



ED/2010/11 Deferred Tax: Recovery of Underlying Assets (proposed amendments to IAS 12)

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Public Discussion

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Background

- In March 2009 the IASB published an exposure draft, *Income Tax*, proposing a new IFRS to replace IAS 12
- In October 2009 the IASB decided not to proceed with the proposals in the exposure draft and announced that it would conduct a fundamental review of the accounting for income tax in the future. In the meantime, the Board would address specific significant current practice issues
- As a result, the Board decided to publish the present ED proposing amendments addressing the issue of recovery of underlying assets
- The ED *Deferred Tax: Recovery of Underlying Assets* is open for comment until 9 November 2010



Overview of the proposed amendments (1)

- The proposal amends one aspect of IAS 12 *Income Taxes*
- The purpose of the amendments is to provide ***an exception*** to the principle that the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using the asset or by selling the asset
- In some cases, it is difficult and subjective to assess whether recovery will be through use or through sale. The proposed amendments are intended to provide a practical approach for such cases



Overview of the proposed amendments (2)

- The proposed amendments state that, in specified circumstances, the measurement of deferred tax liabilities and deferred tax assets should reflect a rebuttable presumption that the carrying amount of the underlying asset will be recovered entirely through sale
- The specified circumstances are that the deferred tax arises from:
 - Investment property, when an entity applies the fair value model in IAS 40 *Investment Property*, or
 - Property plant and equipment or intangible assets, when an entity applies the revaluation model in IAS 16 *Property, Plant and Equipment* or IAS 38 *Intangible Assets*
- The presumption is rebutted only when an entity has clear evidence that it will consume the asset's economic benefits throughout its economic life



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