



Exposure Draft ED/2011/2: Improvements to IFRS

Dear Sirs,

In relation to the EFRAG's Draft Comment Letter to the IASB ED 2011/2 Improvements to IFRS, we would like to express that in general terms, the Instituto de Contabilidad y Auditoría de Cuentas (ICAC) agrees with the proposals set in the ED and EFRAG's view.

We set out below one comment on amendments proposed to IAS 32:

**Amendments to IAS 32 Financial Instruments: Presentation**

We support the amendment, as we believe that the cross reference in paragraph 35 A to IAS12, clarifies the accounting treatment of income tax relating to distributions to holders of an equity instrument and income tax relating to transactions costs of an equity transaction.

Notwithstanding, some additional clarifications should be made in IAS 12:

1. Paragraph 52 states that the income tax consequences of dividends are recognised in profit or loss for the period "*except to the extent that the income tax consequences of dividends arise from the circumstances described in paragraph 58 (a) and (b)*". This implies that after the recognition in profit or loss a reclassification to equity has to be made.
2. Also paragraph 58 states that "*Current and deferred tax shall be recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from: a) either in other comprehensive income transaction or event which is recognised, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in*



equity". This is the case of transaction costs of an equity transaction; it's tax effects have to be recognised directly in equity, but IAS 12 should clarify how i.e if there has to be a reclassification of the tax effect from equity to profit or loss.

3. In both of the above cases (1. and 2.) it would be convenient tha IAS 12 clarifies the nature of the tax income or expense reclassified to or from profit or loss i.e if it's current or deferred tax , or maybe another nature of income or expense, which we could call ""reclassification income or expense".
4. Finally it also should be clarified which is the tax rate that has to be applied to calculate the income or expense that has to be reclassified, which may be the tax rate that has been enacted or substanttively enacted by the end of the reporting period, or the efective tax rate.

Madrid, 30 September 2011

Yours faithfully,

José Antonio Gonzalo Angulo

Chairman of the ICAC