



FEEDBACK REPORT ON THE EUROPEAN OUTREACH EVENT ON EFRAG PROACTIVE DISCUSSION PAPER ON IMPROVING FINANCIAL REPORTING ON INCOME TAX

EFRAG

UK ACCOUNTING STANDARD BOARD

DASB – DUTCH ACCOUNTING STANDARD BOARD

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DISCLAIMER

This feedback report has been prepared by EFRAG secretariat for the convenience of European constituents. The content of this report has not been subject to review or discussion by the EFRAG Technical Expert Group although it has been jointly approved for publication by representatives of EFRAG, the UK ASB and the DASB attending the event.



Panel

- *Hans de Munnik – DASB Chairman*
- *Hans Schoen – Auditor*
- *Mario Abela – EFRAG Research Director*
- *Andrew Lennard – UK ASB Research Director*
- *Giorgio Alessio Acunzo – EFRAG Project Manager*

Executive summary

Objective

EFRAG's Discussion Papers were issued as part of its proactive projects on different topics

Improving the Financial Reporting of Income Taxes

EFRAG together with National Standard Setters is organising outreach events to collect constituents' views on the topics.

Next Step

In December 2011 EFRAG issued a Discussion Paper on 'Improving the Financial Reporting of Income Tax'. This publication has been issued together with the UK Accounting Standards Board (UK ASB).

The Discussion Paper on Income tax represents the first step to gain input on whether IAS 12 *Income Taxes* should be improved, or whether there should be a fundamental rethinking and a new approach to be pursued. Several commentators argued that IAS 12 is a difficult standard to understand and apply, and users do not find the information reported on income tax useful. Others argued that income tax represents one of the most significant single costs to most businesses and the accounting for it remains relevant.

EFRAG and the UK ASB are keen to gather views from constituents and obtain input in order to understand what practitioners and others think about the topic.

This feedback statement summarises the comments made at the outreach event held in Amsterdam on 17 April 2012 at the NBA (*Nederlandse Beroepsorganisatie van Accountants*), which had been arranged in co-operation with the Dutch Standard Setter; the *Raad voor de Jaarverslaggeving* (DASB).

It is expected that the input from this event (and similar events being held in other countries) will be beneficial to EFRAG, the National Standard Setters involved, and the future work of the IASB.

This feedback report is intended to be read together with EFRAG's Discussion Paper on Income Tax, which details the arguments



discussed at this outreach event.

Comments on the Discussion Paper Improving the Financial Reporting of Income Taxes are expected by 29 June 2012. Comments should be submitted to:

commentletters@efrag.org

EFRAG has deliberately not taken a position in the Discussion Paper. Given the objective of the Discussion Paper, EFRAG has attempted to provide a comprehensive analysis of the issues and the clear intention is for constituents to consider the arguments set out and provide their views. The nature of comments received are expected to form the basis for EFRAG's re-deliberation of the issues. As part of the redeliberations, a decision on the further steps will be taken before presenting the views to the IASB.

EFRAG proactive activities

It is important to set this project within the broader context of EFRAG's Proactive Work. This proactive work is done in partnership with National Standard Setters in Europe to ensure resources are used efficiently and to promote stronger coordination at a European level. EFRAG aims to influence future standard-setting developments by engaging with European constituents and providing timely and effective input to early phases of the IASB's work. There are four strategic aims that underpin EFRAG's proactive work:

- Engaging with European constituents to ensure we understand their issues and how financial reporting affects them;
- Influencing the development of global financial reporting standards;
- Providing thought leadership in developing the principles and practices that underpin financial reporting; and
- Promoting solutions that improve the quality of information, are practical, and enhance transparency and accountability.

More detailed information about our proactive work and current projects is available on EFRAG's website (www.efrag.org).

Methodology

The Outreach event was conducted by presenting the main topics analysed within the Discussion Paper to an audience made up mainly of preparers, users, and practitioners.

Participants were requested to express their views in response to the questions included in the Discussion Paper.

The EFRAG secretariat prepared this feedback statement for release



on EFRAG's website.

Level of participation

The tables below show the number of participants by nature and by industry:

Nature	Number	Industry	Number
Users	13	Accountants	10
Preparers	7	Banking & Insurance	4
National Standard Setters	5	Software	1
Total	25	Printing and related services	1
		University	2
		Others	7
		Total	25



Opening and Introduction

The DASB Chairman welcomed participants to the event and noted that it was a valuable opportunity for Dutch constituents to express their views on a topic which has been identified by different parties as something to be improved for several reasons. He recalled that - in the past years - the IASB tried to set up a project to address certain tax issues which had come to its attention, but unfortunately the debate had resulted neither in any step forward nor in any improvements to the existing guidance.

Part 1: Significant Improvements to IAS 12

The ASB Research Director introduced the topics dealt with within the paper and provided information on the reason which led the EFRAG and the UK ASB, together with other National Standard Setters, to set up the project and publish the discussion paper. He stressed that the discussion paper does not express any views; however, he underlined that it is supposed to stimulate the debate on improving the financial reporting of income taxes and therefore gathering inputs and views from constituents and interested parties. There might be situations indeed where respondents would support the view that the current standard does not need to be completely rethought but simply fixed in those general areas where enhanced and additional guidance is generally perceived to be required. Conversely, it might become clear from these outreach events that constituents believe the standard - as it currently is - fails in responding to stakeholders' needs and therefore a completely new approach should be developed.

The UK ASB Research Director provided a brief background on how the current standard had been developed and noted that, generally, IAS 12 is considered to be difficult to understand and apply. In addition, he referred to reports that users generally struggle in finding the information they need, understanding entities' tax strategies and tax rate and, above all, obtaining useful information in forecasting expected future tax cash payments. Moreover, he noted that the complexities arising from applying IAS 12 usually impair the transparency of financial information related to Income tax figures within the profit and loss and the statement of financial position.



Is there a problem with IAS 12 or with the way it is currently applied?

Tax accounting is influenced by local jurisdiction requirements; in preparing consolidated figures relevant information could be lost or cluttered

Clarity is needed even on definitions

Cash flows related to taxes and sustainable tax rate represented the information requested by users

Income taxes currently included

He presented some fact patterns to participants at the event, namely the tax effect of purchase of non-deductible fixed assets and of intra group sales, which struggle to find an acceptable solution within the logic of the current IAS 12. These, among others, were some of the reasons which had inspired the discussion paper.

The DASB Chairman wondered if the highlighted problems in understandability, complexity and lack of transparency with IAS 12 relied in the application of the requirements therein or in understanding the effect of its application. Some in fact may argue that – without a technical knowledge of how the standard applies – it is difficult to derive useful information, especially for users, even when reading the notes.

A preparer from an academic background stressed the importance of providing enhanced guidance in order to fairly represent entities' tax situation, and accordingly, disclosing what happens at a single tax jurisdiction level. He believed that in preparing consolidated financial statements, all the information is put together; the result appearing to be confusing and somehow misleading. He therefore believed that having information on the composition of consolidated figures by unbundling them according to different tax national jurisdictions may enhance the transparency and the understandability of financial information related to tax.

The EFRAG Research Director described Part 1 of the discussion paper which is based on the assumption that the current IAS 12 needs only some improvement in order to remove perceived inconsistencies to meet both preparers and users' needs. He noted that, during past years, several issues had been brought at the IFRS Interpretation Committee's attention (among others to clarify the definition and the meaning of income taxes) but often no solution had been identified to resolve them.

The DASB Chairman expressed his view that if the definition would have been changed in 'corporate taxes' from the one currently in use of 'income taxes' at least the issues related to the scope of the standard resulted to be removed.

The EFRAG Research Director added that the discussion paper analysis stemmed from the needs of users who are substantially interested in forecasting the future cash outflows related to taxes, which is the entity's sustainable tax rate. Such premise implies that the reconciliation between the actual tax charge to the charge on profit at the statutory tax rate might represent the key area of improvement to enhance the understandability of



*in the profit and loss comprised
non cash income and expense
due to the deferred tax
recognition and reversal*

income taxes.

The DASB Chairman described what had happened in the Netherlands in past years when current values had been used to recognise fixed assets in some industries. In such cases, he noted, a deferred tax liability had been recognised and subsequently reversed into the income statements even if such restatement would have determined no cash outflow impact. He emphasised the situation when entities actually never sell the asset they revaluated as they are, in fact, periodically replaced. He also highlighted that in some jurisdictions and industries, especially in the Oil and Gas industry, there is the possibility to gross up the value of the asset to recognise the tax liability related even if no cash outflow is foreseen thereon. He believed that users' interest would understand the reason for such accounting treatment and he questioned whether recognising tax liabilities (or assets) may derive from the need to determine a stable tax rate instead of considering only cash flows.

The EFRAG Research Director described the paradox that users want to understand an entity's expected tax cash outflows whereas they do not want to see a tax rate which fluctuates. They therefore preferred to see a tax rate smoothed out, implying that non cash out tax charges should be included in the tax line within the profit and loss. He noted that the European outreach may be also beneficial in understanding users' needs. The analysis which had been carried out so far stressed the importance of the disclosures on tax reconciliations as it might provide information both on the quality of income taxes and on the impact of cash flows of the expenses recognised within profit and loss. He also pointed out that users complain about the understandability of the tax information provided with at consolidation level as it is made up by numbers determined in different jurisdictions each with its own set of tax regulations; moreover, he stressed that some argue that the consolidated blended tax rate, and accordingly its reconciliation, appears to be fictitious as in fact, the group as an entity, does not pay tax at all.

Tax reconciliation

*Could the complexities within
different tax jurisdictions be
adequately summarised in the
proposed macro categories
included in the tax rate*

The EFRAG Research Director continued presenting the proposed area of improvement in the discussion paper in terms of recognition and measurement, namely the discounting of tax assets and liabilities and the accounting for uncertain tax position.

The DASB Chairman, looking at the proposed framework to present the tax rate reconciliation, wondered if presenting only three major categories of tax phenomena really enhanced financial disclosure and understandability thereof. He noted that



reconciliation table?

in some jurisdictions there are circumstances when an expense is deductible twice and income is taxable likewise. He therefore questioned the need for further analysis in order to encompass more cases such as the double accounting he referred to.

The EFRAG Research Director agreed that it was a relevant topic to further investigate even if it is depended on different industries and jurisdictions, and noted that users usually require disclosure on the entity's tax strategy and the tax risk entities choose to take (which are not included among the current set of disclosures required by IAS 12). He observed that entities should provide such information on behalf of users in the management commentary. Moreover, it is important to note that preparers are quite sensitive in disclosing details about such topics.

Some bright line is needed to state where disclosing numbers and general tax strategies

The DASB Chairman understood that, according to what the EFRAG Research Director had said, the figures should have been included in the financial statements and in the notes, while the description of the whole tax strategies which would help in understanding the abovementioned entity's tax effect should be included in the management commentary. He believed it was an important distinction and supported it.

A user with an auditing background expressed his support for the proposed model within the discussion paper as he believed that the way information would be presented within the tentative tax rate reconciliation table enhanced transparency. In addition, he expressed his view on the importance of addressing the other issues identified within the paper in term of recognition and measurement of tax related phenomena.

Further and enhanced disclosure is perceived as the way to address the additional call for clarity and understandability

A user with an auditing background expressed his view on the importance of providing, in any case, additional qualitative narratives in the notes in order to let users comprehend numbers disclosed therein. He expressed his support on a kind of referenced disclosure given the complexity of the topic.

Geographically, any comments and disclosure on what influence numbers in the statements should be included in the notes. In addition entities should be required to disclose at least its main tax drivers which had influenced the reported numbers.

A user stressed the importance of providing disclosure on tax matters primarily in the notes while agreeing that any additional information could have been included also in the management commentary. Moreover, he underlined that tax figures still result in being difficult to model and therefore require a unique set of formats - as all different entities belonging to several industries may not resolve the problem. Accordingly, he believed that entities should be free to disclose what they believe is useful to users; he expressed the view that it could be beneficial to require entities to enhance disclosure on the main tax drivers and on the most significant tax events. Furthermore, he believed



Disclosure is perceived as the key element to enhance the understandability of income taxes.

EFRAG's proactive projects interactions

Too many disclosure may confuse instead of clarifying

Unbundling tax disclosure on a segment reporting level may enhance relevance and understandability

that materiality should also be considered in deciding which information shall be provided as users were not interested in minor and non recurrent effects, and preferred to understand what is included in the notes rather than get lost in them.

The DASB Chairman questioned whether entities should be required to provide information on tax strategy while on other significant areas no additional disclosure is currently requested. He noted that most likely even on financial instruments the call for additional disclosure had stemmed from the financial crisis rather than from users' needs. He supported the development of a general model which would help preparers in deciding what should and should not be included in the notes.

A user expressed his view that enhancing the disclosure on the most relevant tax drivers, which had affected the entity's tax position, might represent a sufficient set of disclosure to provide users with.

An auditor agreed on the need for a disclosure framework in order to understand what should be presented and underlined that EFRAG is going to finalise a discussion paper on such topic. In addition, considering the discussion on disclosing entity's strategies, he noted that EFRAG's proactive project on business model may also prove to be beneficial as users wanted to understand the overall context in which disclosed events and transactions had occurred.

A preparer with an academic background emphasised that, at times, too much disclosure is included in the notes, which results in confusing users instead of enhancing their comprehension. In addition, he stressed the importance of providing information which allowed users to understand the effect in the accounting statements and help them in predicting possible future effects deriving from the occurred event.

The DASB Chairman questioned whether there existed a preferred model of presenting information on the tax rate reconciliation (e.g. blended model reflecting the group, parent company model).

The ASB Research Director noted that an IASB member joining the team work in developing the paper had shown sympathy for presenting a multicolumn table, unbundling the consolidated information, hence providing disclosure at least on the tax rate reconciliations related to relevant jurisdictions.

The DASB Chairman expressed his support in providing such type of multicolumn disclosure based on different geographical segment reporting.



Discounting

Discounting is a current principle in the applicable system of IFRS accounting

A preparer from a multinational group expressed his support for providing information on blended tax rate, believing it better provides information at a group level. He also believed it could be beneficial to require some disclosure on the reconciliation between the parent company tax rate and the group one.

An auditor asked the preparer if in his experience information on the movements in the blended rate from year to year was also provided. He believed that providing information on the composition and explanation on blended rate movements were a difficult task for preparers.

A preparer noted that users understand the mechanic and the mathematic of such reconciliations; however, he supported the proposal of enhancing the disclosure thereon.

The EFRAG Research Director introduced the discussion included in the discussion paper on discounting tax assets and liabilities.

The DASB Chairman expressed his support to discount tax amounts as he believed that it is implied in the concepts of temporary difference the step of identifying the future time frame in which differences will reverse. Tax planning in future periods therefore implied the concept of measuring tax assets and liabilities at a discounted amount.

A member of the DASB agreed with the view expressed.

The DASB Chairman expressed his view that in a principle basis accounting, and given the current IFRSs literature - discounting should be the general rule.

The EFRAG Research Director introduced the discussion included in the discussion paper on uncertain tax position.

A user with an auditing background supported the DASB Chairman's view (previously expressed) on introducing discounting in deferred taxes, because he felt that recognising both a full deferred tax liability (e.g. on investing property) and a full deferred tax asset (e.g. on tax losses carried forward) does not properly depict entities' financial situation. In addition, he believed that adopting the discounting principle in accounting for tax assets and liabilities would permit more entities to apply IFRSs.

Another user with an auditing background supported this view.

The DASB Chairman called for a vote and all participants at the event supported the introduction of the discounting principle in accounting for deferred tax assets and liabilities. He only



Application issue should be addressed before applying discounting to deferred tax

wondered which would have been the rate to apply.

A preparer with an academic background emphasised that together with the identification of the applicable discounting rate, some problems may also arise when the asset or the liability on which calculating the deferred tax effect are already discounted (e.g. a pension liability).

The DASB Chairman asked for opinions on which might be the applicable rate to discount deferred tax asset and liabilities.

The EFRAG Research Director wondered if something like the risk free rate should be applied.

An auditor expressed his view in favour of discounting as he believed that it might represent a test to the existence of entities' tax strategy. In addition, he noted that the issue of the applicable tax rate needed to be addressed too. He noted that he had always struggled with evaluating the reliability of the disclosure provided in management commentary without some corresponding evidence in the numbers. He noted that entities forecast cash flow for several reasons and believed they could not envision that the tax effect on those cash flows may cast doubts on the existence of a tax strategy at all.

Uncertain tax position

The DASB Chairman requested participants at the event to express their views on uncertain tax positions.

Material item should be disclosed even if they have no cash outflow

A user stressed the importance of clearly dividing the numbers related to current taxes from those not recurrent and deriving, for instance, from changes in estimate related to uncertain tax position. He underlined that he would be in favour of obtaining relevant information on such expense even if it had not direct impact on current cash flows.

A member of the DASB believed there could be significant interactions with other standards in recognising and measuring liabilities related to uncertain tax positions (e.g. business combination).

A user with an auditing background underlined that he had always found the guidance set in IAS 37 applicable; therefore he believed that any attempt to improve IAS 12 on uncertain tax position would need to be aligned with IAS 37. Furthermore, he believed that the only current and existing guidance set in IFRS literature on disclosing risks does not meet users' needs alone.

The DASB Chairman wondered whether users would effectively derive benefits in obtaining only disclosure on uncertain tax position and questioned users about what would happen in circumstances when they would have reached a different



What should be the set of disclosure to provide to help users in making their own evaluation?

Arguments supporting management's evaluation should be provided

Terminology should be carefully evaluated in defining the value at which recognising and evaluating a liability related to uncertain tax position

Best estimate approach together with enhanced disclosure is the unanimous view expressed at the event

position in evaluating what had been disclosed within the notes.

In response to the question asked by the DASB Chairman, a user stressed the importance of applying materiality in evaluating such uncertainties and the corresponding disclosure thereon. He also noted that together with providing accurate and complete disclosure entities should not distort and bias the information shown in the accounting statements as users might be influenced in evaluating the sustainable tax rate of the entity.

The DASB Chairman wondered what it should have been the proper set of disclosure to provide on uncertain tax position in order to make users benefited from it.

A preparer with an academic background expressed his support in recognising and measuring liabilities related to uncertain tax position at their best expected value instead of choosing a probability weighted approach. In addition, he believed that disclosure should permit users to understand the management process in coming at that value, and in considering it as the best estimate among possible others.

An auditor thought that introducing the best expected value in measuring liabilities stemming from uncertain tax position, would not avoid the risk of applying a probability weighted approach, given that in the IFRS literature there are no clear definitions on the meaning of such terms and therefore best expected value appears to have a different meaning in different standards. Being a user he supported the views expressed in favour of enhanced disclosure on tax risks and of isolating the effect of such events in the profit and loss statements. Furthermore, he wondered why entities were used to deal with uncertainties related to deferred tax asset while struggled with uncertain tax liabilities.

The DASB Chairman called for a vote and all participants at the event supported the use of the best estimate approach in recognising and measuring uncertain tax position and in providing disclosure in accordance with IAS 37 and other relevant standards. In addition, he stressed the importance of having gathered the view that it appears to be more difficult to deal with uncertain tax position than with uncertain tax asset.

A user with an auditing background expressed the view that deferred tax assets' numbers are basically derived from an entity's prospective, while uncertain tax positions are subjected to the resolution and the reaction of the Tax Authority.

An auditor wondered whether also the recoverability of the uncertain tax asset was subject to the acceptance of Tax



The occurrence of the event which triggers the recognition of deferred tax asset and liability should represent the difference to further investigate

Authority and could be also disputed.

The DASB Chairman noted that, while deferred tax assets arise from past events and thus entities have a major control over its own number and should be evaluated only in terms of future recoverability, tax liabilities derived from uncertain tax position imply the prediction of future events basing on fact and circumstances which do not have any reflection in the book.

An auditor appreciated the arguments provided and believed such views should be in some extent reflected into the discussion paper.

Part 2: Alternative approach to Income Tax

The UK ASB and the EFRAG Research Director introduced the second part of the discussion paper which reviews the alternative approach to income tax in circumstances when constituents believed that the current standard on income taxes should not be improved in order to remove the perceived inconsistencies. The EFRAG Research Director underlined that the analysis was not aimed at identifying the solution to each issue within the IAS 12 (e.g. initial recognition exception), but rather at evaluating whether approaches developed in different countries and contexts could be validly adopted to account for Income taxes. Furthermore, the UK ASB Research Director presented the different arguments supporting each approach analysed within the discussion paper, namely the temporary difference approach (the one in IAS 12), the flow through approach, the valuation adjustment approach, the partial allocation approach, and the accruals approach. In presenting the temporary difference approach he pointed out that the premise for not allowing the discounting of deferred tax relies on the mechanics of applying the standard which require to recognise deferred tax on the differences arising from the comparison of the values included in the statement of financial position (i.e. the balance sheet) and their corresponding tax value.

Temporary difference approach

The DASB Chairman expressed his view that both preparers and users were comfortable with both the mechanics and the output deriving from the application of IAS 12. In a principle based accounting system, the requirement of account for a deferred tax, every time there is a difference between the book value and the correspond tax value, appear to be consistent with the underlying principle. In addition, he believed that preparers and users had now silently accepted the existence of the exceptions within IAS 12 even if they are not welcomed. He also



expressed his view that the exceptions stemmed from the users' needs of having a stable tax rate on one side, and of obtaining relevant information of tax cash outflows on the other.

The UK ASB Research Director noted that the existence of exceptions multiplies complexities in applying the standard.

A user with an auditing background supported such a view and noted that after a training period IAS 12 had resulted in an effective standard. He noted that a consistent standard is also applied in the context of local Dutch standard on taxes.

A preparer with an academic background also expressed his support to the temporary different approach.

An auditor wondered whether as an alternative to the balance sheet approach it might enhance the quality of financial information to use approach focused on performance and therefore on the profit and loss statements instead on the balance sheet.

The DASB Chairman expressed his view that such approach is not in compliance with the Framework as it is not based on the accrual basis of accounting.

A preparer noted that it does not help in predicting future cash flows as it recognises only current expenses.

Flow through approach

A user with an auditing background wondered whether it might be effective to consider only the deferred taxes which are foreseen to reverse in the future four or five years. He believed it may represent a compromise for those who struggle with recognising deferred taxes on a balance sheet basis as they believed that they would not respect the definitions of assets and liabilities included in the framework.

The DASB Chairman expressed his concern on this view.

A user supported the view expressed by the DASB Chairman and shared his concern in applying the flow through approach.

Another user with an auditing background asked whether any academic literature had been produced on the effect of the application of the flow through approach.

Another preparer supported the majorities' view at the event.

A user expressed his concern in recognising several tax assets spread out all over the asset side of the balance sheet; in addition, he believed it would clutter the users' analysis of the entity once all those piecemeal assets would remained hidden within the line of the asset they related to.

A user with an auditing background also believed that looking at



Valuation adjustment approach

the assets by considering the tax effect may not faithfully represent entities investment decision, which encompasses indeed optimising analysis on the tax effect but do not stem from them.

The DASB Chairman expressed his concern on the risk that adopting such approach may result in overstating income reserves, and therefore distributing not realised income through dividends.

Partial allocation approach

A user with an auditing background argued that the same concern expressed by the DASB Chairman may arise in recognising all liabilities in applying the temporary difference approach, because it might be seen as a way to depress income and – accordingly - dividends.

The DASB Chairman believed that applying the principle underlining the temporary principle approach together with the discounting principle would resolve such an issue.

An auditor believed that the conceptual difficulties derived from the Framework which defines what an asset is and what is a liability but it does not define the difference. He agreed that the definition of liability is currently narrow in scope but at the same time he doubted whether accounting for income and therefore reserve within the equity would fairly depict the financial situation of the company even if it is aware that sooner or later such amount should be paid to the tax authority. Accordingly he supported the accounting for a liability and agreed that introducing the discounting principle when recognising deferred taxes would be beneficial in identifying an acceptable and intermediate solution.

An auditor believed that, under a conceptual point of view, the accrual approach best complies with the Framework. However, he believed that choosing as unit of accounting each single transaction will result burdensome. In addition, he believed that neither the Tax Authority nor users look at the entity's tax position on an overall basis and do not on a transaction by transaction basis. He wondered if it may be used to partially solve some problems currently perceived in applying IAS 12.

Accrual approach

The DASB Chairman questioned whether an accounting event (e.g. impairment of fixed asset) should have had any impact in applying such approach.

The ASB Research Director believed that together with the transaction also the simple recognition of income and expensed should be seen as an event triggering the recognition of the tax impact. However, he noted that such approach could be



improved further to consider the issue.

The DASB Chairman agreed that further investigation on the concept of trigger event should provide additional relevant arguments.

A user wondered, whether in applying such an approach, the distinction between deferred and current taxes should disappear in the profit and loss statements.

A user indicated that he welcomed this approach even if he believed that the burden of work entities would have been required to do probably would have not been outweighed by the corresponding benefits in terms of enhanced disclosure. He also expressed the view that he usually does not distinguish between current and deferred tax, and hence he would not believe there might be a loss of relevant information.

Closing

The DASB Chairman summarised the discussion so far and felt that, at the event, participants had expressed a general support for the standard as it is with the addition of more and better disclosure; however he noted that some area of improvement had been generally identified.

A preparer, after having evaluated the different approaches discussed into the paper, expressed his concern in applying the accrual approach due to the work needed to implement it; on the contrary he expressed his view that the problem was not the IAS 12 *per se* but the way it had been applied during these years. Therefore, he strongly supports its improvement instead of its replacement.

A user with an auditing background also shared and supported the position expressed by the preparer.

An auditor summarised which might be the future steps according to the output EFRAG would derive from these outreach events. He underlined that constituents are having the opportunity to call for a fundamental re-thinking of the accounting for income taxes, while advocating some immediate change on the topics which had been identified to require an urgent settlement. He noted that the time frame would allow such double approach as the IASB, would have at least taken five years to include within its active agenda a project on income taxes once EFRAG had issued a position paper on the subject.

The DASB Chairman expressed his view that instead of waiting for five years – perceived to be a long period – it would be more



realistic to approach the perceived inconsistencies through the IASB improvement process and call for an improved disclosure on tax matters, even considering the outreaches' output.

A preparer with an academic background expressed his support in addressing the most urgent issues within IAS 12 while continuing the analysis on an enhanced general approach as it felt that the IAS 12 contained too many exceptions, impairing the quality of financial information provided by the entities on the tax area.

The DASB Chairman doubted whether the discounting might have been introduced within the improvement process.

A user also agreed with such approach while stressing the importance of carrying out further research on the different general approaches, as he believed the results reached thus far, looked promising.

A user with an auditing background also supported the improvements to the current IAS 12 standard together with the introduction of the discounting in deferred tax.

The DASB Chairman asked what the FASB's position on the issues dealt within the paper was.

The UK ASB Research Director had a feeling that they would welcome such a project.

The DASB Chairman, after having asked participants at the event for additional comments and verifying that no more feedback was to be provided, closed out the event .