



Kevin Stevenson
Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West VIC 8007

via email: standard@asb.gov.au

14 November 2012

Dear Kevin

Re: ED 226 Withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia

We are responding to your request for comment on the Exposure Draft (ED) 226 Withdrawal of Australian Interpretation 1039 *Substantive Enactment of Major Tax Bills in Australia* (Interpretation 1039).

We support the Board's proposal to withdraw Interpretation 1039 on the basis that the issue of whether a tax Bill is substantively enacted is not unique to Australia. We agree with the Board's policy that domestic interpretation of an IFRS adopted for use in Australia should only be done in rare and exceptional circumstances and only after exploring whether the IFRS Interpretations Committee should address the matter. This policy also helps to ensure that future changes to IFRS do not conflict with local interpretations and result in Australian Accounting Standards not being compliant with IFRS.

Notwithstanding the above, we note that the Basis for Conclusions includes a statement by the Board that in its view "...in Australia, a non-linked tax bill would not be considered substantively enacted until it is passed through both houses of Parliament. Similarly, a linked tax bill would not be substantively enacted until the second bill passes both houses of Parliament". We believe it is inappropriate for the Board to include a commentary on the meaning of substantively enacted in the Basis for Conclusions, as it could be used in the future as a de facto interpretation of AASB 112 *Income Taxes*. We consider the Basis for Conclusions should only include the Board's rationale for its decision making, in this case, the rationale for the decision to withdraw the Interpretation. Judgement should then be used by preparers and auditors as to whether a law is substantively enacted in accordance with AASB 112.

I would welcome the opportunity to discuss our firm's views at your convenience. Please contact me on (03) 8603 5371 if you would like to discuss our comments further.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Margot Le Bars', is written over a horizontal line.

Margot Le Bars
Partner, PricewaterhouseCoopers

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