



Project:	IFRIC 23 Uncertainty Over Income Taxes	Meeting	AASB June 2017 (M158)
Topic:	Finalising IFRIC 23	Agenda Item:	11.3
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		Decision-Making:	High
		Project Status:	Issuance of Interpretation

Introduction and objective of this paper

- 1 The objective of this paper is to obtain Board decisions on how to address the Australian version of IFRIC 23 *Uncertainty over Income Tax Treatments*.
- 2 The IASB issued Draft IFRIC Interpretation DI/2015/1 *Uncertainty over Income Tax Treatments*, which the AASB published on its website for comments. The Draft Interpretation proposed to address the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, in circumstances in which there is uncertainty over income tax treatments that affects the application of IAS 12 *Income Taxes*.
- 3 The IASB finalised DI/2015/1 by making changes as outlined paragraph 5-7 below and issuing IFRIC 23.

Attachments

Agenda paper 11.3.1: IFRIC 23 *Uncertainty over Income Tax Treatments* (Board only)

Link to IASB project summary

- 4 The IASB project summary below includes links to the draft IFRIC, supporting material, consultation feedback, project history and details of board decisions from the IFRS Interpretations Committee:

<http://www.ifrs.org/projects/2017/uncertainty-over-income-tax-treatment/#current-stage>

Changes to DI/2015/1 in issuing IFRIC 23

- 5 The IFRS Interpretations Committee made minor changes to DI/2015/1 in response to feedback it had received. The majority of the changes further clarify the requirements of DI/2015/1 and add further support to the Basis for Conclusions.

- 6 The main changes to DI/2015/1 are outlined below:
- (a) Clarification of key terminology, including ‘tax treatments’, ‘tax authority’ and ‘uncertain tax treatment’;
 - (b) Clarification of the Application Guidance relating to changes in facts and circumstances that entities should consider with respect to uncertain income positions, particularly the effect of time limit on taxation authorities’ power for examination; and
 - (c) Amendments to the Illustrative Examples to clarify the application of concepts set out in DI/2015/1.
- 7 In November 2016, the IFRS Interpretations Committee decided not to re-expose DI/2015/1 on the basis that no substantial changes had been made, and re-exposure would be unlikely to reveal any new concerns.

DI/2015/1 comment letters received and AASB submission

- 8 The AASB received three comment letters¹ to DI/2015/1². Generally, the comment letters expressed support for the proposals. However, some constituents suggested alternative wording in respect of certain parts of DI/2015/1 in order to clarify application. In this regard, one constituent suggested that the terminology used in DI/2015/1 could inadvertently put an entity in the position of defending its prediction in relation to an uncertain tax position where the final outcome differs.
- 9 Others matters raised by constituents included:
- (a) the assumption of tax authorities having ‘full knowledge of all relevant information’ when examining amounts reported given that some information may be subject to legal or other professional privilege;
 - (b) possible retrospective application of DI/2015/1; and
 - (c) how the potential ability to negotiate settlements with the tax authority should be reflected.
- 10 The AASB submission³ generally agreed with the IFRS Interpretations Committee’s proposals in DI/2015/1. Although the AASB submission noted that all IAS 12 interpretative and application issues be addressed comprehensively as part of an IASB research project, it also noted that the narrow-scope nature of the proposed amendments would help reduce diversity in practice from the application of IAS 12.

¹ The comment letters are available on the AASB’s website at: <http://www.aasb.gov.au/Work-In-Progress/Pending.aspx>

² Comment letters were received from CPA Australia, Pitcher Partners and PwC.

³ http://www.aasb.gov.au/admin/file/content106/c2/AASB_comment_letter_DI_2015_1.pdf

Staff views

- 11 Acknowledging the AASB submission and the feedback received from Australian constituents, staff recommend the Board finalise the project by making an Interpretation incorporating IFRIC 23 *Uncertainty over Income Taxes*, out-of-session.

Questions for Board members

- Q1 Do any Board members intend to dissent from the making of an Australian Interpretation incorporating IFRIC 23 *Uncertainty over Income Taxes*?
- Q2 Do Board members agree with the staff recommendation to finalise an Australian Interpretation out-of-session?