



# IFRS news

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## The plane has landed - the IASB has published its new leasing standard!

The IASB has finally finished its long-standing project on lease accounting and released IFRS 16 *Leases*. Holger Meurer from Accounting Consulting Services looks into the details.

Almost eight years after Sir David Tweedie, then IASB chairman, expressed his wish to fly in an aircraft that is on an airline's balance sheet at least once before he dies, the IASB has introduced a new accounting model for lessees and made his wish come true – just a few days after Christmas.

However, it actually was a long-distance flight and one might argue whether it really ended with a soft landing...

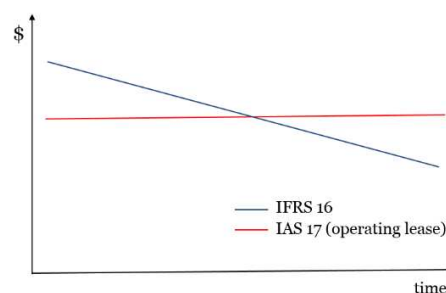
### What has changed?

#### Lessee accounting

Under IFRS 16 lessees no longer distinguish between a finance lease (on balance sheet) and an operating lease (off balance sheet). Instead, for virtually all lease contracts the lessee recognises a lease liability reflecting future lease payments and a 'right-of-use' asset. The new model is based on the rationale that economically a lease contract is equal to acquiring the right to use an asset with the purchase price paid in instalments.

Lessees recognise interest expense on the lease liability and a depreciation charge on the 'right-of-use' asset. Compared to the accounting for operating leases under IAS 17, this does not only change the presentation within the income statement (under IAS 17 lease payments are presented as a single amount within

operating expenses) but also the total amount of expenses recognised in each period. Straight-line depreciation of the right-of-use asset and application of the effective interest rate method to the lease liability will result in a higher total charge to profit or loss in the initial years, and decreasing expenses during the latter part of the lease term. The graph below illustrates this effect:



In the cash flow statement, lease payments relating to contracts previously classified as operating leases will no longer be shown in full within operating cash flow. The parts of the lease payments that reflect the repayment of the principal portion of the lease liability will be included in financing activities. The presentation of the interest portions depends on the entity's general accounting policy regarding interest paid (that is, either within operating or within financing activities). Payments for short-



term leases, for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are part of operating activities.

### *Exemptions*

For short-term leases (12 months or less) and leases of low-value assets (assets with a value of USD 5,000 or less when new) the IASB has included optional exemptions. If an entity elects one of these exemptions, the lease contract is accounted for in a way that is similar to current operating lease accounting (that is, payments are recognised on a straight-line basis or another systematic basis that is more representative of the pattern of the lessee's benefit).

### *Lessor accounting*

Lessor accounting stays almost the same as under IAS 17. However, IFRS 16 adds significant new disclosure requirements. IFRS 16 requires further information about how the lessor manages its risk related to the residual interest in the underlying asset. Furthermore, a lessor now has to disaggregate the disclosures required in IAS 16 for each class of property, plant and equipment into assets subject to an operating lease and not subject to an operating lease.

### *Comprehensive guidance on the definition of a lease*

IFRS 16 defines a lease as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. This definition looks quite straightforward at first glance. In practice, however, it will be challenging to assess what makes a leased asset an 'identified' asset and what it takes to convey a 'right-of-use'.

To facilitate this analysis the IASB has included comprehensive guidance on the definition of a lease that goes into far more detail than the current guidance in IAS 17 and IFRIC 4.

### *...and what are the effects on KPIs?*

For lessees that have entered into lease contracts classified as operating leases

under IAS 17, the new standard may have a huge impact. Obviously, the recognition of a lease liability for almost all lease contracts results in an increase of debt to equity ratios.

Balance sheet related ratios are only one part of the story. As the interest element of lease payments will now be presented as finance costs, earnings before interest and tax (EBIT) are expected to be higher under the new standard. Earnings before interest, tax, depreciation and amortization (EBITDA) are even higher still because of the depreciation of the right-of-use asset.

### *Transition*

IFRS 16 shall be applied for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. However, as there are several interactions between IFRS 16 and IFRS 15 *Revenue from contracts with customers*, early application is restricted to entities that also (early) apply IFRS 15.

For lessees, IFRS 16 includes several expedients and reliefs on transition. In particular, the IASB allows a simplified approach as an alternative to a full retrospective application in accordance with IAS 8. Under that approach, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at the date of initial application. Comparative information is not restated.

Existing leases are grandfathered. Lessees and lessors do not need to reassess whether a contract already on their books at the date of transition meets the definition of a lease.

### *Next steps*

The final standard is effective from 1 January 2019. This new guidance might require changes to systems, processes and controls. Management will need to assess implications as early as this year to ensure ample time to embrace the change and capture information needed for transition.

For further detail please see [In Depth](#), our [recent webcast](#) and look out for more guidance by following the news on Inform.

## **IASB issues narrow-scope amendments to IAS 12**

**John Chan from Accounting Consulting Services brings us up to speed on the clarified guidance for recognising deferred tax assets on unrealised losses.**



The amendments arose from a question submitted to the IC about the deferred tax accounting for deferred tax assets arising on debt investments measured at fair value. The IASB observed diversity in practice and therefore developed narrow-scope amendments to clarify IAS 12.

### ***Are there any changes to the principles in IAS 12?***

No. The amendments clarify the guidance in IAS 12 by adding examples and elaborating on some of the requirements in more detail. They do not change the underlying principles for the recognition of deferred tax assets.

### ***What are the clarifications?***

#### ***When does a temporary difference arise?***

The amendments clarify that a temporary difference is calculated by comparing the carrying amount of an asset against its tax base at the end of the reporting period.

When an entity determines whether or not a temporary difference exists, it should not consider

- (1) the expected manner of recovery of the related assets (for example, by sale or by use); or
- (2) whether it is probable that any deferred tax asset arising from a deductible temporary difference will be recoverable.

#### ***How is future taxable profit estimated?***

The IASB clarified that:

- (1) determining the existence and amount of temporary differences; and
- (2) estimating future taxable profit against which deferred tax assets can be utilised

are two separate steps.

Estimating future taxable profit inherently includes the expectation that an entity will

recover more than the carrying amount of an asset. Therefore, if an entity considers it is probable that it can realise more than the carrying amount of an asset at the end of a reporting period, it should incorporate this assumption into its estimate of future taxable profit.

### ***Is the recoverability of a deferred tax asset assessed collectively or separately?***

It depends on the tax law. Deferred tax assets are assessed in combination with other deferred tax assets where the tax law does not restrict the source of taxable profits against which particular types of deferred tax assets can be recovered. Where restrictions apply, deferred tax assets are only assessed in combination with those of the same type.

### ***How do deferred tax assets affect future taxable profit?***

The tax deduction resulting from the reversal of deferred tax assets is excluded from the estimated future taxable profit used to evaluate the recoverability of those assets.

### ***Effective date and transition***

The amendments are effective for annual periods beginning on or after 1 January 2017. Earlier application is permitted. An entity may, on initial application of this amendment, elect to recognise any change in the opening equity of the earliest comparative period presented in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change across different equity components.

### ***Who is affected?***

The amendments are not limited to any specific type or class of assets and clarify several of the general principles underlying the accounting for deferred tax assets.

## Current IFRIC rejections

The IC has recently decided not to take on a number of issues to its agenda. Gabriela Mendez, Joanna Demetriou and Anna Schweizer from Accounting Consulting Services examine the practical implications.



A very small percentage of the issues discussed by the IC result in an interpretation (see our NIFRIC-series below and in previous editions of IFRS News). As there were so many issues rejected at the January IC meeting, we felt it was worthwhile having a closer look.

### **IFRS 5 Non-current assets held for sale and discontinued operations**

*To what extent can an impairment loss be allocated to non-current assets within a disposal group?*

The IC confirmed that the amount of impairment that should be recognised for a disposal group would not be restricted by the fair value less costs of disposal or value in use of those non-current assets that are within the scope of the measurement of IFRS 5. Consequently, a non-current asset measured under IFRS 5 could be measured at a lower amount than its recoverable amount under IAS 36.

*How to present intragroup transactions between continuing and discontinued operations*



The IC clarified the requirement to eliminate intra-group transactions even between continuing and discontinuing operations, since IFRS 5 requirements do not override the consolidation requirements under IFRS 10. However, the IC observed that, depending on the particular facts and circumstances, an entity may have to provide additional disclosures in order to enable users to evaluate the financial effects of discontinued operations. In this light the IC suggested this to be considered in the wider context of a comprehensive review of IFRS 5.

### **Other various IFRS 5-related issues**

The IC has received and discussed a number of issues relating to the application of IFRS, including scope, measurement and presentation. Because of the number and variety of unresolved issues the IC

concluded that a broad-scope project on IFRS 5 might be warranted.

### **IFRS 9 Financial Instruments – Transition issues relating to hedging**

*Can an entity treat a hedging relationship as a continuing hedging relationship on transition from IAS 39 to IFRS 9 if the entity changes the hedged item in a hedging relationship from an entire non-financial item (as permitted by IAS 39) to a component of the non-financial item (as permitted by IFRS 9) in order to align the hedge with the entity's risk management objective?*

The IC noted that changes to the designated hedged item cannot be applied retrospectively. As a result, the original hedge relationship could not be treated as a continuing hedge relationship on transition to IFRS 9.

*Can an entity continue with its original hedge designation of the entire non-financial item on transition to IFRS 9 when the entity's risk management objective is to hedge only a component of the non-financial item?*

The IC observed that hedge designations of an entire non-financial item could continue on transition to IFRS 9 as long as they meet the qualifying criteria in IFRS 9.

### **IFRS 11 Joint Arrangements – Remeasurement of previously held interests**

The IC addressed the measurement requirements for previously held interests in joint operations that do not meet the definition of a business under IFRS 3 in two scenarios:

- a) when an entity that exercises joint control, or is party to a joint operation, obtains control; and
- b) when a party to a joint operation, that has rights to the assets and obligations for the liabilities relating to the joint operation,



obtains joint control over the joint operations.

The IC clarified that the accounting for asset acquisitions follows a cost based approach and no remeasurement of previously held interests should be made.

### **IAS 12 Income taxes – Recognition of deferred taxes for the effect of exchange rate changes**

When the tax base of a non-monetary asset or liability is determined in a currency that is different from the functional currency, temporary differences arise resulting in a deferred tax asset or liability. The IC confirmed that deferred tax charges or credits would be presented with other deferred taxes, instead of with foreign exchange gains or losses, in the statement of profit or loss. The IC also noted that when changes in the exchange rate are the cause of a major component of the deferred tax charge or credit, an explanation of this would help users understand the tax expense (income) for the period.

### **IAS 39 Financial Instruments: Recognition and Measurement – Separation of an embedded floor from a floating rate host contract**

The IC received a request to clarify the application of the embedded derivative

requirements of IAS 39.AG33(b) in a negative interest rate environment.

The IC observed that:

(a) AG33(b) should be applied consistently, in both, negative and positive interest rate environments;

(b) an entity should compare the overall interest rate floor(\*) for the hybrid contract to the market rate of interest for a similar contract without the interest rate floor (i.e. the host contract); and

(c) in order to determine the appropriate market rate of interest for the host contract, an entity is required to consider the specific terms of the host contract and the relevant spreads (including credit spreads) appropriate for the transaction.

The IFRS IC also noted that the above treatment would be equally applicable to financial liabilities accounted for in accordance with IFRS 9.

(\*) The overall interest rate floor is the contractual benchmark interest rate plus contractual spreads and any premiums, discounts or other elements that would be relevant to the calculation of the effective interest rate.



## **P\*Q crashes**

In January 2015 the IASB decided to postpone any further work on P\*Q and defer this to the post implementation review (PIR) of IFRS 13.

The exposure draft was issued in September 2014. It proposed that the unit of account was the investment as a whole for a quoted investment in subsidiaries, joint ventures and associates. The fair value of that investment would be the share price multiplied by the quantity of shares held (P\*Q).

A majority of the comment letters submitted did not agree with this approach. The respondents agreed that the unit of account was the investment. However, they did not support that P\*Q was the most relevant measure. The fair value should be based on the unit, which is not the single share. User forums generally supported P\*Q as it is a verifiable measure.

The Board redeliberated the feedback for over a year and decided this research would be better suited to the PIR, which we expect to commence at the end of 2016.

Diversity in practice has developed in this area whilst the Board has redeliberated. We expect this to continue until the PIR is finalised. Entities should disclose the fair value model they have used clearly in the financial statements. Significant implied premiums or discounts are likely to be scrutinised by regulators.

*by Ruth Preedy*

## ***Cannon Street Press***

### ***Insurance contracts***

The IASB deliberated the remainder of the technical decisions on the accounting for insurance contracts. It finalised the decisions related to the level of aggregation of insurance contracts for the measurement of onerous contracts and for the allocation of the contractual service margin proposing criteria and constraints for the aggregation. The IASB decided to provide no exception to the level of aggregation when regulation affects the pricing of contracts.

The IASB further decided to require an entity to specify at the inception of the contract how it viewed its discretion under the contracts, and to use that specification to distinguish between the effect of changes in market variables and changes in discretion.

The IASB plans to review the due process steps taken and decide upon balloting at its February meeting.

### ***Revenue from contracts with customers***

The IASB tentatively decided to amend IFRS 15 *Revenue from contracts with customers* to clarify the factors that indicate when two or more promises to transfer goods or services are not separately identifiable.

The IASB also decided to provide further practical expedients on transition and confirmed that it would not be making amendments to the requirements of IFRS 15 in a number of areas, including collectability, measuring non-cash consideration, presentation of sales taxes and the definition of a completed contract.

### ***Principal/agent guidance***

At a joint session with the FASB, the Boards confirmed the principle that an entity is principal in a transaction when it controls the specified good or service before that good or service is transferred to the customer. Several amendments will be made to the principal/agent guidance and related illustrative examples to clarify how this guidance should be applied will be added.

The IASB expects to issue the final amendments *Clarifications to IFRS 15* in March 2016.

### ***Measurement of interests in associates and joint ventures that in substance form part of the net investment***

The IASB discussed the IC's request for input on whether long-term interests that in substance form part of the net investment in an associate or joint venture should be tested for impairment by applying IAS 28, IFRS 9 or a combination of both.

The IASB supported the IC's continued discussion of the issue and noted the possibility that the IC might develop an interpretation to clarify the type of interests that are included in the net investment.

### **Have you seen the latest PwC IFRS blogs**

**Derek Carmichael** tells the romantic history of the new leasing standard

**Saad Siddique** wanders on the road to global IFRS adoption

## ***IFRIC Rejections in short - IAS 12***

**Simon Whitehead and Satoshi Tsunoda of US Accounting Consulting Services examine the practical implications of IC rejections related to IAS 12.**

***Looking for an answer? Maybe it was already addressed by the experts.***



The Interpretations Committee (IC) regularly considers anywhere up to 20 issues at its periodic meetings. A very small percentage of the issues discussed result in an interpretation. Many issues are rejected; some go on to become an improvement or a narrow scope amendment. The issues that are not taken on to the agenda end up as 'IFRIC rejections', known in the accounting trade as 'not an IFRIC' or NIFRICs. The NIFRICs are codified (since 2002) and included in the 'green book' of standards published by the IASB although they technically have no standing in the authoritative literature. This series covers what you need to know about issues that have been 'rejected' by the IC. We go standard by standard and continue with IAS 12 as per below.

IAS 12 is a standard that makes relatively frequent appearances at IC meetings, giving rise to over 20 IFRIC rejections to date. Space is too limited to cover them all in detail so we will focus on the more interesting issues. A full listing of all NIFRICs can be found in the table at the end of the article.

### ***Classification of interest and penalties (June 2004)***

A submitter asked the IC where interest and penalties on under/overpaid income taxes should be presented. The IC concluded that the disclosure requirements of IAS 1 and IAS 12 were sufficient to inform the user where an entity had presented such amounts. As a result, the IC declined to provide any guidance on the matter meaning that an accounting policy election exists with respect to presentation of these amounts.

### ***Assets in a corporate wrapper (November 2005 & July 2014)***

The issue of assets in a corporate wrapper, or single asset entities, is one that has existed for many years. The perceived problem is that IAS 12 requires deferred taxes to be provided on both the consequences of recovering the asset within the corporate wrapper and the consequences of recovering the investment in the legal entity housing the asset (that is, the corporate wrapper). Many entities will assert that they will never sell the asset from within the wrapper but rather just sell the entity that houses the asset, and as such the 'inside basis' temporary difference is

irrelevant. There is no exception in IAS 12 to avoid recording both temporary differences.

The IC originally rejected the submission back in 2005 because at the time the IASB was working with the FASB to produce a converged new income taxes standard. That project fell apart in 2009 amid strongly negative feedback to an exposure draft, so the issue was never resolved. When it returned to the IC in 2014, the IC concluded it was unable to address the issue by way of an interpretation because the standard's requirements are clear, and the scope of any amendment to the standard would go beyond the remit of an annual improvement. Consequently, the IC recommended that the IASB consider the issue as part of its research project on income taxes.

In summary, it does not appear that the issue will be addressed in the short term and entities will likely have to continue to record two deferred tax positions on assets in corporate wrappers.

### ***Scope of IAS 12 (December 2005, March 2006, May 2009 & July 2014)***

Over the years the IC has received a number of questions about the scope of IAS 12. Submitters have questioned whether taxes based on gross income or tonnage are income taxes, and also whether uncertain tax positions are within the scope of the income tax guidance or should be viewed as provisions under IAS 37.

The IC has confirmed that income taxes are only those taxes based on some measure of net profit. Taxes based on gross income, or taxes paid in lieu of profits based taxes (such as tonnage taxes) do not meet the definition of income taxes. The tax does not need to be based on accounting profit before tax to be an income tax, but it must be based on some form of net amount of income less expenses. Following the agenda decisions confirming that levies, often described as a tax, are in the scope of IAS 37 (March 2006 and May 2009), the IC further developed IFRIC 21 clarifying the accounting for levies.

A certain amount of diversity in practice had existed in respect of uncertain tax positions with some believing that IAS 37 was the appropriate place for them. The IC confirmed in 2014 that uncertain tax positions are income taxes and IAS 37 scopes out income taxes. This conclusion is expected to be reconfirmed in the forthcoming IC interpretation on uncertainty in income taxes.

*Recognition of deferred tax assets when an entity is loss-making (May 2014)*

In considering whether a deferred tax asset is recoverable, IAS 12 requires that entities first look to taxable temporary differences, then assess the availability of taxable profits, and finally consider any tax planning opportunities. One submitter asked the IC whether it was appropriate to use taxable temporary differences to justify recognition of deferred tax assets when the entity was expected to make losses.

The IC confirmed that even if an entity expects to make losses, deferred tax assets should be recognised to the extent of deferred tax liabilities of the same nature.

**Summary of IAS 12 rejections**

Topic	Summary conclusion
Asset revaluation (February 2002)	Not added to the agenda as IAS 12 provides sufficient guidance on whether changes in fair value of assets gives rise to taxable temporary differences and deferred tax liabilities.

Deferred tax liabilities are sources of future taxable income that are recognised on the balance sheet, so if the entity has deferred tax assets that can create deductions in the same future periods as the liabilities reverse, then the assets should be recognised.

*Discounting of current taxes payable (June 2004)*

A submitter asked whether current income taxes payable should be discounted when the entity is permitted to pay the taxes over a period greater than twelve months. The IC generally supported discounting, but was concerned that discounting current taxes potentially conflicted with IAS 20, which at that time required that additional interest should not be imputed for government loans at below market interest rates. However, at the time that the issue was discussed, the conflict was expected to be resolved by the IASB's tentative decision to withdraw IAS 20. Upon withdrawal of IAS 20, the IC did not think the issue would be unclear. On that basis, the IC noted that current taxes payable should be discounted if material.

However, the IASB later decided not to withdraw IAS 20 and in fact amended it for periods beginning on or after 1 January 2009 to require imputing of interest for off-market government loans. While this might have been expected to resolve the issue in favour of discounting, by January 2009 the income tax convergence project was in full swing, and at a joint meeting of the Boards that month, the IASB and FASB decided to remain silent on the issue of discounting current taxes. While this project was ultimately shelved<sup>4</sup>, the fact that the IASB had declined to take a position on the issue of discounting current taxes has led to continued diversity in practice. In our opinion, a policy choice exists and entities may choose to discount current taxes, but are not required to do so.



Topic	Summary conclusion
Effective tax rates (February 2002)	Not added to the agenda as IAS 12 provides sufficient guidance on effective tax rates to be used by entities that have low effective tax rates, for example, because some income is exempt from tax.
Non-depreciable/depreciable assets (August 2002)	Not added to the agenda as SIC-21 <sup>1</sup> , IAS 16 and IAS 12 provide adequate guidance on the tax rate for calculating the deferred tax asset or liability on investment property <sup>2</sup> held under a finance lease.
Deferred tax on distributions <sup>3</sup> (February 2003)	The IC considered whether an entity should recognise deferred tax assets on recognising an equity instrument, and whether the income tax benefit should be recognised in income or equity. In April 2003 the IASB reaffirmed that the tax consequences of dividends are recognised when a liability to pay the dividend is recognised.
Accounting under the tax consolidation system <sup>3</sup> (April 2003)	The issue concerns recognition and measurement of tax assets and liabilities where a wholly owned subsidiary leaves a tax consolidation group. The IC noted that this issue was relevant only to separate financial statements, and that it would be difficult to provide guidance that could be applied consistently given that tax laws in each jurisdiction are different, and thus did not add the issue on its agenda.
Discounting of current taxes payable (June 2004)	Not added to the agenda but the IC noted that current taxes payable should be discounted when the effects are material. Today a policy choice exists for the reasons set out in the article above.
Classification of interest and penalties (June 2004)	The disclosure requirements of IAS 12 and IAS 1 provide adequate transparency of interest and penalties that arise from unpaid tax obligations.
Carry-forward of unused tax losses and tax credits (June 2005)	The IC agreed that the probability criterion for the recognition of deferred tax assets arising from the carry-forward of unused tax losses and unused tax credits is generally applied to portions of the total amount.
Deferred tax relating to finance leases (June 2005)	Not added to the agenda because the issue fell directly within the scope of the IASB/FASB convergence project <sup>4</sup> .
Non-amortisable intangible assets (August 2005)	Not added to the agenda as this fell within the scope of the IASB/FASB convergence project <sup>4</sup> . The IC also noted that SIC-21 <sup>1</sup> has a specific limited scope and does not address this particular issue.
Single asset entities (November 2005)	Not added to the agenda as it was covered by the IASB/FASB convergence project <sup>4</sup> .
Income taxes scope (December 2005 and March 2006)	Taxes do not need to be based on a figure that is exactly accounting profit to be within the scope of IAS 12. The term 'taxable profit' implies a notion of a net rather than gross amount.
Unremitted foreign income of overseas branches (July 2007)	Not added to the agenda because the recognition of deferred tax liabilities for temporary differences relating to investments in subsidiaries, <i>branches</i> , associates and joint ventures was being addressed by the IASB/FASB convergence project <sup>4</sup> .
Classification of tonnage taxes by shipping companies (May 2009)	Income tax is a tax based on a measure of net profit, not gross receipts. A tonnage tax is a tax based on a gross measure of results of operations. Not added to the agenda because the IC concluded that IAS 12 is clear in this regard.

Topic	Summary conclusion
Rebuttable presumption to determine the manner of recovery (November 2011)	The presumption that the carrying amount of an investment property measured at fair value will be recovered through sale can also be rebutted in circumstances other than the case described in paragraph 51C, provided that sufficient evidence is available.
Accounting for market value uplifts introduced by a new tax regime (July 2012)	The IC noted that a market value uplift arising from a tax law change adjusts the related asset's 'tax base', which gives rise to a deductible temporary difference. A deferred tax asset should be recognised to the extent it meets the recognition criteria in paragraph 24 of IAS 12.
Impact of an internal reorganisation on deferred tax amounts related to goodwill (May 2014)	Transferring accounting goodwill within the consolidated group would not meet the initial recognition exception because the asset had previously existed in the consolidated financial statements. The IC considered that the existing IFRS requirements and guidance were sufficient.
Recognition and measurement of deferred tax assets when an entity is loss-making (May 2014)	A deferred tax asset is recognised for the carryforward of unused tax losses to the extent of the existing taxable temporary differences that reverse in an appropriate period (after taking into account any restrictions), regardless of an entity's expectation of future tax losses. The IC concluded that neither an Interpretation nor an amendment to the Standard was needed.
Recognition of current income tax on uncertain tax position (July 2014)	IAS 12, not IAS 37, provides the relevant guidance on recognition. The IC noted that sufficient guidance exists <sup>5</sup> .
Recognition of deferred tax for a single asset in a corporate wrapper (July 2014)	IAS 12 requires an entity to recognise both inside and outside basis temporary differences arising from investments in assets within corporate wrappers. The IC decided not to take the issue onto its agenda because of the broad nature but recommended to the IASB that it should analyse and assess these concerns in its research project on Income Taxes.
Tax rate for the measurement of deferred tax relating to an investment in an associate (March 2015)	If one part of the temporary difference is expected to be received as dividends, and another part is expected to be recovered upon sale or liquidation, different tax rates would be applied to the parts of the temporary difference in order to be consistent with the expected manner of recovery.

<sup>1</sup> As a result of the amendment to IAS 12 in 2010, SIC-21 was superseded, and the guidance in SIC-21 was incorporated into IAS 12.

<sup>2</sup> Since the date of this IFRIC rejection, IAS 12 has been amended to include a rebuttable presumption that investment property carried at fair value will be recovered through sale.

<sup>3</sup> Included in the 'green book' although not part of the IC Update at the time.

<sup>4</sup> The income tax IASB/FASB convergence project resulted in an exposure draft in March 2009. However, after an analysis of the comment letters in October 2009, the IASB decided not to proceed with the project.

<sup>5</sup> Subsequently the IC decided to proceed with a broader project on accounting for uncertainties in income taxes that is expected to confirm this conclusion that IAS 12 is the relevant standard.

## The bit at the back.....



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