

# Rådet för finansiell rapportering

The Swedish Financial Reporting Board

RFR-rs 2012:05

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6 XH  
United Kingdom

Dear Sirs,

## **Re: IASB Exposure Draft ED/2012/1 – Annual Improvements to IFRSs, 2010-2012 cycle**

The Swedish Financial Reporting Board is responding to your invitation to comment on the Exposure Draft regarding Annual Improvements to IFRSs.

We are generally positive to the proposed amendments to IFRSs. However, we have concerns regarding the proposed example which illustrates the IASB's conclusion regarding the amendments to IAS 12.

### **Proposed amendment to IAS 12 Income Taxes**

The amendments are from our perspective quite substantial and probably not in line with the IASB's criteria of an annual improvement.

We agree with the conclusion that a deferred tax asset should only be recognized if it will result in lower tax payments in the future and not only due to the fact that deductible temporary difference reverses over time.

However, we are concerned that the example added in Paragraph 30A suggests an approach that will result in information that does not reflect the economic substance in some situations and is inconsistent with other guidance in IAS 12.

The proposed example illustrates the accounting when the carrying value of a debt instrument measured at fair value is below its tax base. The recoverability of the resulting deductible temporary difference is assessed only by reference to existing or future capital gains, even when management expects to hold the instrument to collect the contractual cash flows. This outcome is not consistent with the principle in IAS 12 that the accounting for deferred tax reflects the manner in which management expects to recover or settle assets or liabilities. The accounting is also based on an assumption that entity will sell the asset and generate an irrecoverable capital loss when this is not management's expectation.

The example also illustrates an outcome where the entity recognises a higher tax expense, which is counter-intuitive since an actual tax loss will not materialise if the instrument is held to maturity and the capital loss is not crystallised.



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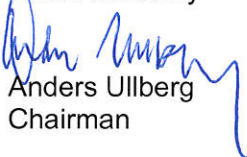
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The deductible temporary difference will make future tax payments lower because the income from the increase in fair value is not taxed. We suggest the Board consider whether this counter-intuitive outcome reflects the economic substance of the situation and provides decision-useful information to financial statement users.

If you have any questions concerning our comments please address our Executive member Claes Janzon by e-mail to: [claes.janzon@radetforfinansiellrapportering.se](mailto:claes.janzon@radetforfinansiellrapportering.se)

Stockholm, 4 September 2012

Yours sincerely

  
Anders Ullberg  
Chairman