Comments on Exposure Draft of Revised AS 12

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To: Comments ASB - ICAI <commentsasb@icai.in>

Respected Sir/Ma'am,

This mail is with reference to Exposure Draft of Revised AS 12. With Respect to Same, I would like to highlight the following points and make some suggestions:

1) Para 15 of Revised AS 12 provides that **'Deferred tax assets shall be recognised and carried forward only to the extent that it is PROBABLE that sufficient future taxable income will be available against which such deferred tax assets can be realised.'**
Revised AS 12 should properly define the word *PROBABLE* to avoid litigations and ambiguity in this matter.

2) Para 18 of Revised AS 12 provides that **'The criteria for recognising deferred tax assets arising from unabsorbed depreciation and carry forward of losses are the SAME as the criteria for recognising deferred tax assets arising from timing differences.'**
However, the Chances of Reversal of Timing Difference [against which Deferred Tax Asset (DTA) can be realised] are a ***LOT MORE*** vis-a-vis the Chances of having Sufficient Future Taxable Income against which DTA can be realised. Hence, the criteria for DTA Recognition in case of Unabsorbed Depreciation (& Carry Forward of Losses) should be a ***LOT MORE STRINGENT*** as compared to the criteria of DTA Recognition in case of Timing Differences.
Hence, we should have Different DTA Recognition Criterias in both the above mentioned cases as is currently the case in AS 22 (**'Reasonable Certainty'** in case of Timing Differences and **'Virtual Certainty Supported by Convincing Evidence'** in case of Unabsorbed Depreciation & Carry Forward of Loss.)

3) Para 25 of Revised AS 12 mentions that **'Deferred tax assets and liabilities should not be discounted to their present value.'**
However, Both DTA & DTL should be Discounted to their Respective Present Values so that the Financial Statements give a more fair and accurate view. To promote comparability across entities a Specific Discounting Rate or a Discounting Range may be specified by Revised AS 12.

Regards,
Vibhav