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Project	<b>Income Tax</b>
Topic	<b><i>Due process consideration</i></b>

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## Purpose of this paper

1. The purpose of this staff paper is to discuss whether this project has complied with due process steps as required in *IASB Due Process Handbook*.

## Due process

### ***'Comply or explain' approach***

2. Paragraphs 110-112 of *IASB Due Process Handbook* includes guidance on a 'Comply or explain' approach.

#### 'Comply or explain' approach

110 The following due process steps are mandatory:

- developing and pursuing the IASB's technical agenda
- preparing and issuing standards and exposure drafts, each of which is to include any dissenting opinions
- establishing procedures for reviewing comments made within a reasonable period on documents published for comment
- consulting the SAC on major projects, agenda decisions and work priorities
- publishing bases for conclusions with standards and exposure drafts.

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This paper has been prepared by the technical staff of the IFRS Foundation for discussion at a public meeting of the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in *IASB Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

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111 Other steps specified in the Constitution are not mandatory. They include:

- publishing a discussion document (eg a discussion paper)
- establishing working groups or other types of specialist advisory groups
- holding public hearings
- undertaking field tests (both in developed countries and in emerging markets).

112 If the IASB decides not to undertake those non-mandatory steps defined by the Constitution, it will, as required by the Constitution, state its reasons. Explanations are normally made at IASB meetings, and are published in the decision summaries and in the basis for conclusions with the exposure draft or standard in question.

3. This project has complied with all mandatory steps as listed in paragraph 110 of the Handbook subject to completion of a final Standard. The Board did not consult the SAC because this project is not considered a major project.
4. The Board explained in the ED that the shorter comment period should be justified because the amendments are addressing a problem that needs to be solved as soon as possible and, in addition, the proposed amendments are straightforward and the exposure draft is short. Only one respondent to the ED raised an issue and wondered why the IASB decided on the 60-day comment period instead of the normal 120-day comment period while the IASB is consulting on many other important projects at the same time.
5. Because of the limited scope of this project, the Board has not considered it necessary to undertake any non-mandatory steps defined in paragraph 111 of the Handbook.

**Re-exposure**

6. Paragraph 47 of the *IASB Due Process Handbook* includes the following guidance on determining whether re-exposure is necessary:

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In considering the need for re-exposure, the IASB

- identifies substantial issues that emerged during the comment period on the exposure draft that it had not previously considered
- assesses the evidence that it has considered
- evaluates whether it has sufficiently understood the issues and actively sought the views of constituents
- considers whether the various viewpoints were aired in the exposure draft and adequately discussed and reviewed in the basis for conclusions on the exposure draft.

7. The Board is required to decide whether to expose its revised proposals for another round of public comments.
8. If the Board adopts Alternative A at this meeting, the final revisions to the standard will not differ from the exposure draft *Deferred Tax: Recovery of Underlying Assets* (the ED) except that;
  - (a) The disclosure requirement in proposed paragraph 81(1) will be removed.
9. If the Board adopts Alternative B at this meeting, the final revisions to the standard will differ from the ED in the following respects:
  - (a) The scope of the exception is narrowed. It will include only investment properties measured using the fair value model in IAS 40 *Investment Property*.
  - (b) The rebuttable presumption will be reworded to say ‘...if the asset is held within a business model whose objective is to consume the asset’s economic benefits throughout its economic life’ rather than ‘if an entity has clear evidence that it will consume the asset’s economic benefits throughout its economic life’.
  - (c) SIC-21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* will not be withdrawn. Instead it will be amended to exclude from the scope investment property measured using the fair value model in IAS 40.

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- (d) The disclosure requirement in proposed paragraph 81(l) will be removed.
10. If the Board adopts Alternative C at this meeting, the final revisions to the standard will differ from the ED in the following respects:
- (a) The exception will not be created in IAS 12. Instead, application guidance that will achieve a similar result will be added to IAS 12.
  - (b) The scope will no longer be defined. Application guidance is provided on revalued property and investment property carried at fair value.
  - (c) The presumption of sale will no longer be used. The guidance clarifies that the asset is recovered through use to the extent that the future economic benefits embodied in the asset decrease as a result of generating income from using the asset.
  - (d) The proposed paragraph 51D relating to assessment of deferred tax asset will be removed.
  - (e) The disclosure requirement in proposed paragraph 81(l) will be removed.

**Question 3**

Has the Board conducted sufficient due process for the approach that it chose in Agenda Paper 1B?

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