

IAS 12 *Income Taxes*—Accounting for market value uplifts on assets that are to be introduced by a new income tax regime

The IFRS Interpretations Committee received a request to clarify the accounting for market value uplifts introduced in a new income tax regime in a jurisdiction. In calculating taxable profit under the tax regime, entities are permitted to calculate tax depreciation for certain mining assets using the market value of the assets as of a particular date as the ‘starting base allowance’, rather than the cost or carrying amount of the assets. If there is insufficient profit against which the annual tax depreciation can be used, it is carried forward and is able to be used as a deduction against taxable profit in future years.

The Committee noted that the starting base allowance, including the part that is attributable to the market value uplift, is attributed to the related assets under the tax regime and will become the basis for depreciation expense for tax purposes. Consequently, the market value uplift forms part of the related asset’s ‘tax base’, as defined in paragraph 5 of IAS 12. The Committee observed that IAS 12 requires an entity to reflect an adjustment to the tax base of an asset that is due to an increase in the deductions available as a deductible temporary difference. Accordingly, the Committee noted that a deferred tax asset should be recognised to the extent that it meets the recognition criteria in paragraph 24 of IAS 12. The Committee considered that, in the light of its analysis of the existing requirements of IAS 12, an interpretation was not necessary and consequently decided not to add this issue to its agenda.