

11<sup>th</sup> April 2017

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
UK

Cc: EFRAG

Dear Sir/Madam

ED/2017/1 Annual Improvements to IFRS Standards 2015-2017

Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board – the NASB) welcomes the opportunity to submit its views on the ED 2017/1 Annual Improvements to IFRS Standards 2015-2017.

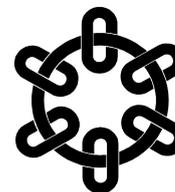
**Question 1 (a) —Proposed amendment to IAS 12 - Income tax consequences of payments of financial instruments classified as equity**

*Do you agree with the IASB's proposal to amend IAS 12 in the manner described in the Exposure Draft? If not, why, and what alternative do you propose?*

We support the Board's proposal to clarify that the requirements in the current paragraph 52B applies to all income tax consequence of dividends, not only in the situation where there are different tax rates for distributed and not distributed profits. However, we believe further clarification is necessary to avoid diversity in practice.

Reading paragraph 58A and the basis for conclusion, our understanding is that in assessing whether the tax consequence of a payment on a financial instrument classified as equity, should be recognised in profit or loss or equity, depends on the payment being considered as dividends. A key element in the definition of dividends in IFRS 9 (as referred to in BC 2) is that dividends constitute "distribution of profits". It is however unclear what constitutes distribution of profits. For example, it is not clear to us whether the tax consequence of interest payments on perpetual bonds classified as equity, should be recognised in profit or loss or equity. We encourage the Board to provide more guidance on how to determine whether payments on financial instruments classified as equity are distribution of profits.

We would also like to point out that the wording in paragraph 58A is difficult to understand. For example the first sentence reads: "The income tax consequence of dividends are linked more directly to past transactions or events than to distribution to owners", but dividends/distribution of profits is also a distribution to owner. Furthermore, paragraph 58A states that "...an entity recognises the income tax consequences of dividends in profit or loss for the period, except when the transactions or events are those described in paragraph 58(a) and (b)." (emphasise added). Paragraph 58 (a) refers to transactions recognised directly in equity. Dividends is recognised directly in equity, and thus a reading of paragraph 58A and 58 (a) could easily lead to the misunderstanding that all tax consequence of dividends is recognised in equity. Paragraph 58A is thus difficult to understand without also reading the basis for conclusion. We would encourage the Board to clarify the wording of paragraph 58A.



**Question 1 (b) —Proposed amendment to IAS 23 - Borrowing costs eligible for capitalisation**

*Do you agree with the IASB's proposal to amend IAS 12 in the manner described in the Exposure Draft? If not, why, and what alternative do you propose?*

We agree.

**Question 1 (c) —Proposed amendment to IAS 28 - Long-term interests in an associate or joint venture**

*Do you agree with the IASB's proposal to amend IAS 12 in the manner described in the Exposure Draft? If not, why, and what alternative do you propose?*

We agree.

**Question 2 —Effective date of the proposed amendments to IAS 28 Investments in Associates and Joint Ventures**

*The Board is proposing an effective date of 1 January 2018 for the proposed amendments to IAS 28. The reasons for that proposal are explained in paragraphs BC7–BC9 of the Basis for Conclusions on the proposed amendments to IAS 28.*

*Do you agree with the effective date for those proposed amendments?*

*If not, why, and what alternative do you propose?*

We agree.

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Please do not hesitate to contact us if you would like to discuss any specific issues addressed in our response.

Yours faithfully,

Erlend Kvaal

Chairman of the Technical Committee on IFRS of Norsk RegnskapsStiftelse