



Australian Government

**Australian Accounting
Standards Board**

Level 7, 600 Bourke Street
MELBOURNE VIC 3000

Postal Address
PO Box 204
Collins Street West VIC 8007
Telephone: (03) 9617 7600
Facsimile: (03) 9617 7608

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Wayne Upton
Chairman
IFRS Interpretations Committee
30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

Dear Wayne

**Tentative agenda decision IAS 12 *Income Tax* – rebuttable presumption
to determine the manner of recovery**

We wish to provide comment to the IFRS Interpretations Committee (the “Committee”) on the above tentative agenda decision (published in the September 2011 IFRIC Update). We disagree with the agenda decision, as published, for the reasons expressed below.

We are concerned that the wording of the tentative agenda decision goes beyond a rejection notice, and that constituents will view the Committee’s conclusions as a de facto interpretation of the accounting required by IAS 12 paragraph 51C. Further, we disagree with the conclusions expressed by the Committee in the rejection notice, and do not consider there is a basis in existing literature, including the Basis for Conclusions to IAS 12, to conclude that recovery is either entirely through sale or entirely through use when the presumption in paragraph 51C is rebutted.

Specifically, we are of the view that the requirement to follow the requirements of paragraphs 51 and 51A if the presumption is rebutted is clear. We are of the view that an entity applying the requirements of paragraphs 51 and 51A is not limited to recovery entirely through use, and consider that the application of a ‘dual purpose analysis’ is an appropriate method to apply the requirements of these paragraphs and is consistent with the fundamental principles upon which IAS 12 is based.

Accordingly, whilst we are supportive of the decision by the Committee not to add this issue to its agenda, we strongly recommend amending the tentative agenda decision along the following lines, as shown in marked-up text:

Paragraph 51C of IAS 12 contains a rebuttable presumption, for the purposes of recognising deferred tax, that the carrying amount of an investment property measured at fair value will be recovered through sale. The Committee received a request to clarify whether that presumption can be rebutted in cases other than the case described in paragraph 51C.

The Interpretations Committee noted that a presumption is a matter of policy in applying a principle (or an exception) in IFRSs in the absence of acceptable reasons to the contrary and that it can be rebutted when there is sufficient evidence to overcome the presumption. Because paragraph 51C is expressed as a rebuttable presumption and because the sentence explaining the rebuttal of the presumption does not express the rebuttal as ‘if and only if’, the Committee thinks that the presumption in paragraph 51C of IAS 12 can be rebutted in other circumstances as well, provided that sufficient evidence is available to support that rebuttal. ~~However, the Committee understands that the Board’s intention on introducing a rebuttable presumption in paragraph 51C was to remove~~

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~~the subjectivity in the determination of the expected manner of recovery in paragraph 51. As a result, the Committee thinks that, if the presumption is rebutted, the resulting deferred tax should reflect recovery of the carrying amount entirely through use, rather than be based on any dual purpose analysis.~~

The Committee thinks that the standard is clear and that diversity in practice on the rebuttal of the presumption should not emerge. Consequently, the Committee [decided] not to add this issue to its agenda.

If you require further information regarding any matters in this letter, please contact me or Nikole Gyles (ngyles@asb.gov.au).

Yours sincerely

A handwritten signature in black ink that reads "K.M. Stevenson". The signature is written in a cursive, flowing style.

Kevin M. Stevenson
Chairman and CEO