



Ms Françoise Flores, Chair
EFRAG
35 Square de Meeûs
B-1000 Brussels
Belgium

Via email: commentletters@efrag.org

6 July 2012

Dear Ms Flores,

Discussion paper - Improving the Financial Reporting of Income Tax

BT Group plc appreciates the opportunity to comment on the discussion paper 'Improving the Financial Reporting of Income Tax' ('the DP') issued by the European Financial Reporting Advisory Group (EFRAG) and the UK Accounting Standards Board (ASB).

We welcome EFRAG's initiative to stimulate debate on the complex area of accounting for income taxes under IFRS with the aim to improve the decision usefulness of the information provided to the users of the financial information.

Set out below are our overall observations on the key matters outlined in the DP.

We support the suggestion in the DP to standardise the disclosure requirements for the effective tax reconciliation by introducing certain mandatory categories of reconciling items. We believe that this will increase comparability across different companies and improve users' understanding of the reconciliation between the tax expense and the charge on profit at the statutory tax rate.

We acknowledge EFRAG's comments that the lack of discounting of deferred tax does not truly reflect the current economic effect at the balance sheet date of the unwind of deferred tax assets and liabilities. However, we believe that the requirement to discount the deferred tax balance would represent a significant practical hurdle for the preparers because budgets would need to be prepared on an individual legal entity level for several years ahead. In many organisations the budgeting and business planning processes are undertaken based on a business operational management structure rather than a legal entity structure.

Whilst we can see how the seven categories of tax information proposed in the Part 1 of the DP are likely to be relevant to investors and creditors, we are concerned that some of the proposed disclosures, albeit deemed "simple" (such as the tax charge to tax paid reconciliation), in practice may represent a challenge for large multinational corporations with complex tax requirements in a large number of jurisdictions around the world. We therefore believe that a thorough consultation is required in order to carefully consider cost versus benefit of the newly proposed disclosures.

In our view it is also necessary to simplify the existing income tax disclosure requirements before introducing any additional disclosures in order to avoid "cluttering" the financial statements. Simple streamlined disclosure requirements could be outlined in a Disclosure Framework, as we noted in our response from 1 December 2011 to the IASB's Agenda consultation.



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Whilst we agree improvements can be made to disclosures we do not believe that income tax accounting is an area that warrants a wholesale review. We believe the current basis is well understood by users and the cost of change is not warranted.

If you have any questions or would like to discuss these comments further, please do not hesitate to contact me at +44 (0) 20 7356 4742.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Glyn Parry', written over a white background.

GLYN PARRY
Director, Group Financial Control
BT Group PLC



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