

## Welcome to IASB Update

This IASB Update is a staff summary of the tentative decisions reached by the Board at a public meeting. As a project progresses, the Board can, and sometimes does, modify its earlier tentative decisions. Tentative decisions do not change existing requirements until those decisions are incorporated in a new or amended standard.

The International Accounting Standards Board met in London on 3 December 2010. The topic discussed was:

- **Income Taxes**

### Income Taxes

The comment period for the exposure draft *Deferred Tax: Recovery of Underlying Assets* ended on 9 November 2010. The Board reviewed comments that it had received on the exposure draft and tentatively decided:

- to limit the scope of the exception to investment properties measured using the revaluation model (and therefore not to allow the exception to apply to property, plant and equipment and intangible assets measured using the revaluation model in IAS 16 *Property, Plant and Equipment* or IAS 38 *Intangible Assets*, as had been as proposed);
- to reword the rebuttable presumption to address concerns that, as proposed, it would be too difficult to rebut the presumption because of a requirement for 'clear' evidence;
- to retain SIC-21 *Income Taxes - Recovery of Revalued Non-Depreciable Assets*, but to exclude investment property carried at fair value from its scope;
- to remove the proposed disclosure requirement regarding the rebuttal of the presumption of sale; and
- to amend one of the illustrative examples to clarify that recovery by sale does not necessarily imply immediate sale at the end of the reporting period.

As a result, the amendment to IAS 12 *Income Taxes* will:

- introduce an exception to the measurement principle in IAS 12 that measurement of deferred tax liabilities and deferred tax assets should reflect the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and

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#### Future Board meetings

The IASB meets at least once a month for up to five days.

The next Board meetings in 2010 are:

8 December  
13 - 17 December

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liabilities;

- b. apply that exception only to investment property measured using the fair value model in IAS 40 *Investment Property* including those assets initially measured at fair value in a business combination and subsequently measured using the fair value model;
- c. require that deferred tax liabilities or deferred tax assets be measured using a presumption of recovery through sale when the exception applies;
- d. require that the presumption must be rebutted if the asset is held within a business model whose objective is to consume the asset's economic benefits throughout its economic life;
- e. exclude investment property carried at fair value from the scope of SIC-21 *Income Taxes - Recovery of Revalued Non-Depreciable Assets*;
- f. be applied retrospectively; and
- g. take effect from annual periods beginning on or after 1 January 2012, with earlier application permitted.

The Board also tentatively decided that, subject to balloting, it has completed all necessary steps required in the IASB *Due Process Handbook*.

In reaching these decisions, the Board acknowledged that the proposed amendments highlighted wider concerns in some jurisdictions that have regimes with no capital gains tax and no tax depreciation. The Board supported a suggestion by the Chairman that affected jurisdictions, particularly New Zealand, should be invited to develop solutions that would address their concerns and that the Board could look at in the future.

#### Next steps

The staff will prepare the amendment to IAS 12, reflecting these tentative decisions. The Board plans to issue the amendment by the end of December 2010.

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