

**Profit margin after tax = Net income after taxes** divided by **net sales**

Calculation of the **profit margin after tax** includes:

Net income after taxes from the income statement for  
the year ended \_\_\_\_\_.

Net sales comes from the same income statement.

Net income after taxes	\$ _____	<b>NIAT</b>	
<i>divided by</i> net sales	\$ _____	<b>S</b>	
<b>= Profit margin after tax</b>	<u><u>_____</u></u>	<b>% PM</b>	(NIAT / S)

Notes:

The profit margin after tax is also known as the *net profit margin*, *return on sales*, or *profit margin on sales*.

**NIAT** Net income after taxes appears at or near the bottom of the income statement. The income statement of a sole proprietorship will not report income tax expense since the income taxes are the responsibility of the sole proprietor.

**S** Net sales or total revenues will appear at the top of the income statement.

**PM** The profit margin after tax indicates the profit per sales dollar. That is, the amount of every sales dollar that remains after deducting all expenses including the cost of goods sold and income tax expense.

Since a sole proprietorship's income statement does not report income tax expense, the profit margin calculated for a sole proprietorship is the *before tax* percentage.