



7 January 2016

Kris Peach FCPA
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Australian Accounting Standards Board
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Dear Kris

Draft IFRIC Interpretation DI/2015/1 – Uncertainty over Income Tax Treatments

CPA Australia represents the diverse interests of more than 155,000 members in 120 countries. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders. We make this submission on behalf of our members and in the broader public interest.

Against this background, we provide this submission in response to the Draft IFRIC Interpretation on uncertainty over income tax treatments.

CPA Australia supports the proposal to remove diversity in practice when addressing the recognition, measurement and disclosure of uncertain tax positions in financial statements. We provide our detailed comments in response to the questions raised below.

Question 1 - Scope of the draft interpretation

We agree with the proposed scope of the draft interpretation.

Question 2 - When and how the effect of uncertainty over income tax treatments should be included in determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

Determining a tax position can be complex, lengthy and involve examinations by, and negotiations with, multiple authorities including tax agencies and the courts. CPA Australia is concerned that the terminology used in the draft interpretation requiring an entity to predict the outcome of an uncertain tax position could put an entity in the unenviable position of defending its prediction, particularly when the final outcome is different to it.

To address this concern, we suggest strengthening the point that the determination by the entity is based on its evaluation of the circumstances, taking into account all relevant and available evidence at the period end.

Question 3 - Whether uncertain tax treatments should be considered collectively

The recent action taken by the OECD and G20 regarding tax base erosion and profit shifting (BEPS) by multinational entities has amplified the interconnectedness of business decisions and transactions in the global economy.

We also note that actions taken in certain jurisdictions, such as Australia, have introduced specific anti-avoidance rules for multinational entities.

Taken collectively, we anticipate that the above actions and measures will result in some significant uncertain tax positions for certain multinational enterprises, and in some cases may result in double taxation on the same income in different jurisdictions.

Due to this interconnectedness and the potential implication on the financial position of the relevant reporting entity we consider it appropriate that uncertain tax positions should be considered collectively when appropriate, as proposed in the draft interpretation.

Question 4 - Assumptions for taxation authorities' examinations and the effect of changes in facts and circumstances

In some circumstances relevant information may be subject to legal or other professional privilege and a taxation authority may not have "full knowledge of all relevant information" when examining amounts reported to it. We recommend including some clarification within the Interpretation to address such situations.

If you require further information on any of our views expressed in this submission, please contact Ram Subramanian, CPA Australia by email at ram.subramanian@cpaaustralia.com.au.

Yours sincerely



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