

# Making Deferred Taxes Relevant

Martin Edelmann, IASB  
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# Summary of paper's findings

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- Balance-sheet approach for book-first temporary differences

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- Valuation adjustment approach for tax-first temporary differences

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- Assess probability to recognise deferred tax balances

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- Discount deferred tax balances

# Board's experience with IAS 12 *Income Taxes*

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# Project history: before 2011

## Before 2002

- **1979**: IASC approved IAS 12
- **1989**: ED E33 published
- **1994**: ED E49 published
- **1996**: IAS 12 issued
- **2001**: IASB adopted IAS 12

## 2002-2011

- **2002**: joint project with FASB
- **2009**: IASB published ED, no FASB publication
- **2010**: IASB decided to develop limited amendments instead of replacing IAS 12

# Project history: 2011-present

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## 2011-present

### AGENDA CONSULTATION:

- 2011: IAS 12 as a longer-term research project
- 2012: income taxes not a priority but:
  1. other standard-setters, eg EFRAG, could undertake work
  2. a fundamental review would be a significant project
- 2015: 13 out of 63 respondents ranked the project as high priority

### INTERPRETATION'S COMMITTEE'S work:

- 2016: *Recognition of Deferred Tax Assets for Unrealised Losses* (Amendments to IAS 12)
- 2017: *IFRIC 23 Uncertainty over Income Tax Treatments*
- Various agenda decisions with technical explanations to assist consistent application

### EFRAG—2013 feedback:

- Support for the 'accruals' approach
- Only limited amendments the way forward
- Focus on better disclosures

## 2015 INVESTORS' OUTREACH—general feedback:

- Useful tax and deferred tax information
- Less concerned about the type of income tax model
- No fundamental change of IAS 12 in fear of loss of information

More transparent disclosures, eg tax drivers, entity's tax strategy, risks and cash flows

Discounted numbers might be difficult to understand

Use of tax information: effective tax rate most relevant

# Potential ways forward—May 2016 Board discussion

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Fundamental  
principle  
change

Narrow-  
scope  
amendments

Improved tax  
disclosures

Educational  
materials

No further  
work

- At May 2016 meeting, the Board decided NOT to include IAS 12 on its draft work plan.
- However, the findings of the paper could be a useful input for a future project on IAS 12
- Thank you for the insightful findings on the deferred tax accounting model

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