

Presentation of Liabilities or Assets Related to Uncertain Tax Treatments (IAS 1 *Presentation of Financial Statements*)—September 2019

The Committee received a request about the presentation of liabilities or assets related to uncertain tax treatments recognised applying IFRIC 23 *Uncertainty over Income Tax Treatments* (uncertain tax liabilities or assets). The request asked whether, in its statement of financial position, an entity is required to present uncertain tax liabilities as current (or deferred) tax liabilities or, instead, can present such liabilities within another line item such as provisions. A similar question could arise regarding uncertain tax assets.

The definitions in IAS 12 of current tax and deferred tax liabilities or assets

When there is uncertainty over income tax treatments, paragraph 4 of IFRIC 23 requires an entity to ‘recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying IFRIC 23’. Paragraph 5 of IAS 12 *Income Taxes* defines:

- a. current tax as the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period; and
- b. deferred tax liabilities (or assets) as the amounts of income taxes payable (recoverable) in future periods in respect of taxable (deductible) temporary differences and, in the case of deferred tax assets, the carryforward of unused tax losses and credits.

Consequently, the Committee observed that uncertain tax liabilities or assets recognised applying IFRIC 23 are liabilities (or assets) for current tax as defined in IAS 12, or deferred tax liabilities or assets as defined in IAS 12.

Presentation of uncertain tax liabilities (or assets)

Neither IAS 12 nor IFRIC 23 contain requirements on the presentation of uncertain tax liabilities or assets. Therefore, the presentation requirements in IAS 1 apply. Paragraph 54 of IAS 1 states that ‘the statement of financial position shall include line items that present: ... (n) liabilities and assets for current tax, as defined in IAS 12; (o) deferred tax liabilities and deferred tax assets, as defined in IAS 12...’.

Paragraph 57 of IAS 1 states that paragraph 54 ‘lists items that are sufficiently different in nature or function to warrant separate presentation in the statement of financial position’. Paragraph 29 requires an entity to ‘present separately items of a dissimilar nature or function unless they are immaterial’.

Accordingly, the Committee concluded that, applying IAS 1, an entity is required to present uncertain tax liabilities as current tax liabilities (paragraph 54(n)) or deferred tax liabilities (paragraph 54(o)); and uncertain tax assets as current tax assets (paragraph 54(n)) or deferred tax assets (paragraph 54(o)).

The Committee concluded that the principles and requirements in IFRS Standards provide an adequate basis for an entity to determine the presentation of uncertain tax liabilities and assets. Consequently, the Committee decided not to add the matter to its standard-setting agenda.