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Project **Income Tax**

Topic **Appendix B – List of practical issues on income tax**

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### **Purpose of this paper**

The staff has listed below various practice issues on income tax in order to help the Board determine which issues it may wish to address:

- A. IFRIC issues rejected on the basis that they would be dealt with in the Board's project
- B. Convergence issues that respondents wish the Board to reconsider
- C. Issues not discussed in the ED but raised by respondents

#### **A. Rejected IFRIC issues (Date and IFRIC reference number quoted)**

- a. Income tax accounting under the tax consolidation system – Subsidiary leaving the group (April 2003, #9)
- b. Deferred tax accounting for the asset revaluation (February 2002, #10)
- c. Effective tax rate when low or zero tax rates apply to certain buckets of income (February 2002, #11)
- d. Deferred tax accounting for properties held under a finance lease contract which is accounted for using the fair value model under IAS 40 (August 2002, #12)
- e. Initial basis difference arising on the finance lease (August 2003, #13)
- f. Initial basis difference arising on capitalized decommissioning costs (August 2003, #13)

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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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- g. Initial basis difference relating to deductions in excess of cost being available for an asset (August 2003, #13)
- h. Deferred tax accounting for tax deductible dividends (August 2003, #13)
- i. Deferred tax accounting for an equity instrument issued by the entity (August 2003, #13)
- j. Deferred tax accounting for un-remitted foreign branch profits where the entity is subject to tax on territorial income rather than worldwide income (August 2003, #13)
- k. Discount on current tax payable if it agreed with the tax authorities to pay tax over a period greater than 12 months (June 2004, #14)
- l. Classification of interests and penalties (June 2004, #15)
- m. Tax on dividends under Estonian Income Tax Law (June 2004, #16)
- n. Guidance on application of “probability” criterion for recognizing deferred tax assets arising from the carryforward of unused tax losses and unused tax credit (June 2005, IAS 12-1)
- o. Deferred tax treatment for initial differences in a finance lease (June 2005, IAS 12-2)
- p. Non-amortisable intangible assets including consideration of relevance of SIC 21 (August 2005, IAS 12-3)
- q. Single asset entities (November 2005, IAS 12-4)
- r. Scope of the income taxes (March 2006, IAS 12-5)
- s. Deferred tax arising from unremitted foreign earnings (July 2007, IAS 12-6)

**B. Convergence issues that respondents wish the board to reconsider**

- a. Uncertain tax positions
- b. Intra-entity transfer of a non-monetary asset or liability

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- c. Difference between the functional currency and local currency

**C. Issues not discussed in the ED but raised by respondents**

- a. Discounting deferred tax balances
- b. Deferred tax on share based payment (IFRS 2 requirement differs from US GAAP requirement)
- c. Deferred tax on equity instruments and hybrid instruments
- d. Accounting for tax credits, investment tax credits, government grants as well as special deductions, rebates and tax holidays
- e. Accounting for a change in tax status and tax election
- f. Subsequent tracking of initially unrecognised temporary differences because of the exceptions for non-deductible goodwill and the initial recognition exception
- g. UK life insurance policyholder's tax (a presentation issue)