



**The Institute of
Chartered Accountants
in Australia**

15 October 2007

The Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West VIC 8007
E Mail: standard@asb.com.au

Dear David

Proposed Interpretation 10XX: Australian Petroleum Resource Rent Tax

The Institute of Chartered Accountants in Australia welcomes the opportunity to make a submission on *Proposed Interpretation 10XX: Australian Petroleum Resource Rent Tax* and our detailed comments follow.

We are aware of the debate as to whether PRRT is more in the nature of an income tax or a royalty and have no strong opinion on the issue itself. The issue is restricted to one industry and we understand that disclosures currently given in financial reports are sufficient to enable analysts to compare the results of like entities, with a little recalculation where necessary.

What does, however, concern us are the international implications of issuing such an interpretation. While PRRT is indeed a local Australian tax, the question being addressed here is really the question of what exactly is an income tax under IAS 12 *Income Taxes* and is therefore an interpretation of IAS 12. When requested to do so, the IFRIC was unwilling to opine on this issue, because “guidance could not be developed in a reasonable period of time”. We suggest that the appropriate means of solving the problem is for industry and standard-setters to lobby for the insertion of a definition of income taxes in IAS 12 together with commentary to elucidate the principles to be used in applying the definition.

The AASB recently decided to more closely align the text of the Australian standards to the international standards on which they are based, so that Australian entities can use any of the choices permitted in the international standards. To issue this interpretation seems to conflict with this policy as it restricts the accounting policy choices available to Australian companies.

Unless the AASB in some way downgrades the status of Australian Interpretations to some sort of guidance notes, an interpretation on PRRT would form part of the hierarchy of accounting standards under IAS 8 *Accounting Policies, Changes in Accounting*

Estimates and Errors. It may then have to be applied by any entity anywhere in the world accounting for PRRT by virtue of paragraph 12 of IAS 8. The interpretation could also be applicable to other similar taxes by analogy. We question whether this was the AASB's intention.

If the AASB decides to proceed to issue the interpretation, we understand from our members that they would appreciate the insertion of some worked examples as guidance. Since PRRT is itself deductible for income tax purposes, our members will need assistance in understanding how tax effecting the PRRT affects the deferred tax balances generated by income tax.

If you require any further information, please contact Kerry Hicks on 02 9290 5703 or kerry.hicks@charteredaccountants.com.au.

Yours sincerely

A handwritten signature in cursive script that reads "Bill Palmer".

Bill Palmer
General Manager Standards and Public Affairs

*Draft 15/12***Support for Mirror Adoption of IFRS**

The Institute of Chartered Accountants in Australia (ICAA) supports the principle contained in ED 151 that Australian equivalents to International Financial Reporting Standards (AIFRS) and Interpretations, should mirror the requirements of the International Financial Reporting Standards (IFRS) and Interpretations issued by the International Accounting Standards Board, with exceptions being clearly identified for the following:

- (a) Necessary references to satisfy Australian Corporations Act requirements;
- (b) Scope application for Reporting Entities and Chapter 2M Entities;
- (c) Following public consultation with Constituents via the Exposure Draft process, any necessary amendments to IFRS, which are in Australia's best interests. Apart from the Public Sector and the Not-for-Profit Sectors, any amendments to AIFRS would, in the Institute's view, be rare.

Does ED 151 ensure mirror adoption of IFRS?

The Institute would like to see a clear Statement from the AASB of all the differences between AIFRS and IFRS so that Australian Constituents have the opportunity of determining whether the remaining exceptions to IFRS, post ED 151, are exceptions that Australian Constituents support.
