

Comments on Exposure Draft

Deferred Tax related to Assets and Liabilities arising from a Single Transaction Proposed amendments to IAS 12

Do you agree with the Board's proposal to amend IAS 12 in the manner described in the Exposure Draft? If not, why not, and what do you recommend instead?

We note that issue being addressed is not new, it only becomes more significant, given the implementation of IFRS 16. The diversity in practice was recognized currently also. Though we support the need to address the diversity in practice, we have the following observations:

1. The proposed amendment will not fully address the diversity in practice in accounting for deferred taxes;
2. The issue being addressed is related to asset and liability arising from single transaction and hence in our view, single transaction should be taken as a unit of measurement and not asset and liability separately;
3. Difference in initial recognition based on determination of whether the tax deductibility is related to leased asset or lease liability brings about a differential financial position for a similar economic transaction. This in fact would bring about diverse reporting.

Note: The views/comments above are personal views and should not be associated or construed as views of Baroda Branch. These views have been formed on the basis of Exposure draft as well as the consideration of the comments and views of working group members.