Session 3: Making Deferred Taxes Relevant Again

The discussion covered various points raised in the paper:

- would discounting add additional noise/complexity rather than make deferred tax balances more relevant?
- discounting is conceptual right, but complex because some discounting is already embedded in the temporary difference via the carrying amount of the asset or liability.
- some of the exceptions in IAS 12 could only be removed if replaced by other potentially complex requirements, eg what would be the journal entry if the initial recognition exception were removed?
- would the suggestion in the paper of different treatment of tax-first and book-first differences give a more complex, less understandable model?
- it is not correct to equate a partial allocation model with a requirement to recognise deferred tax balances only when there will actually be future tax payments. A partial allocation model would be inconsistent with how IFRS Standards account for trade payables, for example. In the case of trade payables, nobody suggested because trade payables increase, we should switch to cash flows.