

NZASB Exposure Draft 2019-1

Uncertainty over Income Tax Treatments (Proposed amendments to PBE IAS 12)

(NZASB ED 2019-1)

Invitation to Comment

March 2019

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| NZASB ED 2019-1 <i>Uncertainty over Income Tax Treatments</i> (Proposed amendments to PBE IAS 12) | |

Information for respondents

Invitation to Comment

The New Zealand Accounting Standards Board (NZASB)¹ is seeking comments on the specific matters raised in this Invitation to Comment. We will consider all comments before finalising the proposed amendments to PBE IAS 12 *Income Taxes*.

If you want to comment, please supplement your opinions with detailed comments, whether supportive or critical of the proposals, as both supportive and critical comments are essential to a balanced view.

Comments are most useful if they indicate the specific paragraph to which they relate, contain a clear rationale and, where applicable, provide a suggestion for an alternative. Feel free to comment on only those questions or issues that are relevant to you.

Comments should be submitted electronically using our 'Open for comment' page at: <https://www.xrb.govt.nz/accounting-standards/standards-in-development/open-for-comment/>.

Please include *Uncertainty over Income Tax Positions* in the subject line and indicate whether the comments are made on your own behalf, or on behalf of a group of people, or an entity.

The closing date for submissions is **Friday, 28th June 2019**.

Publication of submissions, the Official Information Act and the Privacy Act

We intend publishing all submissions on the XRB website (xrb.govt.nz), unless the submission may be defamatory. If you have any objection to publication of your submission, we will not publish it on the internet. However, it will remain subject to the Official Information Act 1982 and, therefore, it may be released in part or in full. The Privacy Act 1993 also applies.

If you have an objection to the release of any information contained in your submission, we would appreciate you identifying the parts of your submission to be withheld, and the grounds under the Official Information Act 1982 for doing so (e.g. that it would be likely to unfairly prejudice the commercial position of the person providing the information).

¹ The NZASB is a sub-Board of the External Reporting Board (XRB Board), and is responsible for setting accounting standards.

List of abbreviations

The following abbreviations are used in this Invitation to Comment.

| | |
|---------|---|
| ED | Exposure Draft |
| IASB | International Accounting Standards Board |
| IPSASB | International Public Sector Accounting Standards Board |
| ITC | Invitation to Comment |
| NZ IFRS | New Zealand equivalents to International Financial Reporting Standards |
| NZASB | New Zealand Accounting Standards Board, a sub-Board of the External Reporting Board |
| PBE | Public benefit entity |
| IPSAS | International Public Sector Accounting Standard |

Questions for respondents

| | Paragraphs |
|---|------------|
| 1 Do you agree with the proposed amendments to PBE IAS 12? If you disagree, please explain why. | 10–12 |
| 2 Do you agree with the proposed consequential amendments to PBE FRS 47? If you disagree, please explain why. | 13 |
| 3 Do you agree with the proposed effective date of annual financial statements covering periods beginning on or after 1 January 2020, with early adoption permitted? If you disagree, please explain why. | 14 |
| 4 Do you have any other comments on the ED? | |

1. Introduction

1.1 Background

1. NZASB Exposure Draft 2019-1 *Uncertainty over Income Tax Treatments* (Proposed amendments to PBE IAS 12) (the ED) contains proposals to incorporate into PBE IAS 12 *Income Taxes* the guidance in NZ IFRIC 23 *Uncertainty over Income Tax Treatments*. NZ IFRIC 23 clarifies how to apply the recognition and measurement requirements in NZ IAS 12 when there is uncertainty over income tax treatments. Although few PBEs pay income taxes, those that do could encounter the issues addressed by NZ IFRIC 23.
2. The NZASB regularly considers new standards, interpretations and amendments issued by the IASB and IPSASB and forms a view on whether those pronouncements should be incorporated in PBE Standards. While the majority of PBE Standards are based on IPSAS, certain PBE Standards, such as PBE IAS 12, are based directly on NZ IFRS for which there is no equivalent IPSAS and the IPSASB is not expected to develop such an IPSAS in the foreseeable future. When the IASB issues a pronouncement that amends (or complements) an NZ IFRS on which a PBE Standard is directly based, the NZASB considers whether the PBE Standard needs to be updated to maintain alignment with the equivalent NZ IFRS.

1.2 Purpose of this Invitation to Comment

3. The purpose of this Invitation to Comment (ITC) and associated ED is to seek comments on the proposal to incorporate NZ IFRIC 23 into PBE IAS 12.
4. When finalised, the proposals will amend the requirements for public benefit entities (PBEs) in Tiers 1 and 2.

1.3 Timeline and next steps

5. Submissions on the ED are due by **28 June 2019**. Information on how to make submissions is provided on page 4 of this Invitation to Comment.
6. After the consultation period ends, we will consider the submissions received, and subject to the comments in those submissions, we expect to finalise and issue the amendments.

2. Overview of Invitation to Comment and ED

2.1 Summary

8. This Invitation to Comment and accompanying ED seek feedback on the proposal to incorporate into PBE IAS 12 *Income Taxes* the guidance in NZ IFRIC 23 *Uncertainty over Income Tax Treatments*.
9. This will be achieved by adding Appendix B to PBE IAS 12.

2.2 Proposed amendments to PBE IAS 12

Appendix B: Uncertainty over Income Tax Treatments

10. The proposed Appendix addresses the following matters when there is uncertainty over income tax treatments:
 - (a) whether an entity considers uncertain tax treatments separately;
 - (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
 - (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
 - (d) how an entity considers changes in facts and circumstances.
11. The proposed Appendix also includes application guidance on:
 - (a) application of the requirement to reassess a judgement or estimate if the facts and circumstances on which the judgement or estimate was based change; and
 - (b) disclosures when there is uncertainty over income tax treatments.

Transition

12. The ED proposes two possible transition methods:
 - (a) retrospective application in accordance with PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors*, including restatement of comparative information, if that is possible without hindsight; or
 - (b) retrospective application without restatement of comparative information, with the cumulative effect recognised on the date of initial application of the amendments.

Question for respondents

1. Do you agree with the proposed amendments to PBE IAS 12? If you disagree, please explain why.

2.3 Proposed amendments to other PBE Standards

13. The ED proposes to add into PBE FRS 47 *First-Time Adoption of PBE Standards by Entities Other Than Those Previously Applying NZ IFRS* a short-term exemption for first-time adopters of PBE Standards. First-time adopters whose date of transition to PBE Standards is before the proposed effective date of the proposed amendments are not required to present in their first PBE Standards financial statements comparative information that reflects the proposals in this ED.

Question for respondents

2. Do you agree with the proposed consequential amendments to PBE FRS 47? If you disagree, please explain why.

2.4 Effective date and other comments

14. The proposed effective date in the ED is annual financial statements covering periods beginning on or after 1 January 2020, with early adoption permitted.

Question for respondents

3. Do you agree with the proposed effective date of annual financial statements covering periods beginning on or after 1 January 2020, with early adoption permitted? If you disagree, please explain why.
4. Do you have any other comments on the ED?