

International Financial Reporting Standards  
Interpretations Committee  
30 Cannon Street  
London  
EC4M 6XH

9 July 2013

Dear IFRS Interpretations Committee members,

**Tentative Agenda Decision - *IAS 19 Employee Benefits—Pre-tax or post-tax discount rate***

The global organisation of Ernst & Young is pleased to submit its comments on the above Tentative Agenda Decision, as published in the January 2013 *IFRIC Update*.

The IFRS Interpretations Committee (the Committee) received a request “for guidance on the calculation of defined benefit obligations. In particular, the submitter asked the Interpretations Committee to clarify whether, in accordance with *IAS 19 Employee Benefits* (2011), the discount rate used to calculate a defined benefit liability should be a pre-tax or post-tax rate.”

We agree with the Committee’s tentative agenda decision that the discount rate used to calculate a defined benefit obligation would be a pre-tax discount rate based on *IAS 19*. However, we believe the Committee should consider addressing the interaction with paragraph 64 of *IAS 19* that limits the net defined benefit asset to the lower of the surplus in the defined benefit plan and the asset ceiling, as well as IFRS Interpretation 14 *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.

The fact pattern provided by the submitter raises the question that a net defined benefit asset is presented on the balance sheet, but this asset will not be available to the entity in future periods as the ‘surplus’ will be used to pay the taxes payable by the plan on investment income. In our view, the Committee should consider if the asset ceiling would be applicable for the fact pattern presented by the submitter and whether this should be addressed in the rejection notice.

Should you wish to discuss the contents of this letter with us, please contact Leo van der Tas at the above address or on +44 (0)20 7951 3152.

Yours faithfully

*Ernst & Young Global Limited*

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