

Project **Income Tax**Topic **Appendix A – Changes proposed in the ED**

Purpose of this paper

In order to assist the Board to determine which issues it can resolve without much additional analysis and which issues it might talk longer to re-deliberate, the Staff has analysed the proposed changes in the ED into those that had general support from constituents and those which were not generally supported.

Although we have categorised some proposals as having general support, that does not mean that we expect the Board would necessarily conform each of those proposals if the Board continues the project and keeps those issues within the scope of the project. Similarly, we do not expect that the Board would necessarily discard all those proposals we have categorised as not having general support. We would analyse the arguments presented by respondents both for and against each proposal. Nevertheless, we believe that our categorisation gives a reasonable starting point for assessing how much work is likely to be needed to finalise our work on the proposals.

Proposed changes in the ED that were generally supported

- a. Introduction of an initial step to consider whether recovery of an asset or settlement of liability will affect taxable profit
- b. Recognising a deferred tax asset in full and an offsetting valuation allowance to the extent necessary.
- c. Guidance on assessing the need for a valuation allowance
- d. Use of and guidance on the substantively enacted tax rate
- e. Classification of interest and penalties

This paper has been prepared by the technical staff of the IASCF for discussion at a public meeting of the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRIC or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in IASB *Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

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- f. Stay silent on deductions not form part of tax basis
- g. Tax based on two or more systems
- h. Allocation of current and deferred taxes within a group that files a consolidated tax return

Proposed changes in the ED that were generally not supported or for which there were strong counter argument

- i. Definition of tax basis and additional specification to assume the recovery of assets through sale.
- j. Definition of tax credit and investment tax credit
- k. Removal of the initial recognition exception
- l. Limiting the exception relating to a deferred tax on investments in subsidiaries etc to those related to foreign subsidiaries and joint ventures
- m. Measurement of uncertain tax positions using the probability weighted average of all possible outcome
- n. Use of a rate that includes the effect of expected distributions
- o. Eliminating backwards tracing for intra-period tax allocation and introducing additional requirements on initial allocation
- p. Classification of deferred tax assets and liabilities based on classification of underlying assets and liabilities.
- q. Disclosure requirements relating to:
 - i. Uncertain tax positions
 - ii. Use of a parent rate in the rate reconciliation,
 - iii. A numerical analysis of the change in deferred tax liabilities and deferred tax assets for each types of temporary difference

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- iv. The aggregate amount of temporary differences associated with investments in subsidiaries etc (already required in IAS 12)
- v. Intra-entity transfer of non monetary assets and liabilities