Tax expense is not tax paid

MODULE 2 / ONE-PAGE TAX BRIDGE

1. **Isolate the deferred-tax effect in profit/loss**
   Deferred tax expense = P/L increase in DTL - P/L increase in DTA.

2. **Find the current-tax charge**
   P/L current tax = total P/L tax expense - P/L deferred tax expense.

3. **Reconstruct the payable**
   Cash paid = opening payable + current-tax charges - closing payable.

First remove movements outside profit/loss: OCI, direct equity, acquisitions and FX may change deferred balances. Current-tax charges outside P/L must also enter the payable working. Include tax receivables/refunds separately when relevant.

Original example: Aster Mapping ($000)

Deferred balance	Opening	Closing	Outside P/L	P/L movement
Liability (DTL)	8	16	+3 in OCI	+5
Asset (DTA)	6	4	0	-2

Deferred-tax expense = 5 - (-2) = **7**. Total P/L tax expense is 48, so current-tax expense = 48 - 7 = **41**. Current-tax payable opens at 12 and closes at 9; no other current-tax movement. Cash tax paid = 12 + 41 - 9 = **44**.

Entry ($000)	Debit	Credit
P/L tax	Tax expense 48	DTL 5; DTA 2; current tax payable 41
Tax on OCI gain	OCI 3	DTL 3
Tax settlement	Current tax payable 44	Cash 44

Check: payable 12 + 41 - 44 = 9. Using the full DTL increase of 8 would wrongly include the 3 OCI charge in P/L. A decrease in DTA creates expense when the movement belongs in P/L.

CPA Australia FR study guide, sixth edition (October 2022), Module 2. Original Accounting Ahead workings and design. Guide printed pages 104-107; AASB 112 (March 2020, 2022-applicable): standards.aasb.gov.au/aasb-112-mar-2020-0 (paras 5, 58, 61A). AASB 107 (March 2020), paragraphs 6-24, 31-48: standards.aasb.gov.au/aasb-107-mar-2020