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Re: Draft comment letter on IASB Exposure Draft *Income Tax*

Dear Madam/Sir

We are pleased to have the opportunity to provide our comments on your draft comment letter to IASB ED on *Income Tax*.

We greatly support the joint efforts of the IASB and the FASB to achieve a wider convergence between IFRSs and US GAAPs — since we believe that from such project the global accounting will benefit — as long as that convergence project takes into appropriate consideration the cost/benefit factor and the enhancement of financial reporting.

However, we agree with Efrag that the proposals in the ED cannot be considered an improvement of current requirements under IAS 12. Furthermore, we think that the ED could not represent the base for a new standard on income taxes, according to IASB's wishes.

We note that if the reason to change the existing IAS 12 was also to achieve the convergence with the SFAS 109, this proposal does not satisfy such objective since some differences remain.

Furthermore, we think that the convergence process should be undertaken at the same time by IASB and FASB. Instead, as said in the Introduction of ED, "the FASB will decide whether to undertake projects that would eliminate differences in the accounting for tax by adopting the IFRS" after having reviewed "its strategy for short-term convergence projects in the light of the possibility that some or all US public companies might be permitted or required to adopt IFRSs at some future date". As a consequence, it could be possible that the IAS 12 would be replaced by another standard, adding unduly complexity to income tax accounting in the proposed version, and the FASB might decide not to go ahead with the project.

We also agree with Efrag that, in view of the wide differences that may be found among tax jurisdictions, the implications of adopting the proposed standard should be subject to a thorough field test. In our view, the extent of changes proposed requires an assessment of the impact of the amendments to verify if such proposals result in more meaningful and decision useful information for the users of financial statements.

We agree with the main concerns expressed by Efrag in the draft comment letter and which are summarized below as follows:

1. We have concerns regarding the determination of the tax basis by the consequences of the sale. This approach cannot always result in a faithful representation of the deferred tax effects to which an entity is exposed to, in particular when the entity expects to recover the asset through use, which in our view is the most recurring situation for many entities. In this connection we disagree with the rejection of the Management intent concept in determining the tax basis.
2. We believe that the proposal to eliminate the initial recognition exception in IAS 12 is complex and it does not represent an improvement to the present standard.
3. For investments in subsidiaries, branches, associates and joint ventures, the ED removes the exception for temporary differences that arise for domestic subsidiaries; however, it retains the exception for foreign subsidiaries and joint ventures. We disagree with the proposal because we do not see reasons for a different treatment depending on the location of entities and therefore we are strongly in favour to maintain the existing exemptions in IAS 12.
4. We think that the elimination of backwards tracing would not result in an improvement to financial reporting, notwithstanding the proposed approach in order to allocate tax to components of comprehensive income and equity is certainly simpler than the one in IAS 12. As regard to the intra-period allocation, we think that the guidance is too much prescriptive and it adds unnecessary complexity to the allocation process.
5. We are against the concept of measuring any liability, including uncertain tax liabilities, on the basis of a weighted probability. Use of such method results in recognizing amount in the financial statements that will never materialize. We are therefore strongly in favour of a "most likely" approach.
6. As general comment, we note that the structure of ED does not make easier the reading of it, owing to cross references to the application guidance, which contains fundamental requirements in order to apply the principles proposed by the ED.
7. Recognition and measurement of deferred taxes are based on detailed rules, which in our view violate the principle based approach.

We wish to address two aspects (very important in our view) which are not addressed by the former IAS 12 nor by the proposed new standard. These aspects are recognition of deferred tax on goodwill and discounting of deferred tax.

a) Subsequent tax consequences for goodwill.

Recognition of deferred taxes on goodwill is not permitted because goodwill is measured as a residual value and the recognition of the resulting deferred tax liability would increase the carrying amount of goodwill, as explained in IAS 12. However, we think that there could be situations that cannot be ignored. In our jurisdiction a recently enacted law provides an option to business entities for a one time taxation of goodwill and subsequent tax deductibility of goodwill over a certain period of time. Assuming that similar taxation provisions may be available or enacted in other jurisdiction, the IASB should deal with such situations in developing standard of financial reporting on income tax.

b) The current IAS 12 prohibits discounting of deferred tax since it would require detailed scheduling of the timing of such reversal that, in many cases, could be impracticable or highly complex. Even though we concur with these remarks, we do believe that

discounting should be allowed in those specific circumstances where clear evidence exists as the flow of reversal of temporary differences and for deferred tax asset/liabilities arising in a business combination considering that fair value is general recognition criteria of purchase accounting.

We advise the IASB to carry out some research on the above matters to determine if such situations are common to other jurisdictions (we believe they might be) and consequently develop guidance or reject our proposals after careful examination. We are not convinced that rejecting a sound and well established principle that "money is value" (i.e discounting long term assets and liabilities) simply because this cannot always be applied is a good explanation.

Question 1 – Definitions of tax basis and temporary difference

The exposure draft proposes changes to the definition of tax basis so that the tax basis does not depend on management's intentions relating to the recovery or settlement of an asset or liability. It also proposes changes to the definition of a temporary difference to exclude differences that are not expected to affect taxable profit. (See paragraphs BC17–BC23 of the Basis for Conclusions.)

Do you agree with the proposals? Why or why not?

The IASB explains, in the Basis for Conclusions, that the new definition of the tax basis of an asset resolves the problems arising in practise in determining the tax basis of an asset when the tax consequences on sale or on use are different.

The definition is based on the assumption that the tax basis of assets is not dependent from the way they are recovered. We concur with the Efrag's concerns that the determination of the tax basis by the consequences of the sale, ie an exit tax value, results in tax effects that do not represent the real situation if the entity expects to recover the asset trough use, which in our view is the case in most situations. Assets are usually acquired to be used in the normal course of business and therefore, for such assets, assuming that they are sold at the reporting date is not usually a consistent and reasonable assumption.

The ED proposes a single approach for determining the tax basis of a liability, which should be based on how it is settled at the reporting date.

We also agree with the Efrag's remarks regarding the tax basis of a liability, which should be dependent on whether the liability is settled or transferred.

The ED does not consider the management's expectations in relation to the recovery of an asset or the settlement of a liability. We believe that this concept should play a role in the measurement of deferred tax. In this connection we believe that there are inconsistencies in the ED as to the way the concept of Management expectations is used. In fact, while, as noted, the concept is rejected in the determination of the tax basis, it is considered in relation to other aspects in the ED, especially in case of recognition and measurement of deferred tax (paragraphs 10 and 25 of the ED).

Moreover, we note that the proposal does not achieve also the convergence with US GAAP in all cases, as explained in BC21. In particular the tax basis may differ from that used under US GAAP when the deductions available on sale differ from the cost of the asset less tax deductions received so far plus any tax indexation allowance. That would mean that in some cases under US GAAP the tax basis of an asset is determined based on the tax effects of using it. Consequently, we wonder why it is proposed an approach that would not provide meaningful information or would not achieve the convergence.

Therefore, we strongly support the Efrag's conclusions that the proposed approach can not always result in a faithful reflection of the deferred tax consequences an entity is exposed to and that a clear and operational principle should be developed.

Question 2 – Definitions of tax credit and investment tax credit

The exposure draft would introduce definitions of tax credit and investment tax credit. (See paragraph BC24 of the Basis for Conclusions.)

Do you agree with the proposed definitions? Why or why not?

The IASB has concluded that a comprehensive reconsideration of the accounting for tax credits and tax deductions is outside the scope of this project, but it believes that a clear definition would remove doubts over the required treatment for tax benefits.

We agree with Efrag, that in some tax jurisdictions there could be incentives that do not meet the proposed definitions of tax credit and investment tax credit. Therefore, we concur that the IASB should be either be silent on this issue or define and set the accounting within the standard, after an in-depth analysis of the types of tax incentives.

Question 3 – Initial recognition exception

The exposure draft proposes eliminating the initial recognition exception in IAS 12. Instead, it introduces proposals for the initial measurement of assets and liabilities that have tax bases different from their initial carrying amounts. Such assets and liabilities are disaggregated into (a) an asset or liability excluding entity-specific tax effects and (b) any entity-specific tax advantage or disadvantage. The former is recognised in accordance with applicable standards and a deferred tax asset or liability is recognised for any temporary difference between the resulting carrying amount and the tax basis. Outside a business combination or a transaction that affects accounting or taxable profit, any difference between the consideration paid or received and the total amount of the acquired assets and liabilities (including deferred tax) would be classified as an allowance or premium and recognised in comprehensive income in proportion to changes in the related deferred tax asset or liability. In a business combination, any such difference would affect goodwill. (See paragraphs BC25–BC35 of the Basis for Conclusions.)

Do you agree with the proposals? Why or why not?

We appreciate the attempt of the IASB to remove the exception in IAS 12 in order to provide a more principle-based standard. However, we have some concerns regarding the proposed solution.

We believe that the proposal is complex and rules-based and it does not represent an improvement to IAS 12.

We agree with Efrag that some requirements in this proposal are not clear, for example what “entity-specific tax effect” means and what market to be considered to identify the “market participants”, whether the market in which the entity runs its business or the market of the asset/liability. We agree also that it could be difficult obtain information on other market participants in order to assess the entity-specific tax effect.

Furthermore, it is not clear the recognition of asset/liability, in particular when there is an entity-specific tax effect and we think that it is not consistent with the current IFRSs. The ED explains that the asset or liability excluding any entity-specific tax effects shall be recognised in accordance with other IFRSs (B10) and BC29 clarifies that such requirement results in a carrying amount for the asset or liability that is consistent with the carrying amount of the asset or liability with a tax basis available to market participants. We note that the recognition of such amount is not the same that it would be recognised under IFRSs.

To conclude, we agree with Efrag that the proposal is not an appropriate alternative in comparison with the approach in IAS 12 and consequently we think it would be preferable to retain the present requirements, since they are easier to apply and more principle-based.

Question 4 – Investments in subsidiaries, branches, associates and joint ventures

IAS 12 includes an exception to the temporary difference approach for some investments in subsidiaries, branches, associates and joint ventures based on whether an entity controls the timing of the reversal of the temporary difference and the probability of it reversing in the foreseeable future. The exposure draft would replace these requirements with the requirements in SFAS 109 and APB Opinion 23 Accounting for Income Taxes—Special Areas pertaining to the difference between the tax basis and the financial reporting carrying amount for an investment in a foreign subsidiary or joint venture that is essentially permanent in duration. Deferred tax assets and liabilities for temporary differences related to such investments are not recognised. Temporary differences associated with branches would be treated in the same way as temporary differences associated with investments in subsidiaries. The exception in IAS 12 relating to investments in associates would be removed. The Board proposes this exception from the temporary difference approach because the Board understands that it would often not be possible to measure reliably the deferred tax asset or liability arising from such temporary differences. (See paragraphs BC39–BC44 of the Basis for Conclusions.) Do you agree with the proposals? Why or why not? Do you agree that it is often not possible to measure reliably the deferred tax asset or liability arising from temporary differences relating to an investment in a foreign subsidiary or joint venture that is essentially permanent in duration? Should the Board select a different way to define the type of investments for which this is the case? If so, how should it define them?

We do not agree with the proposal. We understand and concur with IASB that the calculation of the amount of deferred taxes for permanently reinvested unremitted earnings of foreign subsidiaries and joint ventures could be complex, however we agree with Efrag that such calculation might be difficult also for domestic entities and therefore we do not support the elimination of exception for national entities.

We do not believe that the different treatment between domestic and foreign entities is acceptable if the driver that justifies the exception to the temporary difference approach is the control of the tax strategy at a group level.

Question 5 – Valuation allowances

The exposure draft proposes a change to the approach to the recognition of deferred tax assets. IAS 12 requires a one-step recognition approach of recognising a deferred tax asset to the extent that its realisation is probable. The exposure draft proposes instead that deferred tax assets should be recognised in full and an offsetting valuation allowance recognised so that the net carrying amount equals the highest amount that is more likely than not to be realisable against taxable profit. (See paragraphs BC52–BC55 of the Basis for Conclusions.)

Question 5A

Do you agree with the recognition of a deferred tax asset in full and an offsetting valuation allowance? Why or why not?

We agree with the proposal since it would permit to enhance financial information. As IASB said, this change would have no effect on the net amount recognised for the sum of the deferred tax asset and valuation allowance. We think that the separate representation of the deferred tax asset and the amount of it that is more likely than not will not be realised against future taxable profit, would provide a more transparent information. We note that

here the IASB uses a “more likely than not” approach rather than a weighted probability. This is inconsistent with other provisions in the same document and we reiterate our preference that all uncertain situations affecting the measurement of assets and liabilities should be based on a “more likely than not” approach. This comment extends also to other projects currently under discussions.

Question 5B

Do you agree that the net amount to be recognised should be the highest amount that is more likely than not to be realisable against future taxable profit? Why or why not?

We agree that the net amount to be recognised should be the highest amount that is more likely than not to be realisable against future taxable profit. That is consistent with the requirements of other IFRSs.

Question 6 – Assessing the need for a valuation allowance

Question 6A

The exposure draft incorporates guidance from SFAS 109 on assessing the need for a valuation allowance. (See paragraph BC56 of the Basis for Conclusions.)

Do you agree with the proposed guidance? Why or why not?

The ED provides rules for deferred tax asset valuation, which are more detailed than the present guidelines included in IAS 12. We are not in favour of providing prescriptive and detailed rules in any standard and in this regard our preference goes to a broad principle with an accompanying simple implementation guidance.

Question 6B

The exposure draft adds a requirement on the cost of implementing a tax strategy to realise a deferred tax asset. (See paragraph BC56 of the Basis for Conclusions.)

Do you agree with the proposed requirement? Why or why not?

Conceptually, we believe that the proposal to consider significant expenses or losses required to implement tax planning strategies when these strategies affect the amount of the valuation allowance is reasonable. However, we agree with Efrag that the IASB should justify it appropriately in the basis for conclusions.

Question 7 – Uncertain tax positions

IAS 12 is silent on how to account for uncertainty over whether the tax authority will accept the amounts reported to it. The exposure draft proposes that current and deferred tax assets and liabilities should be measured at the probability-weighted average of all possible outcomes, assuming that the tax authority examines the amounts reported to it by the entity and has full knowledge of all relevant information. (See paragraphs BC57–BC63 of the Basis for Conclusions.)

Do you agree with the proposals? Why or why not?

The probability-weighted average of all possible outcome criterion is driven by the expectation to arrive at a precise figure, which could be considered unrealistic in view of the uncertainties surrounding the estimate of the current and deferred taxes. We are not convinced that this is the best approach and we suggest that some field tests would be very useful to test the proposed approach. We disagree with the proposal in the ED that the

approach to measure uncertain tax positions is the probability-weighted average of all possible outcomes. We do believe that such approach could be unduly onerous and may result in the recognition of an amount that it is not realistic to expect. Therefore, we strongly support the approach based on the most likely outcome, that is also in accordance with the current IAS 37.

Question 8 – Enacted or substantively enacted rate

IAS 12 requires an entity to measure deferred tax assets and liabilities using the tax rates enacted or substantively enacted by the reporting date. The exposure draft proposes to clarify that substantive enactment is achieved when future events required by the enactment process historically have not affected the outcome and are unlikely to do so. (See paragraphs BC64–BC66 of the Basis for Conclusions.)

Do you agree with the proposals? Why or why not?

We agree with the clarification proposed. We concur with Efrag that it is consistent with the current interpretation of 'substantive enactment'.

Question 9 – Sale rate or use rate

When different rates apply to different ways in which an entity may recover the carrying amount of an asset, IAS 12 requires deferred tax assets and liabilities to be measured using the rate that is consistent with the expected manner of recovery. The exposure draft proposes that the rate should be consistent with the deductions that determine the tax basis, ie the deductions that are available on sale of the asset. If those deductions are available only on sale of the asset, then the entity should use the sale rate. If the same deductions are also available on using the asset, the entity should use the rate consistent with the expected manner of recovery of the asset. (See paragraphs BC67–BC73 of the Basis for Conclusions.)

Do you agree with the proposals? Why or why not?

In our view the measurement of the deferred taxes must be consistent with the way the tax basis is determined. We have already expressed our disagreement on question 1 regarding the determination of the tax basis, which should be determined with reference to the way assets will be recovered, which is not necessarily the sale. Therefore, we disagree with the proposal. We strongly support the view expressed by Efrag, that the measurement of deferred tax should be consistent with the expected manner of recovery or settlement of the related asset or liability. Therefore, management's expectations are key in the determination of a tax basis and consequently in the measurement of the deferred tax.

In addition, we believe that the guidance on B29 is not clear and not easy to understand and may lead to difficult application.

Question 10 – Distributed or undistributed rate

IAS 12 prohibits the recognition of tax effects of distributions before the distribution is recognised. The exposure draft proposes that the measurement of tax assets and liabilities should include the effect of expected future distributions, based on the entity's past practices and expectations of future distributions. (See paragraphs BC74–BC81 of the Basis for Conclusions.)

Do you agree with the proposals? Why or why not?

We support the proposal to include the effect of expected future distributions based on the entity's past practices and expectations since that it would better reflect the overall expected

tax outflows. Our position is consistent with our view that management intent is to be considered a key element in the recognition and measurement of current and deferred taxes; in this connection, as it has been already noted, the ED is not consistent since does not acknowledge the role of management expectations in the determination of the tax basis.

Question 11 – Deductions that do not form part of a tax basis

An entity may expect to receive tax deductions in the future that do not form part of a tax basis. SFAS 109 gives examples of 'special deductions' available in the US and requires that 'the tax benefit of special deductions ordinarily is recognized no earlier than the year in which those special deductions are deductible on the tax return'. SFAS 109 is silent on the treatment of other deductions that do not form part of a tax basis. IAS 12 is silent on the treatment of tax deductions that do not form part of a tax basis and the exposure draft proposes no change. (See paragraphs BC82–BC88 of the Basis for Conclusions.)

Do you agree that the exposure draft should be silent on the treatment of tax deductions that do not form part of a tax basis? If not, what requirements do you propose, and why?

We agree that the ED remains silent as the IAS 12 on the treatment of tax deductions that do not form part of a tax basis. We agree with the IASB that, because of the global application of IFRSs, it could not adopt an approach that list specific items as special deductions for each tax jurisdiction taking into consideration the differences that could exist between the various tax jurisdictions.

Question 12 – Tax based on two or more systems

In some jurisdictions, an entity may be required to pay tax based on one of two or more tax systems, for example, when an entity is required to pay the greater of the normal corporate income tax and a minimum amount. The exposure draft proposes that an entity should consider any interaction between tax systems when measuring deferred tax assets and liabilities. (See paragraph BC89 of the Basis for Conclusions.)

Do you agree with the proposals? Why or why not?

We agree with the proposal. It is reasonable that an entity should consider any interaction between tax systems when measuring deferred tax assets and liabilities.

Question 13 – Allocation of tax to components of comprehensive income and equity

IAS 12 and SFAS 109 require the tax effects of items recognised outside continuing operations during the current year to be allocated outside continuing operations. IAS 12 and SFAS 109 differ, however, with respect to the allocation of tax related to an item that was recognised outside continuing operations in a prior year. Such items may arise from changes in the effect of uncertainty over the amounts reported to the tax authorities, changes in assessments of recovery of deferred tax assets or changes in tax rates, laws, or the taxable status of the entity. IAS 12 requires the allocation of such tax outside continuing operations, whereas SFAS 109 requires allocation to continuing operations, with specified exceptions. The IAS 12 approach is sometimes described as requiring backwards tracing and the SFAS 109 approach as prohibiting backwards tracing. The exposure draft proposes adopting the requirements in SFAS 109 on the allocation of tax to components of comprehensive income and equity. (See paragraphs BC90–BC96 of the Basis for Conclusions.)

Question 13A

The exposure draft deals with allocation of tax to components of comprehensive income and equity in paragraphs 29–34. The Board intends those paragraphs to be consistent with the requirements expressed in SFAS 109.

Do you agree with the proposed approach? Why or why not?

The ED proposes to recognise tax effects in the same component as the transaction or event giving rise to the tax and to recognise subsequent changes in the amounts previously recognised as tax expense in continuing operations, subject to specific exceptions regarding changes in a valuation allowance. Moreover, the ED provides a guidance for the allocation of tax regarding specific situations that are not addressed by IAS 12.

We believe that the proposed approach is certainly simpler than the current one, however we do believe that the elimination of backwards tracing would not result in an improvement to financial reporting. We agree with Efrag that the information provided are more useful if the accounting for the deferred tax effects of a transaction or other event is consistent with the accounting for the transaction or event itself. In other words, we support the backwards tracing, even though, in certain cases, it might be difficult to apply.

As regard to the allocation guidance, we share the Efrag's views that the guidance is too much prescriptive and it adds unnecessary complexity to the allocation process. Therefore, we have concerns about its implementation.

Question 13B

The exposure draft also sets out an approach based on the IAS 12 requirements with some amendments. (See paragraph BC97 of the Basis for Conclusions.)

Would those paragraphs produce results that are materially different from those produced under the SFAS 109 requirements? If so, would the results provide more or less useful information than that produced under SFAS 109? Why?

We think that the results of applying the alternative approach would differ from those produced by applying SFAS 109 since the latter is not based on backwards tracing. In the light of our previous answer, we think that the alternative approach would provide more useful information than SFAS 109.

Question 13C

Do you think such an approach would give more useful information than the approach proposed in paragraphs 29–34? Can it be applied consistently in the tax jurisdictions with which you are familiar? Why or why not?

We believe that the alternative approach would give more useful information, however we have serious objections regarding the application of the detailed and complex allocation guidance as outlined in paragraph 34 and as commented in question 13A.

We do not see reasons that the proposal cannot be applied consistently in our jurisdiction, although we reiterate our concerns as to its application effort.

Question 13D

Would the proposed additions to the approach based on the IAS 12 requirements help achieve a more consistent application of that approach? Why or why not?

We think that the additions proposed to the approach based on the IAS 12 requirements could permit a more consistent behaviour of entities on tax allocation due to very detailed

rules, which in our view conflict with the principle based approach which should drive the standards setting process. We strongly support Efrag's opinion that the allocation guidance adds complexity not outweighed by benefits to users.

Question 14 – Allocation of current and deferred taxes within a group that files a consolidated tax return

IAS 12 is silent on the allocation of income tax to entities within a group that files a consolidated tax return. The exposure draft proposes that a systematic and rational methodology should be used to allocate the portion of the current and deferred income tax expense for the consolidated entity to the separate or individual financial statements of the group members. (See paragraph BC100 of the Basis for Conclusions.)

Do you agree with the proposals? Why or why not?

We support that a systematic and rational methodology should be used to allocate the portion of the current and deferred income tax expense for the consolidated entity to the separate or individual financial statements of the group members. We agree with Efrag on the matter that this requirement is both principle-based and encourages consistency in its application.

Question 15 – Classification of deferred tax assets and liabilities

The exposure draft proposes the classification of deferred tax assets and liabilities as current or non-current, based on the financial statement classification of the related non-tax asset or liability. (See paragraphs BC101 and BC102 of the Basis for Conclusions.)

Do you agree with the proposals? Why or why not?

We do not believe that the proposed approach is the most appropriate. From a conceptual point of view we favour the classification of deferred taxes based on expected timing of settlement or recovery of the tax cash flows to conform with a liquidity approach. This is consistent with the overall objective of financial statements to provide useful predictive information on future cash flows. Only when timing of reversal cannot be determined with reasonable accuracy, there should be a mandatory classification as non current assets or liabilities.

Question 16 – Classification of interest and penalties

IAS 12 is silent on the classification of interest and penalties. The exposure draft proposes that the classification of interest and penalties should be a matter of accounting policy choice to be applied consistently and that the policy chosen should be disclosed. (See paragraph BC103 of the Basis for Conclusions.)

Do you agree with the proposals? Why or why not?

We agree with the proposal in the ED that the classification of interest and penalties should be a matter of accounting policy choice to be applied consistently and entities should disclose that information.

Question 17 – Disclosures

The exposure draft proposes additional disclosures to make financial statements more informative. (See paragraphs BC104–BC109 of the Basis for Conclusions.)

Do you agree with the proposals? Why or why not?

The Board also considered possible additional disclosures relating to unremitted foreign earnings. It decided not to propose any additional disclosure requirements. (See paragraph BC110 of the Basis of Conclusions.)

Do you have any specific suggestions for useful incremental disclosures on this matter? If so, please provide them.

We agree with the disclosure requirements proposed since they would provide useful information. In particular, we support the parent company domestic rate to reconcile the tax expense.

Moreover, we concur with Efrag that information about the potential future tax effects of undistributed reserves is important.

Question 18 – Effective date and transition

Paragraphs 50–52 of the exposure draft set out the proposed transition for entities that use IFRSs, and paragraph C2 sets out the proposed transition for first-time adopters. (See paragraphs BC111–BC120 of the Basis for Conclusions.)

Do you agree with these proposals? Why or why not?

Generally, we are in favour of the retrospective application of a standard. However, in the light of difficulties in order to determine the tax effects/implications of certain transactions, we agree that the prospective application would be a simplified approach.

We do not have any major reservations regarding the disclosure requirements.

Yours sincerely,

Angelo Casò
(Chairman)