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EFRAG
35 Square de Meeûs
B-1000 Bruselas
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Dear Sirs,

We are writing you in relation with the draft comment letter on the Income Tax ED prepared by EFRAG.

The reason of our letter is to express our concern about the draft answer to question 1 about "Definition of tax base and temporary differences" in which EFRAG is expressing a very negative position to the amendment proposed by the IASB.

From our point of view the new definition of tax base, based on the tax effect of selling the asset at the reporting date is better than the existing one and, as argued by the IASB, will help to resolve some uncertainties that have arisen in practice.

One of these uncertainties is the case where a company, due to a tax authorities decision, cannot recover for tax purposes the acquisition cost of an asset through (tax) depreciation during its useful life but can recover it, on sale or destruction at the end of its useful life. The application of present p51 and p52 IAS 12, and the interpretation of those paragraphs by most of the audit firms (not all), has supposed in the past the recognition of big tax liabilities and losses in industrial companies when due a tax authorities decision, the acquisition cost of an asset becomes non tax deductible for depreciation purposes, but continues being deductible in the case of sale or destruction of the asset. The most recent example of this has been the Abolition of Industrial Buildings Allowances in the UK, that has had a very significant impact in our financial statements of December 2008. Instead of this, the application of US GAAP and the new ED approach would have precluded the initial recognition of the liability.

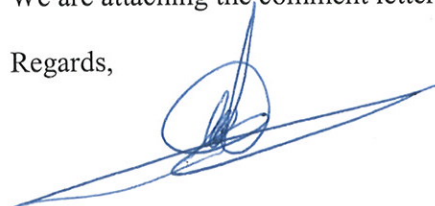
Another question to bear in mind is that there is not an unanimous interpretation of the audit firms about this issue according current standards, and this has supposed in the past contradictory applications between European companies

We think this is a very important issue that should be resolved with the new standard and we understand that the proposal written by EFRAG is not giving a solution.

We will be happy to have a meeting or a conference call to discuss this in depth.

We are attaching the comment letter we have sent to the IASB about the issue.

Regards,



Jesús Herranz Lumbreras
Group Financial Controller