
Project	Agenda decision
Topic	IAS 12 <i>Income Taxes</i> – Recognition of deferred tax assets for unrealised losses on available-for-sale debt securities

Introduction

1. At the May 2010 IFRS Interpretation Committee (‘Committee’) meeting, the Committee published a tentative agenda decision not to add to its agenda a request for guidance relating to how an entity determines, in accordance with IAS 12 *Income Taxes*, whether to recognise a deferred tax asset relating to unrealised losses on available-for-sale debt securities (AFS debt securities).
2. The Committee discussed the issue further in the July 2010 meeting, with the July 2010 IFRIC Update reporting that:

The Committee discussed responses received on the previous tentative agenda decision published in the May 2010 IFRIC Update. The Committee continued to support the intent of the views expressed in the tentative agenda decisions in relation to the specific fact pattern presented to the Committee. However the Committee requested that the staff present revised wording for the agenda decision at the next meeting, clarifying the situation addressed and the decisions made by the Committee.

This paper has been prepared by the technical staff of the IFRS Foundation for discussion at a public meeting of the IFRS Interpretations Committee.

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 IFRS Interpretations Committee or 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 IFRS Interpretations Committee or the IASB can make such a determination.

Decisions made by the IFRS Interpretations Committee are reported in IFRIC *Update*.

Interpretations are published only after the IFRS Interpretations Committee and the Board have each completed their full due process, including appropriate public consultation and formal voting procedures. The approval of an Interpretation by the Board is reported in IASB *Update*.

Comment letters received after the July Committee meeting

3. After the July Committee meeting, two further comment letters¹ were received relating to the Committee's tentative agenda decision.
4. Both of these letters were received from constituents who responded previously to the May tentative agenda decision. In addition, the staff believe that both of the letters express similar concerns, specifically that the:
 - (a) July 2010 IFRIC Update did not reflect a request of the Committee for the staff to also consider the possibility of clarifying IAS 12 to address this issue as part of Annual Improvements;
 - (b) amendment of IAS 12 as part of Annual Improvements would be a preferred course of action for the Committee to take, rather than finalisation of the agenda decision.

This reflects a view of the significance of the issue on practice, and concerns of the impact on transitional provisions for those applying an approach that may be inconsistent with the agenda decision; and
 - (c) wording of the agenda decision, if the Committee decides to finalise it, should be clarified to address certain points identified in the comment letters.
5. As a result of the comment letters received in response to the May 2010 tentative agenda decision and the further comments received following the Committee's discussions in July 2010, the staff have conducted various outreach meetings relating to the issue, including discussions with some of the respondents.

¹ Ernst & Young and The European Insurance CFO Forum.

6. The staff believe that these discussions have been useful in understanding further some of the concerns raised in the comment letters. However, the staff believe they need more time to bring the analysis of the feedback to the Committee to enable appropriate consideration of the additional matters discussed as part of this outreach.
7. Consequently, the staff propose bringing an updated analysis of the issue, together with a staff recommendation on the next steps of the project, at the next Committee meeting.