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— **Comment on draft comment letter on ED/2017/1 Annual Improvements to IFRS**

3 April 2017

IAS 12 Income Taxes: Income tax consequences of payments of financial instruments classified as equity

Ref. BdB: BI.01
Prepared by Sbr/Nf

Dear Ms Chatzieffraimidou,

Thank you for the opportunity to comment on, and provide further input to your draft comment letter on the AIP 2015 – 2017. We fully support the concerns you raise. Moreover, we would like to add the following aspects for consideration.

The proposed amendments are more extensive than clarification of whether the principles set out in IAS 12.52B are applicable only in the circumstances as described in IAS 12.52A.

There might be unintended consequences and we believe the proposed changes exceed the remit of an annual improvement process.

— Unless the key question, i.e. what constitutes a distribution of profits and what criteria should be applied for making this determination, is addressed by means of a comprehensive review of all other standards that would potentially be affected, one wonders whether the proposal would deliver any improvement at all and, in particular, meet the objective of reducing the diversity of practices in this matter.

The possibility cannot be excluded that the proposal will result in significant additional cost and effort if reporting entities have to analyse in detail the economic sources that generated the income available for payments to the holders of the financial instruments and implement processes to demonstrate that a “reasonable pro

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rata allocation of the current and deferred tax of the entity" or "other method that achieves a more appropriate allocation" between the income statement and equity is applied.

If you would like to discuss our comments further, please do not hesitate to contact us.

Yours sincerely,



Dirk Jäger
Member of the Management Board



Heiko Schreiber
Director