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Exposure Draft ED/2009/2: Income Tax

The Swedish Enterprise Accounting Group (SEAG) is a forum for Chief Accountants from the largest Swedish listed companies outside the financial sector. SEAG is administered by the Confederation of Swedish Enterprise, to which most participating companies of SEAG are joined.

Representing preparers' point of view, SEAG welcomes the opportunity to comment on the abovementioned exposure draft.

We have below answered the questions posed by the Board. In summary there are some main areas that we would like to bring to the Board's attention:

Cost/benefit
In general we note that the suggested changes in many cases will lead to considerably more work for preparers and we have in our answers to the Board's questions pointed at a number of areas where we doubt that benefits for users will exceed the added costs for preparers. This is especially true for the suggested split on current and non-current of deferred tax assets and liabilities, where we seriously doubt that it will add any value for users. Other areas where we question the cost/benefit ratio are uncertain tax positions and a number of disclosures.

Interpretation difficulties
Another general remark is that we have in a number of cases had difficulties to interpret the suggested new rules. One area is "management intent" where it is clearly stated that it does not affect the new concept tax basis. On the other hand, it is

also clear that management intent shall be included in the measurement of temporary differences but it is not fully clear to us to what extent.

Another item adding interpretation difficulties is the split of the ED on Standard, Application Guidance and Basis for Conclusions. The standard is difficult to interpret when several key definitions are placed in a separate application guide. We don't see any advantage with this allocation. In our opinion the content in the application guide could have been included in the main standard without any references. It is also so that the areas covered by the ED sometimes come in different order in the three documents, and the three documents are not always consistent, for example paragraph 26 in the ED is difficult to reconcile to paragraph BC63 in the basis for conclusions in relation to seeking out additional information.

The statements above are further explained below in our answers to the Board's questions. Preparers from six major Swedish groups have been involved in preparing the comment letter. Although the length of the answers varies, this does not always mirror the perceived importance of the different questions.

We are pleased to be at your service in case further clarification to our comments will be needed.

Yours sincerely,

CONFEDERATION OF SWEDISH ENTERPRISE

Claes Norberg
Secretary of the Swedish Enterprise Accounting Group

Question 1 – Definitions of tax basis and temporary difference

The exposure draft proposes changes to the definition of tax basis so that the tax basis does not depend on management's intentions relating to the recovery or settlement of an asset or liability. It also proposes changes to the definition of a temporary difference to exclude differences that are not expected to affect taxable profit. (See paragraphs BC17–BC23 of the Basis for Conclusions.)

Do you agree with the proposals? Why or why not?

The proposal includes change to the definition of tax basis so that the tax basis does not depend on management's intentions relating to the recovery or settlement of an asset or liability. On the other hand the Board concluded that considering whether the recovery or settlement of an asset or liability would affect taxable profit was an appropriate initial step in accounting for income tax. This means that management expectation does play a role in an initial phase of the recognition of deferred tax assets and liabilities (BC22).

This could in some cases lead to misleading information. Since many firms will recover the value of their tangible and intangible assets through use, using sale as the method for determine tax basis would give an unfair view of the financial position and future cash flows.

Question 2 – Definitions of tax credit and investment tax credit

The exposure draft would introduce definitions of tax credit and investment tax credit. (See paragraph BC24 of the Basis for Conclusions.)

Do you agree with the proposed definitions? Why or why not?

Yes, we agree with the proposal.

Question 3 – Initial recognition exemption

The exposure draft proposes eliminating the initial recognition exception in IAS 12. Instead, it introduces proposals for the initial measurement of assets and liabilities that have tax bases different from their initial carrying amounts. Such assets and liabilities are disaggregated into (a) an asset or liability excluding entity-specific tax effects and (b) any entity-specific tax advantage or disadvantage. The former is recognised in accordance with applicable standards and a deferred tax asset or liability is recognised for any temporary difference between the resulting carrying amount and the tax basis. Outside a business combination or a transaction that affects accounting or taxable profit, any difference between the consideration paid or received and the total amount of the acquired assets and liabilities (including deferred tax) would be classified as an allowance or premium and recognised in comprehensive income in proportion to changes in the related deferred tax asset or liability. In a business combination, any such difference would affect goodwill. (See paragraphs BC25–BC35 of the Basis for Conclusions.)

Do you agree with the proposals? Why or why not?

We do not agree with the statement by the Board, in BC26, that this is a common practical problem. Instead we can only foresee a limited number of cases when this could be an issue and therefore we do not share the Board's view. We are rather of

the opinion that the Board's proposal is very complex and leave little or no useful information to the recipients.

We understand that the "offset account" will not be part of the valuation allowance. We interpret this as the "offset account" will be separately disclosed in the effective rate reconciliation in the footnote. It is difficult for us to foresee the value of this information.

The Board proposes that entity-specific tax effects should not affect the carrying amount of an asset or liability but rather what is available to other market participants. We interpret this to be the statutory corporate income tax rate of that jurisdiction. However, the Exposure draft is not clear on this point.

In summary we do not agree with the Board's proposal and suggest leaving this part of IAS 12 unchanged.

Question 4 – Investments in subsidiaries, branches, associates and joint ventures

IAS 12 includes an exception to the temporary difference approach for some investments in subsidiaries, branches, associates and joint ventures based on whether an entity controls the timing of the reversal of the temporary difference and the probability of it reversing in the foreseeable future. The exposure draft would replace these requirements with the requirements in SFAS 109 and APB Opinion 23 *Accounting for Income Taxes—Special Areas* pertaining to the difference between the tax basis and the financial reporting carrying amount for an investment in a foreign subsidiary or joint venture that is essentially permanent in duration. Deferred tax assets and liabilities for temporary differences related to such investments are not recognised. Temporary differences associated with branches would be treated in the same way as temporary differences associated with investments in subsidiaries. The exception in IAS 12 relating to investments in associates would be removed.

The Board proposes this exception from the temporary difference approach because the Board understands that it would often not be possible to measure reliably the deferred tax asset or liability arising from such temporary differences. (See paragraphs BC39–BC44 of the Basis for Conclusions.)

Do you agree with the proposals? Why or why not? Do you agree that it is often not possible to measure reliably the deferred tax asset or liability arising from temporary differences relating to an investment in a foreign subsidiary or joint venture that is essentially permanent in duration? Should the Board select a different way to define the type of investments for which this is the case? If so, how should it define them?

This is a further exception which we believe the Board would be well advised to retain – in its entirety - in respect of subsidiaries.

The suggested foreign/domestic differentiation carries with it many difficulties. There seems no conceptual justification for it.

We wonder whether it is in any case clear what is meant by “domestic”. E.g. USA/Puerto Rico, UK/Jersey? And is it viewed on a direct or indirect (drill-down) basis? E.g. is a Swedish subsidiary of a UK sub-holding, which itself is owned by a Swedish ultimate parent, “domestic” in the parent’s consolidation, or is a company considered domestic/foreign from the company actually owning the shares? There may also be situations where parts of a company are owned by a domestic company and parts by a foreign company within the same group.

The Board should also be aware that the participation exemptions which are available in the US and which therefore facilitate the operation of SFAS 109 are by no means available in all jurisdictions worldwide. In many jurisdictions the considerable complexities met with in the US in respect of foreign subsidiaries are met with also in respect of domestic subsidiaries. This US import would therefore by no means work globally.

The tax paid on a disposal would to a very high extent depend on how the actual transaction is structured. All individual subsidiaries would normally not be sold one by one, instead a group of companies may be sold and so on. Therefore the financial information generated would be at best meaningless, at worst misleading and distortive.

Recognition only when e.g. a disposal has been firmly decided, or when some other likely event would cause the potential liability to crystallise, would be a more sensible solution, applying the conditions in B5 to all, not just foreign, subsidiaries.

In addition there would be severe practical problems at each reporting date as subsidiaries' individual values - for comparison with the investment - , once finalised, would then have to be pushed up through the various levels of consolidation and the process repeated at every stage. This is not an ideal situation in a "Fast Close" world.

Where IFRS financial statements are prepared at the intermediate holding level, different numbers may well be involved. This could quickly become very complex.

Currently, we do not have to provide deferred tax on reserves where we can control the timing of any reversal. The proposal requires us to provide, in the case of foreign subsidiaries, unless we can demonstrate that the investment is "essentially permanent in duration". The definition of "essentially permanent in duration" requires us to demonstrate plans for reinvestment. To obtain documentary evidence for this for every subsidiary (and intermediate company) would be an enormous task.

Another point is that the standard concentrates on reinvestment. It ignores the possibility that amounts which are technically distributable may be required for working capital or to demonstrate good financial standing to customers.

Finally, we find no explicit justification for the exclusion of investments in associate companies from the treatment proposed for subsidiaries and joint ventures, which we find unsatisfactory.

In paragraph 48c of the standard it is stated that a disclosure should be made of " the aggregate amount of temporary differences associated with investments in subsidiaries and interests in joint ventures for which deferred tax liabilities have not been recognised". As discussed above this would be a meaningless figure, and the practical problems to supply this information would be enormous.

Question 5 – Valuation allowances

The exposure draft proposes a change to the approach to the recognition of deferred tax assets. IAS 12 requires a one-step recognition approach of recognising a deferred tax asset to the extent that its realisation is probable. The exposure draft proposes instead that deferred tax assets should be recognised in full and an offsetting valuation allowance recognised so that the net carrying amount equals the highest amount that is more likely than not to be realisable against taxable profit. (See paragraphs BC52–BC55 of the Basis for Conclusions.)

Question 5A

Do you agree with the recognition of a deferred tax asset in full and an offsetting valuation allowance? Why or why not?

Yes, we agree with the proposal. The concept of recognition of a deferred tax asset in full and an offsetting valuation allowance brings added value to a reader of the

financial statements. A company's ability to value deferred tax assets is valuable information and increases transparency. However, we are concerned that the requirement to disclose the reasons for a change in valuation allowance might force entities to disclose confidential information.

Question 5B

Do you agree that the net amount to be recognised should be the highest amount that is more likely than not to be realisable against future taxable profit? Why or why not?

Yes, we agree with the proposal. We understand "more likely than not" to be interpreted in the same way as "probable" in IAS 37, and to be in line with SFAS 109. Consistency between the different standards and with SFAS is desirable and something we support with respect to this issue.

Question 6 – Assessing the need for a valuation allowance

Question 6A

The exposure draft incorporates guidance from SFAS 109 on assessing the need for a valuation allowance. (See paragraph BC56 of the Basis for Conclusions.)

Do you agree with the proposed guidance? Why or why not?

We note that the suggested guidance is very extensive for being an IFRS standard. However, we can accept the suggested guidance.

Question 6B

The exposure draft adds a requirement on the cost of implementing a tax strategy to realise a deferred tax asset. (See paragraph BC56 of the Basis for Conclusions.)

Do you agree with the proposed requirement? Why or why not?

We are surprised not to find any guidance in the exposure draft on the application of this proposal. Instead, only a reference is made to SFAS 109. After having analysed the example in SFAS 109 it is not clear to us the purpose of this proposal. If the cost for implementing a tax strategy is so significant we believe it should be incorporated already in the future profit before tax forecast. We do not understand the logic of reporting the after tax cost of implementing a tax strategy as a valuation allowance (tax expense).

Unless the logic of this treatment is further explained we can not agree with the Board's proposal.

Question 7 – Uncertain tax positions

IAS 12 is silent on how to account for uncertainty over whether the tax authority will accept the amounts reported to it. The exposure draft proposes that current and deferred tax assets and liabilities should be measured at the probability-weighted average of all possible outcomes, assuming that the tax authority examines the amounts reported to it by the entity and has full knowledge of all relevant information. (See paragraphs BC57–BC63 of the Basis for Conclusions.)

Do you agree with the proposals? Why or why not?

We do not agree with the proposal from IASB. We believe that this proposal will significantly increase the costs for companies in the form of increased staffing in tax departments and/or use of external consultant. Without doing so it is highly unrealistic to expect a high degree of precision in accounting for uncertain tax positions and the measurement of the uncertain tax positions will probably be mechanical and a very subjective process. It seems like IASB does not intend entities to seek out additional information to determine their uncertain tax position assessments. However, the practical consequences will in some cases be that entities need to do so where the probabilities of possible outcomes have not previously been determined. In some jurisdictions, determining the possible outcomes for each uncertain tax position and the probability of each of those outcomes occurring will be a very difficult and time consuming task. The draft assumes that all uncertain risks will be identified and analyzed by the tax authorities. This is far from today's situation. The draft forces companies to identify potential tax issues which otherwise perhaps never would have been identified or may have been identified by the tax authorities but not linked to a presentation of the company of potential fiscal views (upon which the company may disagree).

We do not agree on the disclosure requirements in connection to the above. The disclosure requirements in §41b, §41e and §49 will increase the transparency on tax related structures towards various authorities. The company will in detail have to disclose and describe its opinion on potential tax risks. The company needs to keep documentation motivating the reason for possible provisions which can and most probably will be requested by the tax authority in a possible tax audit. Tax audits can be very time consuming for companies to deal with, taking focus away from other important issues and often incurring significant professional costs, even when the final result is that the company successfully defends its position.

Furthermore, we do not believe it should be the obligation of a company to identify tax exposures and arguments to the benefit of the tax authorities. A consequence of such rules could well be that companies:

a) would be unwilling to identify and present uncertain tax issues (leave out as much as possible). E.g. a situation may occur where the company identifies errors in the past which, if disclosed, would generate substantial tax costs, i.e. a price has to be paid upon disclosure. This is not a problem today.

b) arrive at low risk figures arguing that the risk is low in order to minimize arguments in favour of the tax authorities.

In summary the draft intervenes in today's procedure between a company and the tax authority to the effect that a company, against its own interest, would have to do the job of the tax authority. This puts the company in an unwanted position where disclosure of uncertain tax issues may be very expensive. It is our view that accounting rules should not interfere with the interaction between a company and the tax authority in the way that the draft does. It is also our view that the proposed regulations would force companies to deviate from objectivity in the presentation of tax risks. Any disclosure of potential tax risks which have not yet been identified by the tax authorities would certainly increase the tax exposure.

Question 8 – Enacted or substantively enacted rate

IAS 12 requires an entity to measure deferred tax assets and liabilities using the tax rates enacted or substantively enacted by the reporting date. The exposure draft proposes to clarify that substantive enactment is achieved when future events required by the enactment process historically have not affected the outcome and are unlikely to do so.

(See paragraphs BC64─BC66 of the Basis for Conclusions.)

Do you agree with the proposals? Why or why not?

Yes, we agree with the proposals.

Question 9 – Sale rate or use rate

When different rates apply to different ways in which an entity may recover the carrying amount of an asset, IAS 12 requires deferred tax assets and liabilities to be measured using the rate that is consistent with the expected manner of recovery. The exposure draft proposes that the rate should be consistent with the deductions that determine the tax basis, i.e. the deductions that are available on sale of the asset. If those deductions are available only on sale of the asset, then the entity should use the sale rate. If the same deductions are also available on using the asset, the entity should use the rate consistent with the expected manner of recovery of the asset. (See paragraphs BC67–BC73 of the Basis for Conclusions.)

Do you agree with the proposals? Why or why not?

The expected manner of recovery of the asset should be considered when determining the tax rate. On the other hand, according to the ED, the tax basis of an asset should be determined by the tax consequences of selling it, the expected manner of recovery shouldn't be considered. This is confusing and could lead to an inconsistency between the use of a tax rate reflecting sale and a tax basis determined according to the ED's new definitions. In our opinion the standard should be revised regarding these two definitions and the inconsistency should be avoided.

Question 10 – Distributed or undistributed rate

IAS 12 prohibits the recognition of tax effects of distributions before the distribution is recognised. The exposure draft proposes that the measurement of tax assets and liabilities should include the effect of expected future distributions, based on the entity's past practices and expectations of future distributions. (See paragraphs BC74–BC81 of the Basis for Conclusions.)

Do you agree with the proposals? Why or why not?

We agree with the proposal that tax assets and tax liabilities should be measured at distributed rates instead of undistributed rates.

It is unclear though how the effect of expected future distributions should be measured, which will involve large practical problems. There may be distributable earnings from previous years and the current year that has not been subject to the full tax and it is unclear if the tax on this should be included in current or deferred tax.

Question 11 – Deductions that do not form part of a tax basis

An entity may expect to receive tax deductions in the future that do not form part of a tax basis. SFAS 109 gives examples of 'special deductions' available in the US and requires that 'the tax benefit of special deductions ordinarily is recognized no earlier than the year in which those special deductions are deductible on the tax return'. SFAS 109 is silent on the treatment of other deductions that do not form part of a tax basis.

IAS 12 is silent on the treatment of tax deductions that do not form part of a tax basis and the exposure draft proposes no change. (See paragraphs BC82–BC88 of the Basis for Conclusions.)

Do you agree that the exposure draft should be silent on the treatment of tax deductions that do not form part of a tax basis? If not, what requirements do you propose, and why?

Yes, we agree with the proposal in BC88, i.e. to stay silent on the issue of special deductions. We have not seen any problems in practice in this area (any intention to cover all possible "special deductions" worldwide is likely to be either very time-consuming or the result would be incomplete/defective).

Question 12 – Tax based on two or more systems

In some jurisdictions, an entity may be required to pay tax based on one of two or more tax systems, for example, when an entity is required to pay the greater of the normal corporate income tax and a minimum amount. The exposure draft proposes that an entity should consider any interaction between tax systems when measuring deferred tax assets and liabilities. (See paragraph BC89 of the Basis for Conclusions.)

Do you agree with the proposals? Why or why not?

We agree that an entity should consider any interaction between tax systems when measuring deferred tax assets and liabilities. In fact, as preparers, we are convinced that this interaction is already taken into consideration by most of the entities where this situation appears, since it is the most logical way of calculating the rate that is likely to apply, as required by IAS 12 today.

We find it therefore unnecessary to introduce any changes in the present wording.

Question 13 – Allocation of tax to components of comprehensive income and equity

IAS 12 and SFAS 109 require the tax effects of items recognised outside continuing operations during the current year to be allocated outside continuing operations. IAS 12 and SFAS 109 differ, however, with respect to the allocation of tax related to an item that was recognised outside continuing operations in a prior year. Such items may arise from changes in the effect of uncertainty over the amounts reported to the tax authorities, changes in assessments of recovery of deferred tax assets or changes in tax rates, laws, or the taxable status of the entity. IAS 12 requires the allocation of such tax outside continuing operations, whereas SFAS 109 requires allocation to continuing operations, with specified exceptions. The IAS 12 approach is sometimes described as requiring backwards tracing and the SFAS 109 approach as prohibiting backwards tracing.

The exposure draft proposes adopting the requirements in SFAS 109 on the allocation of tax to components of comprehensive income and equity. (See paragraphs BC90–BC96 of the Basis for Conclusions.)

Although the SFAS 109 solution might be easier to apply, it is our opinion that its application would produce very distorting effects in the tax rates of continuing operations in cases of change in enacted tax laws or rates or changes in the tax status in entities with significant items of other comprehensive income. Therefore these effects should be recognized where they originate. Besides, these items are quite easy to identify.

On the other hand, we agree with the SFAS 109 argument that changes in beginning-of-the-year valuation allowance might result from a change in circumstances originated by the current year's operations and therefore should be reported under continuing operations. In such cases, backwards tracing is not likely to be reasonably feasible; therefore we believe that it should not be required.

We believe therefore that the best approach would be a combination of the two models. However, considering that the Board's conclusions stated in BC96 seem to eliminate the possibility of this combination, we prefer to keep the present IAS12 guidance which, even though somewhat more difficult, presents the less risk for distortion in the tax rates for continuing operations.

Question 13A

The exposure draft deals with allocation of tax to components of comprehensive income and equity in paragraphs 29-34. The Board intends those paragraphs to be consistent with the requirements expressed in SFAS 109.

Do you agree with the proposed requirement? Why or why not?

Business Europe has drafted an answer that we agree to.

"On the proposals for detailed guidance on intra-period allocation, we think that they would add excessive complexity to an allocation process which is in any case, of its nature, often somewhat arbitrary. They would simply give a misleading aura of accuracy. The guidance in IAS 12 seems to us quite adequate and should be retained."

Question 13B

The exposure draft also sets out an approach based on the IAS 12 requirements with some amendments. (See paragraph BC 97 of the Basis for Conclusion).

Would those paragraphs produce results that are materially different from those produced under the SFAS 109 requirements? If so, would the results provide more or less useful information than that produced under SFAS 109? Why?

See Q. 13A. We prefer to retain backwards tracing because we believe it provides more useful information and does not distort tax related to continuing activities in the income statement.

Question 13C

Do you think such an approach would give more useful information than the approach proposed in paragraphs 29-34? Can it be applied consistently in the tax jurisdictions with which you are familiar? Why or why not?

See Q. 13A. We prefer to retain backwards tracing.

Question 13D

Would the proposed additions to the approach based on the IAS 12 requirements help achieve a more consistent application of that approach? Why or why not?

Bearing in mind the extent to which arbitrary allocations affect the process in most practical circumstances, it seems to us that adding the complex rules proposed would not be likely to result in better or more consistent information.

Question 14 – Allocation of current and deferred taxes within a group that files a consolidated tax return

IAS 12 is silent on the allocation of income tax to entities within a group that files a consolidated tax return. The exposure draft proposes that a systematic and rational methodology should be used to allocate the portion of the current and deferred income tax expense for the consolidated entity to the separate or individual financial statements of the group members. (See paragraph BC100 of the Basis for Conclusions.)

Do you agree with the proposals? Why or why not?

We agree with the proposals.

Question 15 - Classification of deferred tax assets and liabilities

The exposure draft proposes the classification of deferred tax assets and liabilities as current or non-current, based on the financial statement classification of the related non-tax asset or liability. (See paragraphs BC101 and BC102 of the Basis for Conclusions.)

Do you agree with the proposals? Why or why not?

We do not agree with this proposal. Most of this information can already today be derived from the disclosures in the annual report. We think that this should remain as a disclosure requirement for annual reports. We do not see that the split in current and non-current in the balance sheet will bring useful information compared with the cost and the time it will generate fulfilling this requirement every quarter. The Board argues that this will "provide more useful information". However, in order to comply without impacting time spent on closings, entities must make simplifications in the classification. We can not see that this bring any useful information to the users. It has been argued that this would be useful for readers in order to understand future cash flow effects; however this will not be the case. For example, most probably all deferred taxes related to tangible fixed assets will be classified as non-current and the possible cash flow effect from excess depreciation (which can be quite substantial in Sweden) will not be visible. Our experience is that there are never questions from readers/users of the financial statements on the classifications of these items. We recommend that the Board retain the practical approach in IAS 12 with no classification.

Question 16 – Classification of interest and penalties

IAS 12 is silent on the classification of interest and penalties. The exposure draft proposes that the classification of interest and penalties should be a matter of accounting policy choice to be applied consistently and that the policy chosen should be disclosed. (See paragraph BC103 of the Basis for Conclusions.)

Do you agree with the proposals? Why or why not?

We agree with the proposals.

Question 17 - Disclosures

The exposure draft proposes additional disclosures to make financial statements more informative. (See paragraphs BC104–BC109 of the Basis for Conclusions.) Do you agree with the proposals? Why or why not?

The Board also considered possible additional disclosures relating to unremitted foreign earnings. It decided not to propose any additional disclosure requirements. (See paragraph BC110 of the Basis of Conclusions.)

Do you have any specific suggestions for useful incremental disclosures on this matter? If so, please provide them.

As already stated in question 5A and question 7 we do not agree with the increased disclosure requirements for valuation allowance and uncertain tax positions. Neither

do we understand the purpose of disclosing detailed information of transactions between tax jurisdictions with different tax rates. All the above mentioned requirements will significantly expose entities to tax authorities informing in detail where entities believe there are risks and the entities estimated results from a tax audit. This could jeopardise companies' positions.

Today's disclosure requirements are extensive as they are. We believe these proposals bring even more complexity to the disclosure requirements. This implies that the time and resources spent will increase within an area where companies already invest significant amount of time and effort. We can not see that the new disclosures will significantly contribute to an understanding of the reported tax and the increased costs associated with this will not match the benefit from it.

In paragraph 48c of the standard it is stated that a disclosure should be made of the aggregate amount of temporary differences associated with investments in subsidiaries and interests in joint ventures for which deferred tax liabilities have not been recognised. As discussed above this would be a meaningless figure and the practical problems to supply this information would be enormous.

Question 18 – Effective date and transition

Paragraphs 50–52 of the exposure draft set out the proposed transition for entities that use IFRSs, and paragraph C2 sets out the proposed transition for first-time adopters. (See paragraphs BC111–BC120 of the Basis for Conclusions.)

Do you agree with these proposals? Why or why not?

We have interpreted the ED suggesting prospective application. However, it is not clear what the Board in BC114 means with "the first period beginning after the new IFRS is issued". We have interpreted this as a similar approach as the transition rules in IFRS 1 for IAS 39, i.e. restatement of the opening balance of the first period where the new standard is applied. If so, we agree with the proposal.