Quantity of production during the lifetime of the 7)asset ((6*5)	Extinction Rate (6)	quantity / ton year (5)	Cost after modification (4) (3-2+1)	Decreasing (3)	Addition (2)	Historical Cost (1)	Year
5200	5200	1	49000	7	70000	537148	8	0	537156	2011
5600	5600	1	49000	7	70000	518068	21653	2574	537148	2012
6200	6200	1	49000	7	70000	518068	0	0	518068	2013

Note: - The cost per unit was rounded to the nearest JD.

Table (4_12)

Number and Templates115

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Expiration premium (10) (9*8)	the actual quantity of production / (9)Ton	destruction of one unit (8) (7/4)	Quantity of production during the lifetime of the 7)asset ((6*5)	Extinction Rate (6)	quantity / ton year (5)	Cost after modification (4) (3-2+1)	Decreasing (3)	Addition (2)	Historical Cost (1)	Year
0	5200	0	49000	7	70000	0	0	0	0	2011
168	5600	0.03	49000	7	70000	1500	0	0	1500	2012
186	6200	0.03	49000	7	70000	1500	0	0	1500	2013

Clarify the paragraphs of the tables above.

• historical cost, addition, reduction, cost after modification, extinction rate has been taken from the disclosure of the Company's financial statements.

• The quantity / ton item was taken from the company's activity report.

• Quantity of production during the lifetime of the asset = quantity of tons × extinction ratio

• One unit d / ton = cost after adjustment / quantity of production during the lifetime of the existing

• The actual quantity of production / ton taken from the report of the company's activity.

• Extinction premium = one unit d / ton × actual production / ton.

Note: - The table below is taken thetotal method of straight-line depreciation per year for each year, and subtracts from it account (machines and equipment 113) and (number and molds 115)Which are calculated on a straight-line basis .Add to it the extinction (equipment and equipment 113) and (number and molds 115),Extracted in the form of units produced each year.

Table (4_13)

Installment premium in the form of units produced (JD 1,000)

Exhaustion of Produced units (7) (6+5 +4)	Tools and templates 115 (6)	Machinery and equipment 113 (5)	difference (4) (3-2-1)	Tools and templates 115 (3)	Machinery and equipment 113 (2)	Fixed line depreciation (1)	Year
18088	0	5200	12888	0	0	12888	2011
64264	168	5600	58496	106	38963	97565	2012
80228	186	6200	73842	300	39151	113293	2013

Table (4_14)

Fixed depreciation premium for the above three years (JD 1,000)

Fixed Assets and Accounting Guide Number						
Total	Furniture and office equipment 116	Tools and Templates 115	Transmission and transmission 114	Machinery and equipment 113	Buildings 112	Year
12888	7196	-	5692	-	-	2011
97563	6005	106	8718	38963	43771	2012
113291	7105	300	9034	39151	57701	2013

Table (4_15)

Exemption premium for the three years (thousand dinars)

Premium extinction of units produced	Premium fixed depreciation	Year
18088	12888	2011
64264	97563	2012
80228	113291	2013

The table above shows the variance premium difference for the second case It was found that the installments of the method of producing units are less than the fixed-line installments for the five years. Note that the company, which is the research sample, did not calculate a premium for the account (machines and equipment 113) for the year (2011). It did not acquire (number and molds 115) for the same year, which was acquired (number and molds 113) in the year (2012).It adopts a fixed-line policy, As well as the way units are produced. The account (equipment and equipment 113) And to show the premium of extinction, which, as we know the expense and the taxpayer always seeks to exaggerate the expenses to evade the tax. The difference arises when

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calculating the tax in the profit and loss account of the fixed premium and the units produced in the below, The tax difference is shown in the tax comparison table.

Table (4_16)

Profit and loss account on a straight-line basis (1,000 JD)

2013	2012	2011	Statement
958161	661941	435525	Total income from current activity
65613	469798	308203	Total other transformational income
1023774	1131740	743728	Total revenue
380961	473335	432609	Total expenses of current activity
113293	97565	12888	Extinction
75104	126821	154785	Total other transfer expenses
569358	697721	600283	Total expenses
454416	434018	143445	Distributable surplus
%15	%15	%15	Share of tax 15%
68162	65102	21516	Tax

Table (4_17)

Profit and loss account in the form of units produced (thousand dinars)

2013	2012	2011	Statement
958161	661941	435525	Total income from current activity
65613	469798	308203	Total other transformational income
1023774	1131740	743728	Total revenue
380961	473335	432609	Total expenses of current activity
80228	64624	18088	Extinction
75104	126821	154785	Total other transfer expenses
536293	664780	605482	Total expenses
487481	466960	138246	Distributable surplus
%15	%15	%15	Share of tax 15%
73122	70044	20737	Tax

Reading the table below which is a tax comparison table for the constant extinction classes and the units produced, The tax of productive units is higher than the fixed-line tax for all years except 2011. The fixed line method was the highest where the difference for the year (2011),The amount of (779) only seven hundred and seventy-nine thousand dinars, As for the year (2012) the difference was the amount of (4942) four million nine hundred and forty-two thousand dinars only, In the year (2013) tax difference amount of (4960) four million nine hundred and sixty thousand dinars only, nothing else.

Table (4_18)

Table of tax comparison of fixed depreciation and productive units (thousand dinars)

Difference	Tax units produced	Fixed Installment Tax	Year
779	20737	21516	2011
4942	70044	65102	2012
4960	73122	68162	2013

The sources of the researcher is Prepared by her based on the company's financial statements for all disclosures.

Method of revaluation

The fourth and final method adopted by the 1994 (9) system of extinction and extinguishing of the private, mixed and cooperative sectors,(117) plants and animals used to calculate the depreciation of assets of a special nature such as small numbers in workshops, dining utensils in restaurants and other similar assets. Depreciation premium is calculated in accordance with this method by revaluation, These assets are valued at the end of the financial period, The difference between the value of these assets at the beginning of the period and at the end of the period, Is the annual depreciation of the asset and recalculates technicians with experience in the field related to these assets.

The sixth topic

Conclusions and recommendations

Conclusions

1. After analyzing the financial statements of the companies in the research sample, the results showed that the straight line method has an effect on increasing the tax proceeds more than the decreasing installment method due to the decrease in the tax proceeds of the decreasing installment method to increase the total annuity premiums. This is reflected in the tax and has a

share of the distributable surplus as shown in the tables numbered for the first (3.7), the second (3.14), the third (3.21), the fourth (3.28) and the fifth (30-35)) In addition to what makes it simple and easy.

2. Through the use of financial data for sample research companies, The decreasing installment method, despite its advantage, was found to be high in the early years life of the fixed asset ,In the period of low maintenance,While in recent years depreciation rates have declined. Maintenance costs are high, Which shows that it has no strong impact on tax revenue, Not after several years. The tax will not be a share of the distributable surplus,This is illustrated in the tax comparison table for the five cases.

3. The method of producing units can only be applied after obtaining the approval of the Minister of Finance provided for in the item (1) of Article (6) In an application submitted to the Committee provided for in Article (15) of Regulation (9) for the year 1994 concerning the extinction and the extinguishment of the private, mixed and cooperative sector, Proved that the method of producing units is better than the straight-line method by increasing the tax revenue, as shown by the tax comparison tables between the two fixed-line and productive units.

4 - Lack of sufficient accounting awareness of the issue of extinction and methods of calculation.

Recommendations

1. Despite the effect of increasing the tax revenues, it is necessary to review them because their installments remain constant over the life of the fixed asset even if the changes in installments vary by a simple margin due to additions and adjustments of the fixed asset and because the project accounts bear the annual maintenance of the asset in addition to premium Therefore, the taxpayer is dependent on it because it is easy and simple to calculate and its premiums and tax is constant and we seek to increase tax revenues.

2. It is necessary to review the curtailed installment method approved by the above regulation, And replace it with another method of extinction many and have a positive impact on the tax revenue, Because the method of installment decreases in the first years of life fixed asset premiums are high, This is in the interest of the taxpayer, In the last years of life, the amount of depreciation decreases annually, while the actual shortfall in the value of the fixed asset decreases at a low rate.

3. We recommend adopting the method of producing units because of their significant impact on the tax revenue compared to the straight-line method and the decreasing installment method, And not to leave the option of the taxpayer to choose the method of extinction that suits him, because the taxpayer always seeks the ways that raise expenses and reduce revenues and reduce the routine on obtaining approvals to change the way of extinction..

4. The researcher recommends that seminars be held to discuss the issue of extinction, Through the studies provided by academics of university professors and professionals interested in applying the practical side of the men of thought and law working in the field of tax, It was also recommended to seek to expand the dissemination of studies on the depletion and problems resulting from the practical application of extinction treatments with development.

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