

# Exposure Draft on Ind AS 12, Income Taxes Appendix - C

## 1.0 Background

- The objective of this Appendix C Income Taxes is to clarify how to apply the recognition & measurement Criteria in Ind AS 12 when there is uncertainty over income tax Treatments.

## 2.0 Comments

- Appendix C suggests an entity to recognize and measure its Current or Deferred Tax Asset or Liability when there is uncertainty over income tax Treatments.
- If an entity considers<sup>7</sup> different uncertain tax treatments together for measuring Deferred Tax Asset or Liability, this may jeopardize by offsetting expected favorable tax treatments against expected unfavorable tax treatments. This may lead to recognition of reduced Deferred Tax Liability. This may be in violation of Principle of Conservatism wherein only Expected Losses are recognized and Expected Gains are not recorded by an entity.
- The entity's estimate of probability that a taxation authority will accept an uncertain tax treatment has to be cautiously applied. Such estimate needs to be backed up by workings papers / professional opinion / past history Case Laws wherever required.
- When there is a change in facts and circumstances in context of estimate relation to applicable tax laws or new information, this may lead to change in Tax Base and Tax Amount. Entity should disclose each such facts and circumstances occurred in the current year with the probable impact of such change.