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Re: OIC comments on the “ED of Proposed Amendments to IAS 19 *Employee Benefits*”.

Dear Sirs,

We are pleased to provide our comment on the “ED of Proposed Amendments to IAS 19 *Employee Benefits*”.

Question 1

The Exposure Draft proposes amending the definition of termination benefits to clarify that benefits that are offered in exchange for an employee’s decision to accept voluntary termination of employment are termination benefits only if they are offered for a short period (see paragraph 7). Other employee benefits that are offered to encourage employees to leave service before normal retirement date are post-employment benefits (see paragraph 135).

Do you agree with this amendment? If not, how would you characterise such benefits, and why?

Answer

We agree with the amendment.

Question 2

The Exposure Draft proposes that voluntary termination benefits should be recognised when employees accept the entity’s offer of those benefits (see paragraph 137). It also proposes that involuntary termination benefits, with the exception of those provided in exchange for employees’ future services, should be recognised when the entity has communicated its plan of termination to the affected employees and the plan meets specified criteria (see paragraph 138). Is recognition of a liability for voluntary and involuntary termination benefits at these points appropriate? If not, when should they be recognised and why?

Answer

We agree with the accounting proposed and the related timing.

Question 3

The Exposure Draft proposes that if involuntary termination benefits are provided in exchange for employees' future services, the liability for those benefits should be recognised over the period of the future service (see paragraph 139). The Exposure Draft proposes three criteria for determining whether involuntary termination benefits are provided in exchange for future services (see paragraph 140).

Do you agree with the criteria for determining whether involuntary termination benefits are provided in exchange for future services? If not, why not and what criteria would you propose? In these cases, is recognition of a liability over the future service period appropriate? If not, when should it be recognised and why?

Answer

In practice, it is often impossible to tell whether the benefit is envisaged for early retirement or in exchange for future services up until the end of the service period. Therefore, while agreeing with the solution proposed, we believe it would be useful to include in the final standard a rebuttable presumption that all the benefits must be accounted for in accordance with §138 except where it can be clearly demonstrated that they are in exchange for future services.

Yours sincerely

Prof. Angelo Provasoli
(OIC Chairman)