



SCOPE OF AASB 112 *INCOME TAXES*

Issue

At its December 2011 meeting the AASB considered the issue of whether the proposed Australian Minerals Resource Rent Tax (MRRT), which passed the House of Representatives on 23 November 2011, would be an income tax within the scope of AASB 112 *Income Taxes*.

Reasons for Not Adding the Issue to the AASB's Agenda

In considering this issue the AASB noted the previous International Financial Reporting Interpretations Committee (IFRIC) decision in March 2006 not to provide guidance on which taxes, in various jurisdictions, are within the scope of IAS 12. In that decision, the IFRIC noted that (i) not all taxes are within the scope of IAS 12, but (ii) because taxable profit is not the same as accounting profit, taxes do not need to be based on a figure that is exactly accounting profit to be within the scope. The IFRIC further noted that the term 'taxable profit' implies a notion of a net rather than gross amount.

The Board observed that there are differences between the calculation of the proposed Australian MRRT taxable profit and accounting profit. However, the existence of such differences was not considered to preclude the Australian MRRT, as proposed on 23 November 2011, from being a tax based on taxable profit.

In considering this issue the AASB also noted the similarities between the calculation of the proposed Australian MRRT and the Australian Petroleum Resource Rent Tax (PRRT), which is subject to the existing Interpretation, AASB Interpretation 1003 *Australian Petroleum Resource Rent Tax*. The consensus reached by the Board in AASB Interpretation 1003 is that Australian PRRT is an income tax within the scope of AASB 112.

The Board thinks that existing guidance in Australian Accounting Standards and Interpretations is sufficient to address the issue of whether the proposed Australian MRRT, if legislated in its current form, should be accounted for as an income tax, either by applying the requirements of AASB 112 directly, or by applying the requirements of AASB Interpretation 1003 by analogy.

The Board does not expect that significantly divergent interpretations would arise in practice. Consequently, the AASB decided not to add this issue to its work program.
