



Project:	Recognition of deferred tax assets for unrealised losses	Meeting	AASB February 2016 (M150)
		Date	8 February 2016
Topic:	Consider draft Amending Standard	Agenda Item:	16.1
Contact(s):	Evelyn Ling eling@asab.gov.au (03) 9617 7631	Project Priority:	High
		Decision-Making:	High
		Project Status:	Issuance of Standard

Introduction and objective of this paper

- 1 The objective of this paper is to seek the Board's decision as to how to finalise the Board's proposals exposed in ED 253 *Recognition of Deferred Tax Assets for Unrealised Losses*.
- 2 [Draft] AASB 2016-X *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses* is included as **Agenda Paper 16.2** for Board member discussion. The amendments included in [draft] AASB 2016-X arise from the issuance of IFRS *Recognition of Deferred Tax Assets for Unrealised Losses* by the IASB in January 2016. The draft amending standard includes forthcoming editorial corrections that will be made to the IFRS, as advised by IASB staff (for example, paragraph 98G will be paragraph 98H instead).

Link to project summary

- 3 The project summary below includes links to the EDs, comment letters received, and the AASB submissions:
http://www.aasb.gov.au/admin/file/content102/c3/Recognition_of_DTA_for_Unrealised_Losses_Project_Summary.pdf

Attachments

- | | |
|-------------------|---|
| Agenda Paper 16.2 | [Draft] AASB 2016-X <i>Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses</i> |
| Agenda Paper 16.3 | IFRS <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
[BOARD ONLY] |

Staff recommendation

- 4 Staff recommend the Board finalise the proposals exposed in ED 253 as an Amending Standard. Staff recommend the amendments be finalised as made in IFRS *Recognition of Deferred Tax Assets for Unrealised Losses*.

Background

- 5 IFRS *Recognition of Deferred Tax Assets for Unrealised Losses* amends IAS 12 *Income Taxes* to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments apply to annual periods beginning on or after 1 January 2017. Transitional relief is available.
- 6 These amendments were first exposed for comment in IASB ED/2012/1 *Annual Improvements to IFRSs 2010—2012 Cycle* (incorporated into AASB ED 225 of the same name). The IASB subsequently decided to address the amendments as a separate narrow-scope project, and re-exposed them in August 2014 in IASB ED/2014/3 *Recognition of Deferred Tax Assets for Unrealised Losses* (incorporated into AASB ED 253 of the same name). In finalising the amendments, the IASB made some modifications to the proposals in the ED. In the main, the modifications simplify the examples exposed in the ED.
- 7 The Board's submission to ED/2014/3 expressed overall support for the underlying basis to the proposed amendments.

Staff analysis

- 8 Staff reviewed the final IFRS against matters noted in the AASB submission to ED/2014/3.¹ Staff note that several comments raised in the AASB submission have been addressed in the final IFRS. Staff think the remaining comments, including disagreement with the proposed transitional relief, are not sufficiently substantive such that the amendments should not be similarly made by the AASB.
- 9 **Australian specific matters for comment.** Staff reviewed the three comment letters received by the AASB on ED 253.² No Australian specific concerns were raised to the AASB. Staff consider the amendments are unlikely to impose any significant additional costs to Australian entities as the amendments clarify the application of a current principle in AASB 112.

Staff view

- 10 The AASB submission to ED/2014/3 recommended that it would be preferable for the IASB to conduct a limited review of IAS 12, focusing on clarifying the principles underpinning IAS 12, rather than further piecemeal amendments addressing specific practice issues. However, given the narrow-scope clarification nature of the proposed amendments, staff recommend the Board finalise the proposals exposed in ED 253 by issuing Australian equivalent amendments to IFRS *Recognition of Deferred Tax Assets for Unrealised Losses*, in the form of an Amending Standard.

Questions for Board members

- Q1 Do Board members agree with the staff recommendation to finalise the proposals exposed in ED 253 as an Amending Standard?

1 http://www.aasb.gov.au/admin/file/content106/c2/AASB_submission_to_IASB_ED_2014_3.pdf

2 Comment letters were received from CPA Australia, the Institute of Public Accountants, and PricewaterhouseCoopers.

Q2 If Board members agree with the staff recommendation in Q1, does the Board want to vote in session on the draft Amending Standard presented as Agenda Paper 16.2? If not, staff will circulate a ballot draft for Board member vote out-of-session.