

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

Deferred tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

Cover Note

Objective

- 1 The objective of this session is to discuss and agree to recommend to the EFRAG Board, the draft final endorsement advice on the amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (the 'Amendments').

Background

- 2 In 2018, the IFRS Interpretations Committee (IFRS IC) received a request to clarify the accounting for deferred tax under IAS 12 in circumstances when both an asset and a liability arises from a single transaction. Typical examples are the recognition of a lease (which involves recognising a lease asset and a lease liability), and a decommissioning provision (with the counter-entry recognised as part of the related asset).
- 3 The IFRS IC observed that entities apply IAS 12, in particular the initial recognition exception, in different ways to such transactions. The IFRS IC decided to ask the IASB to amend IAS 12.
- 4 The IASB issued the Amendments on 7 May 2021 which are effective from 1 January 2023 (entities may apply them earlier). The Amendments restrict the application of the initial recognition exemption so that it would not apply to transactions that give rise to temporary differences of the same amount. Additional details on the Amendments were included in the cover note presented at 17 June EFRAG TEG meeting ([here](#)).
- 5 The European Commission issued a letter requesting advice on the endorsement of the Amendments on 21 May 2021 ([here](#)). The letter does not identify specific additional issues to investigate.
- 6 A link to the IASB publication, on EFRAG's website, is provided under permission of the IASB and is only valid until the publication of the Amendments/Standard in the official journal ([here](#)).
- 7 At its 17 June 2021 meeting, EFRAG TEG agreed to recommend to the EFRAG Board to publish the invitation to comment on EFRAG's assessments on the Amendments and a draft letter to the EC that includes EFRAG's endorsement advice (DEA) that recommends the adoption of the Amendments.
- 8 On 6 July 2021 by written approval procedures EFRAG Board unanimously agreed on the documents mentioned before.

Final Endorsement Advice

- 9 The EFRAG consultation period for the DEA ended on 30 September 2021. At the date of writing this paper, EFRAG has received three comment letters which approve the assessment in the DEA with no further comments:

Respondent	Category	Country
Comissão de Normalização Contabilística (CNC)	National Standard Setter	Portugal
Instituto de Contabilidad y Auditoría de Cuentas (ICAC)	National Standard Setter	Spain
Organismo Italiano di Contabilità (OIC)	National Standard Setter	Italy

- 10 The EFRAG Secretariat contacted various standard setters due to the low number of comment letters received. ASCG confirmed agreement as it was approved in TEG and Board by ASCG. AFRAC currently prepares a letter. We will update TEG orally during this meeting. Another standard setter might respond just after the TEG meeting, but before the EFRAG Board meeting.
- 11 As we have not received any negative answer nor qualitative comment, EFRAG Secretariat recommends to EFRAG TEG to recommend to the EFRAG Board the approval of the Final Endorsement Advice. Changes to the approved Draft Endorsement Advice are only those necessary to reflect its final status.

Questions for EFRAG TEG

- 12 Does EFRAG TEG agree to recommend the final endorsement advice (contained in paper 06-02) for consideration by the EFRAG Board?

Agenda Papers

- 13 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 06-02 – EFRAG’s letter to the European Commission regarding Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (*Amendments to IAS 12*)