Discounting current tax payables and classification of interest and penalties (IAS 12 *Income Taxes*)—June 2004

The IFRIC considered whether two issues related to IAS 12 *Income Taxes* should be added to its agenda:

(a) whether it is appropriate to discount current taxes payable under IFRSs when an agreement with the taxing agency has been reached to permit the entity to pay such taxes over a period greater than twelve months; and

(b) how to classify interest and penalties that arise from unpaid tax obligations.

The IFRIC acknowledged that IFRSs do not specifically address either issue; however, it decided not to add either issue to its agenda at this time. On the first issue, the general view of the IFRIC was that current taxes payable should be discounted when the effects are material. However, it was noted that there is a potential conflict with the requirements of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. As the IASB has tentatively decided to withdraw IAS 20, the members agreed that the issue of discounting current taxes payable should no longer be uncertain and that the topic need not be added to its agenda.

With respect to the classification of interest and penalties, the IFRIC decided that the disclosure requirements of IAS 12 and IAS 1 *Presentation of Financial Statements* provide adequate transparency of these items.