

28 June 2007

Robert Garnett, Chairman
International Financial Reporting Interpretations Committee
30 Cannon Street
London EC4M 6XH
United Kingdom
Email: ifric@iasb.org

Dear Bob,

Proposed agenda decision wording: IAS 12 *Income Taxes*—Deferred tax arising from unremitted foreign earnings

Deloitte Touche Tohmatsu is pleased to respond to the IFRIC's publication in the May 2007 *IFRIC Update* of the tentative decision not to take onto the IFRIC's agenda a request for an Interpretation of IAS 12 *Income Taxes* with respect to deferred tax arising from unremitted foreign earnings.

We support the IFRIC's decision not to take this item to the agenda. However, we disagree with the reasons given by the IFRIC for not taking this issue to their agenda.

The issue before the IFRIC is whether entities should recognise a deferred tax liability in respect of temporary differences arising because foreign income is not taxable unless remitted to the entity's home jurisdiction. In addition, the fact pattern states that the foreign income in question did *not* arise in a foreign subsidiary, branch, associate or joint venture. These facts suggest that IAS 12 paragraph 39, which addresses deferred taxes arising on taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, may not be the appropriate reference.

In our opinion, the Agenda Decision should hinge on IAS 12 paragraph 15, which states the general principle that a deferred tax liability should be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the items noted in (a) and (b) of that paragraph, or is a temporary difference within the scope of paragraph 39, none of which apply to the fact pattern before the IFRIC.

The Tentative Agenda Decision refers to the current IASB project to amend IAS 12 and the IASB's tentative decision to eliminate the notion of 'branches' from that Standard. The IASB's tentative decision would not alter the principle in paragraph 39 but would restrict its scope further. We do not think it necessary for the IFRIC's Agenda Decision to refer to the Board's tentative decision.

If you have any questions concerning our comments, please contact Ken Wild in London at +44 (0)20 7007 0907.

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Wild", written over a single horizontal line that extends to the left and right of the signature.

Ken Wild
Global IFRS Leader

cc: Tricia O'Malley, IFRIC Coordinator designate