# FINANCE AT A GLANCE

## Corporate Income Tax

## Lesson 29

Corporate income tax is a levy imposed by jurisdictions on the profit made by companies. It is calculated using the formula:

**Income Tax = Tax rate x Tax base**

The tax rate is a % that varies from jurisdiction to jurisdiction. It may also vary within a jurisdiction itself.

The tax base is normally the profit, the amount left after deducting from the revenue all of the expenses of the business. However, every jurisdiction has its own regulations as to which expenses (and revenues) should be included in the computation of the tax base. Some expenses (and revenues) may not be admissible in the computation of the tax base, in which case, the tax base may be different from the profit (before tax).

Corporate income tax is considered as an expense. It is deducted from the profit before tax to arrive at the profit after tax.

Companies usually engage the services of auditors, in order to ensure that they comply with the regulations on the tax base computation, as imposed by the jurisdiction they belong to.

Until then,

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