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Cc: EFRAG

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DI/2015/1 Uncertainty over Income Tax Treatments

Representing preparers' point of view, the Swedish Enterprise Accounting Group (SEAG) welcomes the opportunity to comment on the Draft Interpretation DI/2015/1 (DI).

In general we are positive to the DI. Although we are not fully convinced by the logic in BC13, we support the conclusion that the accounting for uncertain tax position should be based on the presumption of full knowledge by the tax authorities. We are, however, hesitant to the suggested treatment of possible re-examinations by tax authorities as described in Appendix A. We believe that this could in many situations lead to recognition of provisions, even if the risks are almost non-existent.

Our comments to the questions posed in the DI are provided in the Appendix below.

Yours sincerely,

CONFEDERATION OF SWEDISH ENTERPRISE

Sofia Bildstein-Hagberg

Secretary of the Swedish Enterprise Accounting Group

The Swedish Enterprise Accounting Group (SEAG) represents more than 40 international industrial and commercial groups, most of them listed. The largest SEAG companies are active through sales or production in more than 100 countries.

Appendix – Comments on the specific questions raised by the Interpretation Committee

Question 1—Scope of the draft Interpretation

SEAG supports the scope of the draft Interpretation and the decision to not include accounting for interest and penalties as stated in BC 9.

Question 2—When and how the effect of uncertainty over income tax treatments should be included in determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

As stated above, we support the conclusion that the accounting for uncertain tax positions should be based on the presumption of full knowledge by the tax authorities. We also support the suggested accounting guidance presented in the draft Interpretation except for the suggested accounting for possible re-examinations as further described under Question 4 below.

Question 3—Whether uncertain tax treatments should be considered collectively

We fully support the conclusion that judgement is required to determine whether uncertain tax treatments should be considered independently or collectively. To establish firm rules that could cover all possible situations around the world must be impossible and, more importantly, such rules should not be developed for principle-based standards.

Question 4—Assumptions for taxation authorities' examinations and the effect of changes in facts and circumstances

We believe that the guidance in Appendix A could lead to provisions being recognised, even when the risk for payments is almost non-existing. As one example, in our experience reopening of tax audits is rare in many countries. Nevertheless, the wording in Appendix A can be interpreted as an explicit declaration from the tax authorities originating from a tax audit is required to reverse a provision.

Although we basically support the presumption of full knowledge by the tax authorities, we believe that there is a risk that Appendix A is too rules-based and will lead to overly prudent assessments and too conservative provisions.

Question 5—Other proposals

We agree with the proposals in the DI on the disclosure and the transition requirements.