



To:	AASB members	Date:	12 April 2011
From:	Clark Anstis	Agenda Item:	7.1
Subject:	Reduced Disclosure Requirements -- Deferred Tax and Severe Hyperinflation	File:	P 144

Action

To review the submissions received on Tier 2 Supplements to EDs 204 and 206 and determine whether any RDR amendments are required.

Attachments

- 7.2 Submissions on Tier 2 Supplements to EDs 204 and 206;
- 7.3 Tier 2 Supplement to ED 204 *Deferred Tax: Recovery of Underlying Assets* (Nov. 2010);
- 7.4 Tier 2 Supplement to ED 206 *Severe Hyperinflation* (Dec. 2010).

Overview

The Board has not yet considered the submissions received in relation to the RDR proposals set out in the Tier 2 Supplements to EDs 198, 202R, 204 and 206, for which the comment period concluded on 31 January 2011. This agenda item addresses only the RDR proposals concerning EDs 204 and 206.

Staff do not recommend any RDR amendments:

- 1 Deferred Tax – no disclosures (including those proposed in ED 204) were added to AASB 112 *Income Taxes* as a result of the ED 204 process; and
- 2 Severe Hyperinflation – the disclosures proposed in ED 206 were added to AASB 1 *First-time Adoption of Australian Accounting Standards*, and there were no objections to the Tier 2 Supplement proposal that the disclosure requirement should apply to Tier 2 entities.

The RDR proposals concerning ED 198 *Revenue from Contracts with Customers* and ED 202R *Leases* are planned to be addressed when the Board considers the related Standards for issue in Australia.

Background

At the March 2011 meeting, the Board discussed the general approach to developing Tier 2 proposals, considering the general arguments as set out in the attached Deloitte submission.

However, the specific responses to the RDR proposals in a range of Tier 2 ED Supplements have not yet been considered by the Board. The submissions attached are those received in relation to the Tier 2 ED Supplements to EDs 204 and 206.

As there are only five submissions in total, formal collations of the submissions for each ED have not been prepared, but the submissions have been summarised very briefly below.

The Tier 2 Supplements to EDs 204 and 206 are addressed in this same agenda item and memorandum only for convenience; there is no other connection between them. Three of the attached submissions cover both of the Tier 2 ED Supplements to EDs 204 and 206 (as well as others). Furthermore, the staff member dealing with the income tax ED at the time (Jess Lion) has completed her secondment to the Board.

Consideration of the RDR Proposals

DEFERRED TAX (ED 204)

The proposal in the Tier 2 Supplement to ED 204 was not to make any RDR amendments to the disclosures proposed in ED 204. The proposed disclosures were that an entity discloses when and why it has rebutted the presumption of recovery by sale for investment property measured at fair value and for property, plant and equipment and intangible assets measured using the revaluation model.

When the IASB finalised its amendments to IAS 12 *Income Taxes* in December 2010, the disclosures proposed in ED 204 were not included. Paragraph BC28 to the IASB's amendment Standard *Deferred Tax: Recovery of Underlying Assets* explained that since IAS 1 *Presentation of Financial Statements* already requires disclosures of material judgements, it was not necessary to disclose a particular judgement on specific types of assets.

The IASB's amendments to IAS 12 were adopted by the AASB on 31 December 2010 through out-of-session voting on a draft amending Standard that was finalised as AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets*. No disclosures were added to AASB 112.

Summary of the Submissions on Tier 2 Supplement to ED 204

Grant Thornton – disagreed with the RDR proposals as the AASB should base the disclosures on the *IFRS for SMEs* disclosures or else allow the adoption of *IFRS for SMEs* in Australia.

Deloitte – noted that the proposed disclosures were not included in AASB 2010-8 (December 2010), which incorporated the IASB's amendments into AASB 112.

KPMG – noted that the proposed disclosures were not adopted by the IASB.

PricewaterhouseCoopers – supported the RDR proposals.

Joint Accounting Bodies – noted that the proposed disclosures were not adopted by the IASB.

Staff Recommendation

No RDR amendments are necessary (or feasible), as no disclosures have been added to Australian Accounting Standards as a result of the ED 204 process.

Q1 Do Board members agree with the staff recommendation that no RDR amendments are required concerning the deferred tax disclosures?

SEVERE HYPERINFLATION (ED 206)

The proposal in the Tier 2 Supplement to ED 206 was not to make any RDR amendments to the disclosures proposed in ED 206. The proposed disclosures concerned an entity using fair value as the deemed cost for assets and liabilities in its opening IFRS [Australian-Accounting-Standard] statement of financial position after severe hyperinflation had passed. The full text is attached in the Tier 2 Supplement to ED 206.

The proposed disclosures were included by the IASB with no changes in amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* made by the IASB's amendment Standard *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* in December 2010.

The IASB's amendments to IFRS 1 were adopted by the AASB on 31 December 2010 through out-of-session voting on a draft amending Standard that was finalised as AASB 2010-9 *Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*. The disclosures proposed in ED 206 were added to AASB 1.

Summary of the Submissions on Tier 2 Supplement to ED 206

Deloitte – no specific comments on the proposed disclosures.

KPMG – agreed with the AASB's disclosure proposals.

PricewaterhouseCoopers – supported the RDR proposals.

Staff Recommendation

No RDR amendments are necessary, as it is appropriate to require the severe hyperinflation-related disclosures added to AASB 1 as a result of the ED 204 process to be provided by Tier 2 entities when relevant. None of the respondents objected to these disclosures being required of Tier 2 entities.

Q2 Do Board members agree with the staff recommendation that no RDR amendments are required to the severe hyperinflation disclosures?
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