

The reality of The Accounting and Tax Treatment of the professional activity tax _ A field study

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Abstract:

The aim of this study is to identify the treatment of the professional activity tax in the economic institution according to the financial accounting system and the Algerian tax system.

In order to achieve this goal, some concepts related to the professional activity tax, how it is calculated and accounted for, and how to declare it to the tax administration have been discussed.

In order to reach the goal of the study, the descriptive and analytical method was followed in the first topic, while in the second topic, a case study method was adopted with the aim of projecting the theoretical study on the reality of the economic institution.

It was concluded that the professional activity tax is a direct tax borne by the institution and is not transferred to others, despite the small rate of it, but it is considered a heavy burden on the economic institution, this is due to the fact that it is calculated on the turnover achieved and does not take into account the result of the establishment.

Keywords:the professional activity tax, the tax declaration, The Accounting Treatment.

1. INTRODUCTION

Direct taxes are very important in all economies, as they are considered one of the main sources of financing for the state treasury, this allows it to perform its duties in financing the state budget and contributing to spending on public services, to achieve prosperity and economic development.

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The economic institution is also one of the basic elements for activating economic activity and a tool for achieving progress and development in the economies of countries. It is considered the frame of reference by bearing various taxes and fees, and in particular the professional activity tax.

Many writings indicate that accounting is not born today, but rather has roots throughout history, as accounting is considered a link between the institution and the tax administration, as It contributes by providing it with all data and information related to the institution's activity.

Since the accounting of the professional activity tax is part of the accounting system and an aspect of the basic aspects of the development witnessed by accounting, we decided to study the subject of its accounting treatment in the economic institution according to the financial accounting system and the Algerian tax system.

Research problem: This research paper focuses on the following question:

“What is the reality of the accounting and tax treatment of the professional activity tax in the economic institution?”

research aims: In addition to answering the research question, the research seeks to study and analyze the rules of accounting treatment for the professional activity tax in the economic institution, and to highlight the various operations carried out by the accountant, as well as shedding light on what actually exists and comparing it with what is studied theoretically.

Research Methodology: To achieve the desired goal, the descriptive analytical method was used to suit the quality of the topic studied, in addition to the case study.

2. Theoretical aspect of professional activity tax

2.1 Definition of professional activity tax

It is a direct tax that is due periodically in relation to the turnover, which is achieved in Algeria by natural or legal persons, who practice a professional activity on a permanent basis, and this is whatever the outcome of the institution.(Baloudja, 2017, p. 113)

2.2The characteristics of professional activity tax:

Among the most important features of this tax are the following:

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A direct tax borne by the institution, calculated on the turnover without taking into account the forward sales;

- Despite its low rate, it is considered a heavy burden on the institution;
- A tax is included in the cost price of the product;
- It does not take into account the result of the institution, whether it made a profit or a loss, it is required to pay this tax;
- It is considered a final cost borne by the institution, that is, it does not give the right to discount;
- The monthly or quarterly payment of this tax constitutes a burden on the treasury of the institution and the degree of its liquidity. (Baloudja, 2017, p. 113)

2.3 The event creating for professional activity tax

The event creating for professional activity tax include:

- A- With regard to sales, from the legal or physical delivery of the goods;
- B- For real estate works and the performance of services from the total or partial payment of the price. (Article 221 Bis, the Direct Taxes and Similar Fees Law, 2021)

2.4 The field of application of the professional activity tax

The tax is due on the basis of the turnover achieved in Algeria by taxpayers who carry out an activity whose profits fall under the tax on global income, in the category of professional profits or tax on company profits.

However, are excluded from the scope of the tax, the income of individuals from the operation of legal persons or companies, themselves subject under this article, to the tax.

Turnover means the amount of revenue earned on all sales, service or other transactions within the scope of the aforementioned activity. However, the said transactions carried out between units of the same company are excluded from the scope of the tax referred to in this article.

For the units of public works and building companies, the turnover is made up of the amount of receipts for the financial year. A regularization of the rights due on all the works must take place no later than the date of provisional acceptance, with the exception of receivables from public administrations and local authorities. (Article 217, the Direct Taxes and

Similar Fees Law, 2021)

2.5 Rates of the professional activity tax

The tax rate on professional activity is set at 2%.

The tax rate is reduced to 1% without benefiting from reductions for production activities.

Concerning construction, public works and irrigation activities, the tax is set at 2% with a reduction 25%.

However, the rate of the tax on the professional activity is raised to 3% with regard to the turnover resulting from the activity of transporting fuels by pipelines. (Article 222, the Direct Taxes and Similar Fees Law, 2021)

This rate is distributed according to the following table:

Table 1. Distribution of Tax on professional activity

| quotas | part of the municipality | part of the Wilaya | Share of the Solidarity and Guarantee Fund for Local Communities |
|---------------|---------------------------------|---------------------------|-------------------------------------------------------------------------|
| Rates | 66% | 29% | 5% |

Source: People's Democratic Republic of Algeria, Ministry of Finance, Directorate General of Taxes, Article 222, the Direct Taxes and Similar Fees Law, 2021

the tax is established on the total of the amount of the global professional receipts, Or the turnover without the value-added tax when it comes to taxpayers to this tax realized during the year.

Benefit from a discount 30%:

- Amount of wholesale operations;
- The amount of retail operations, relating to items whose retail price includes more than 50% of the indirect rights.

Benefit from a discount 50%:

- The amount of wholesale operations of materials whose retail price includes more than 50% of the indirect rights;
- The amount of the medicine's retail operations, provided that:
 - 1- It is classified within the strategic articles as stipulated by the executive decree 90-31 Dated January 15, 1996.
 - 2- The retail profit rate should be between 10% and 30%.

Benefit from a discount 75%:

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the amount of retail operations for premium, normal, unleaded petrol, diesel.(Article 219, the Direct Taxes and Similar Fees Law, 2021).

2.6 exemptions from the professional activity tax:

It is not included in the turnover serving as the basis for the tax:

The turnover does not exceed eighty thousand dinars (80,000) DZD if it comes to taxpayers whose activities are related to the sale of goods, materials, supplies and goods taken or consumed at the place, and fifty thousand (50,000) DZD if it comes to taxpayers active in the service sector.

- The amount of sales, for materials with a large consumption that are subsidized by the state budget or benefit from compensation

- The amount of sales, transportation or brokerage operations related to materials and goods destined for export, including all processing operations for the production of petroleum products destined directly for export.

- The amount of retail transactions relating to strategic goods as referred to in the executive decree n° 96-31 of of January 15, 1996 laying down the terms and conditions for setting the prices of certain strategic goods and services when the retail margin does not exceed 10%.

- The amount earned in foreign currency in tourist, hotel, spa, classified catering and tour operator activities. (Article 220, the Direct Taxes and Similar Fees Law, 2021)

* The institution is obliged to declare a monthly tax on professional activity at the level of the tax administration in series No. 50 (G 50) within twenty days of the month following the tax declaration to which it was subject during the previous month.

2.7accounting entry:

Observation of tax debt:

The amount of tax on professional activity= The turnover x tax rate

| | | | | |
|--------------------------------|------------|---------------------------------------------------------|-----|-----|
| 642 | | Taxes and fees that are not refundable for the turnover | xxx | |
| | 447 | Other taxes, fees and similar payments | | xxx |
| Observation of tax debt | | | | |

Pay of tax debt:

| | | | | |
|------------|------------|----------------------------------------|-----|-----|
| 447 | | Other taxes, fees and similar payments | xxx | |
| | | Bank | | |
| | 512 | Pay of tax debt | | xxx |

3. An applied field study of accounting treatment for the professional activity tax

3.1 calculation of the professional activity tax:

Table 2. Calculation of the professional activity tax activity of wholesale operations

| designation | The turnover HT (DZD) | taxable turnover (DZD) | | the professional activity tax (DZD) |
|----------------------|-----------------------|------------------------|--------------|-------------------------------------|
| January 2020 | 3,140,632.15 | 70% | 2,198,442.51 | 43,968.85 |
| February 2020 | 2,771,817.27 | 70% | 2,198,442.51 | 38,805.44 |

Source: Information provided by the company's accountant

- For wholesale operations:

We know that The amount of tax on professional activity= The turnover x tax rate

The rate of tax on professional activity is set at 2%.

For January 2020: The institution benefits from a 30% reduction as a result of wholesale sales.

the professional activity tax (January 2020) = (3,140,632.15-(30% X 3,140,632.15)) X 2% = 43,968.85 DZD.

For February 2020: The institution benefits from a 30% reduction as a result of wholesale sales.

the professional activity tax (February 2020) = (2,771,817.27-(30% X 2,771,817.27)) X 2% = 38,805.44 DZD.

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Table 3. Calculation of the professional activity tax activity of the production process

| designation | The turnover HT (DZD) | taxable turnover (DZD) | | the professional activity tax (DZD) |
|----------------------|-----------------------|------------------------|----------------------|-------------------------------------|
| January 2020 | 11,321,611.97 | 100% | 11,321,611.97 | 113,216.12 |
| February 2020 | 9,414,320.17 | 100% | 9,414,320.17 | 94,143.20 |

Source: Information provided by the company's accountant

For the production process:

The rate of tax on professional activity of the production process is set at 1%.

the professional activity tax (January 2020) = 11,321,611.97 X 1% = 113,216.12 DZD.

the professional activity tax (February 2020) = 9,414,320.17 X 1% = 94,143.20 DZD.

3.2 accounting entry

- For wholesale operations:

January 2020:

| | | | | |
|--------------|---------------|----------------------------------------|------------------|------------------|
| 64212 | | the professional activity tax | 43,968.85 | |
| | 447212 | Other taxes, fees and similar payments | | 43,968.85 |

February 2020:

| | | | | |
|--------------|---------------|----------------------------------------|------------------|------------------|
| 64213 | | the professional activity tax | 38,805.44 | |
| | 447213 | Other taxes, fees and similar payments | | 38,805.44 |

- For the production process:

January 2020:

| | | | | |
|--------------|---------------|----------------------------------------|-------------------|-------------------|
| 64214 | | the professional activity tax | 113,216.12 | |
| | 447214 | Other taxes, fees and similar payments | | 113,216.12 |

February 2020:

| | | | | |
|--------------|---------------|----------------------------------------|------------------|------------------|
| 64215 | | the professional activity tax | 94,143.20 | |
| | 447215 | Other taxes, fees and similar payments | | 94,143.20 |

3.3 Tax declaration

The institution is obliged to declare a monthly tax on professional activity at the level of the tax administration in series No. 50 (G 50) within twenty days of the month following the tax declaration to which it was subject during the previous month.

3.4 The burden of the professional activity tax on the economic institution under study during the period 2015-2021

The following table shows the burden on the professional activity tax of the institution under study on the normal result before taxes during the period 2015-2021:

Table 4. The rate burden of the professional activity tax in the economic institution for the period (2015-2021)

| Years | Net turnover | Value of the professional activity tax paid | The result ordinary before taxes | The rate burden tax |
|-------------|----------------|---------------------------------------------|----------------------------------|---------------------|
| 2015 | 296,781,051.60 | 3,304,449.00 | 14,295,854.12 | 23.11 % |
| 2016 | 266,018,329.12 | 3,285,565.00 | 10,079,277.95 | 32.60 % |
| 2017 | 261,443,013.92 | 3,014,285.00 | -646,954.90 | -465.92 % |
| 2018 | 312,662,100.33 | 3,600,216.00 | 4,385,551.06 | 82.09 % |
| 2019 | 315,420,334.17 | 3,354,450.00 | 5,686,873.81 | 58.99 % |
| 2020 | 254,185,026.35 | 2,156,742.00 | -1,316,426.20 | -163.83 % |
| 2021 | 275,655,351.58 | 2,469,800.00 | 8,011,560.62 | 30.83 % |

Source: Prepared by researchers based on data provided by the institution's accountant

Table analysis: Through the previous table we note:

- **In 2015:** In 2015 the net turnover is estimate **296,781,051.60 DZD**, Where the institution paid the value of the professional activity tax during the year **3,304,449.00 DZD** what represents the ratio **23.11 %** From the result ordinary before taxes estimated at **14,295,854.12 DZD**.

- **In 2016:** Enterprise recorded the result ordinary before taxes estimated at **10,079,277.95 DZD** while the professional activity tax

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estimated at **3,285,565.00 DZD**, what represents the ratio **32.60%** from the result ordinary before taxes.

- **In 2017:** In the year 2017, the institution under study opened an annex in the city of Oran in order to expand its activity, which led to achieving a loss in the year, which was estimated at **(-646,954.90) DZD**, while the professional activity tax estimated **3,014,285.00 DZD**, this is because the professional activity tax is calculated on the turnover and does not take into account the result of the institution, as the turnover in this year was estimated at **261,443,013.92 DZD**.

- **In 2018:** the professional activity tax estimated at **3,600,216.00 DZD**, what represents the ratio **82.09 %** from the result ordinary before taxes estimated at **4,385,551.06 DZD**.

- **In 2019:** In 2019 the net turnover is estimate **315,420,334.17 DZD**, Where the institution paid the value of the professional activity tax during the year **3,354,450.00 DZD**, what represents the ratio **58.99 %** from the result ordinary before taxes estimated at **5,686,873.81 DZD**.

- **In 2020:** This year, the institution was affected as a result of the outbreak of the Corona epidemic (**Covid 19**), Which led to the realization of the loss, which was estimated at **-1,316,426.20 DZD**, However, the value of the professional activity tax in this year was estimated at **2,156,742.00 DZD**, as estimated the net turnover **254,185,026.35 DZD**.

- **In 2021:** This year, the economic institution achieved a positive result (the result ordinary before taxes) estimated at **8,011,560.62 dinars**, the professional activity tax was estimated **2,469,800.00 DZD**, what represents the ratio of **30.83 %**, the net turnover was estimated at **275,655,351.58 DZD**.

- Through the following figure, we will clarify the value of the tax on the professional activity in the institution under study compared to the result ordinary before taxes during the period 2015-2021.

Fig.1. Tax on the professional activity of the economic institution for the period (2015-2021) compared to the result ordinary before taxes



Source:Created by researchers

From the above table and figure, we can conclude the following:

- Although the rate of the tax on professional activity is low, it is considered a burden on the economic institution;

- The adoption of the realized turnover by the economic institution to calculate the amount of the tax on professional activity is not an expression of the real financial position of the economic institution, in other words in the year 2017 as well as 2020, although the institution recorded a loss in its financial result, but it paid the tax on professional activity, and therefore the tax on professional activity does not take into account the costing capacity of the economic enterprise.

- The tax on professional activity is considered a direct tax borne by the institution and is not transferred to others, since despite the small rate of it, it is considered a heavy burden on the economic institution, and this is because it is calculated on the turnover and does not take into account the institution's result.

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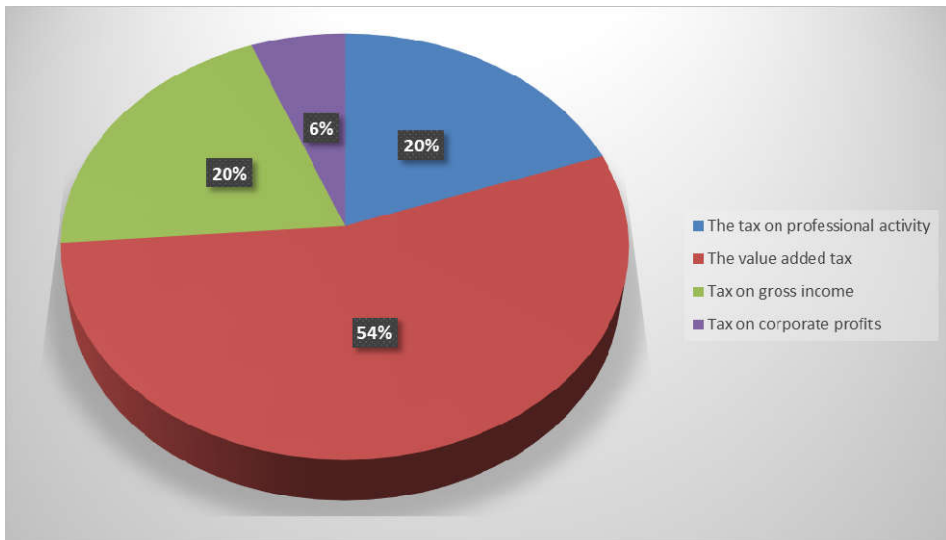
Table 5.The value of the various taxes paid by the economic institution during the year 2018

| - | 2018 | The rate burden tax |
|-----------------------------------------|----------------------|---------------------|
| The tax on professional activity | 3,600,216.00 | 19.45 % |
| The value added tax | 10,049,173.00 | 54.29 % |
| Tax on gross income | 3,772,243.55 | 20.38 % |
| Tax on corporate profits | 1,088,921.42 | 5.88 % |
| Total | 18,510,553.97 | 100.00 % |

Source:Prepared by researchers based on data provided by the institution's accountant

Table analysis: Table No. (5) shows the value and rate of the tax burden for the various taxes paid by the economic institution under study. The year 2018 was chosen randomly, in order to know the rate of the tax burden for the various taxes paid in general, and in particular The tax on professional activity. where estimate the tax on professional activity, value-added tax, tax on gross income, tax on corporate profits, respectively: 3,600,216.00 DZD; 10,049.173.00 DZD; 3,772.243.55 DZD and 1,088,921.42 DZD.

Fig.2.The percentage of various taxes paid by the economic institution during the year 2018



Source:Created by researchers

From Table (5) and Figure (2), we can conclude the following:

- Despite the low rate of the tax on professional activity, it is considered a heavy burden on the economic institution, as it was estimated at 20% of the total taxes paid by the economic institution during the year 2018.

- The economic institution also recorded: The value-added tax, tax on gross income, and the tax on corporate profit paid by the economic institution during the year 2018 were estimated, respectively, at the following rates: 54%, 20%, 6%.

4. CONCLUSION

Through this research paper, in which the accounting and tax treatment of the tax on professional activity, which is considered a direct tax borne by the institution and is not transferred to others, was addressed, between the stability of accounting legislation and the continuous amendments to the laws of direct taxes and similar fees, which requires the financial accounting system to be flexible Sufficient to enable it to embrace these repeated tax amendments every year, through the disclosure of tax information, which makes the tax administration one of the beneficiaries of this information, and thus enables it to perform its tasks in order to achieve its economic and social goals.

We can also conclude that the adoption of the turnover achieved by the economic institution to calculate the amount of the tax on professional activity is not an expression of the real financial position of the economic institution, in other words the institution can pay the amount of the tax on professional activity while it recorded a loss in its financial result, so the tax on professional activity does not take into account the costing capacity of the economic enterprise.

Study results: In light of the theoretical and field analyzes contained in this research paper, we reached the following results:

- The tax on professional activity is considered one of the most important public revenues of the state;

- The tax on professional activity is considered a direct tax borne by the institution and is not transferred to others;

- The approval of the turnover for calculating the amount of the tax on professional activity is not an expression of the true financial position of the

economic institution;

- Although the low rate of the tax on professional activity, it is considered a heavy burden on the economic institution.

Study recommendations: In light of the findings, a number of recommendations can be presented, which can be summarized in the following points:

- The financial authorities in Algeria should reduce the tax burdens in economic institutions, as well as think about scheduling the payment of this type of taxes in installments, like the tax on profits, in order to encourage the institution to achieve growth and continue to be active.

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