



Recognition of Deferred Tax Assets for Unrealised Losses

Project summary

The IASB undertook a project to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value when the entity has the ability and intention to hold the debt instruments until the unrealised loss reverses.

The issue was initially exposed in ED 225 *Annual Improvements to IFRSs 2010-2012 Cycle* (May 2012) as an Annual Improvement to IAS 12 *Income Taxes*. The IASB subsequently decided to address the amendment as a separate narrow-scope project.

This project was completed with the issue of AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses* in February 2016.

Project contact

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Project priority: Complete

Issued documents

- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses* (February 2016)
- ED 253 *Recognition of Deferred Tax Assets for Unrealised Losses* (August 2014)
- ED 225 *Annual Improvements to IFRSs 2010-2012 Cycle* (May 2012)

AASB outreach

- Comment letters received on ED 253
- Comment letters received on ED 225

Project status

- AASB 2016-1 issued
- ED 253 closed for comment

- [Link to AASB 112 *Income Taxes* \(August 2015\)](#)
- [Link to AASB 112 *Income Taxes* \(July 2004\)](#)
- [Link to IASB project page](#)

Board deliberations

- AASB Action Alert Update and AASB Board papers

AASB communications

- AASB comment letter on IASB ED/2014/3 (December 2014)
- AASB comment letter on IASB ED/2012/1 (August 2012)

Latest project news

Date	News
24 February 2016	February 2016 Action Alert
19 December 2014	December 2014 Action Alert
24 October 2014	October 2014 Action Alert

The staff of the AASB have prepared this summary for information purposes only. The Board decisions described are tentative and do not change current accounting pronouncements unless otherwise indicated. Official positions of the AASB are determined only after extensive due process and deliberations. While this summary is regularly updated, it does not provide a comprehensive review or statement of events and should not be treated as such.

Last updated: **2 March 2016**

AASB Action Alert Update and Selected Board Papers

Meeting Date	Update
February 2016	<p>The Board approved amendments to AASB 112 <i>Income Taxes</i> clarifying the recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value, incorporating International Financial Reporting Standard <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>. The amendments apply to annual periods beginning on or after 1 January 2017.</p> <p>The Board also decided that no specific not-for-profit amendment to the IFRS is necessary, as the amendments clarify an existing AASB 112 principle. The Board noted that the Amending Standard does not introduce any ongoing new disclosure requirements, and accordingly, no amendments are required to Tier 2 reporting requirements.</p> <p><u>16.1</u> Staff Paper: Recognition of Deferred Tax Assets for Unrealised Losses</p> <p><u>16.2</u> Draft AASB 2016-X</p>
December 2014	<p>The Board considered the remaining key issues to include in its submission to the IASB on its Exposure Draft ED/2014/3 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i> (incorporated into ED 253), after considering feedback received from constituents. The Board decided to disagree with the proposed transitional provisions, and recommend that the IASB require all entities already applying IFRSs to apply the amendments in the same manner.</p> <p><u>21.1</u> Memorandum from Evelyn Ling dated 2 December 2014 re Recognition of Deferred Tax Assets for Unrealised Losses</p> <p><u>21.2</u> ED 253 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i></p> <p><u>21.3</u> Submission on ED 253 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i> [sub 1]</p>
October 2014	<p>The Board discussed IASB Exposure Draft ED/2014/3 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i> and formed tentative views on key comments to make in its submission to the IASB, subject to feedback received from constituents.</p> <p>The Board decided to express general agreement with the underlying basis for the proposed amendments to IAS 12 <i>Income Taxes</i>. In addition, the Board decided to include a general comment in the submission that various aspects of IAS 12, including those relating to the recognition of deferred tax assets for unrealised losses, would benefit from a limited review focussing on clarifying and improving the principles underpinning IAS 12, rather than piecemeal amendments addressing specific practice issues.</p> <p>The Board decided to express disagreement with the proposed transitional provisions, which would permit, but not require, entities to restate the opening retained earnings (or other component of equity, as appropriate) of the earliest comparative period presented. The Board would prefer the IASB to require prospective application to assets and liabilities existing on the date of initial application of the proposed amendments, including any adjustments within equity on that date.</p> <p><u>7.1</u> Memorandum from Nikole Gyles and Evelyn Ling dated 7 October 2014 re Recognition of Deferred Tax Assets for Unrealised Losses – IASB Exposure Draft ED/2014/3</p> <p><u>7.2</u> AASB staff issues paper – Recognition of Deferred Tax Assets for Unrealised Losses</p> <p><u>7.3</u> ED 253 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i></p>

AASB Action Alert Update and Selected Board Papers

Meeting Date	Update
April 2014	<p>The Board received an update on the 25 March 2014 IFRS Interpretations Committee meeting. ... The Board also noted the current agenda item in relation to IAS 12 <i>Income Taxes</i> – recognition of deferred tax assets for unrealised losses. Although agreeing with the underlying principle giving rise to the proposed amendment, the Board expressed concern in relation to the proposed wording of the amendment. Accordingly, the Board asked AASB staff to raise these concerns with Committee staff. [extract only]</p> <p>4.1 Memorandum from Nikole Gyles and Mitchell Bryce dated 24 March 2014 re IFRS Interpretations Committee Update</p> <p>4.2 AASB Staff Summary of IFRS IC Decisions dated 24 March 2014</p> <p>4.3 IFRIC Update dated March 2014</p>
February 2014	<p>The Board received an update on the 29-30 January 2014 IFRS Interpretations Committee (Committee) meeting. [extract only]</p> <p>4.1 Memorandum from Nikole Gyles and Mitchell Bryce dated 28 January 2014 re IFRS Interpretations Committee Update</p> <p>4.2 AASB Staff Summary of IFRS IC Decisions – January 2014</p> <p>4.3 IFRIC Update January 2014</p>
May 2013	<p>The Board received an update on recent IFRS Interpretations Committee activities and decided there were no issues that need to be raised with the Committee at this stage. [extract only]</p> <p>4.1 Memorandum from Nikole Gyles dated 14 May 2013 re IFRS Interpretations Committee update</p> <p>4.3 AASB Staff Summary of IFRS IC Decisions – May 2013</p> <p>4.4 IFRIC Update May 2013</p>
July 2012	<p>The Board considered preliminary staff views on IASB ED/2012/1 <i>Annual Improvements to IFRSs 2010–2012 Cycle</i>. Subject to any additional issues identified in comment letters received by the Board in response to its ED 225 (which incorporates IASB ED/2012/1), the Board decided to express concerns to the IASB about the clarity of drafting of the proposed amendments to IFRS 2 <i>Share-based Payment</i>; IFRS 13 <i>Fair Value Measurement</i>; IAS 12 <i>Income Taxes</i>; IAS 16 <i>Property, Plant and Equipment</i>; and IAS 38 <i>Intangible Assets</i>. The Board decided to finalise the submission to the IASB out of session.</p> <p>10.1 Memorandum from Nikole Gyles and Gunter Leng dated 10 July 2012 re IASB ED Annual Improvements 2010-2012 Memo</p> <p>10.2 Key Issues of IASB ED/2012/1 <i>Annual Improvements to IFRSs 2010–2012 Cycle</i> – Preliminary AASB staff views</p> <p>10.3 AASB ED 225 (incorporating IASB ED/2012/1) <i>Annual Improvements to IFRSs 2010–2012 Cycle</i> [for your information]</p>