
Project	Income Tax
Topic	Cover note

Purpose of this paper

1. This paper provides a brief summary of the Board decision in March 2010 and a list of proposals that the staff will bring to the Board in July 2010.
2. The staff has included in Appendix A a time table for the Board to introduce limited amendments to IAS 12 based on the most optimistic scenario at this stage.

Summary of the Board decision in March 2010

3. In the March 2010 Board meeting, the Board decided tentatively to change the objective of the *Income Tax* project as follows:

The project objective is to solve problems in practice under IAS 12 *Income Taxes*, without changing the fundamental approach under IAS 12 and preferably without increasing divergence from US GAAP.

4. The Board also decided that tentatively the scope of the *Income Tax* project is to consider the following practice issues:
 - (a) Deferred tax on property remeasurement at fair value; and
 - (b) Uncertain tax positions but only after the Board finalises the revision of *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*.
5. The Board also decided to pursue the following proposals that were generally supported by respondents to the exposure draft issued in March 2009:

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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- (a) the introduction of an initial step to consider whether the recovery of an asset or settlement of liability will affect taxable profit,
 - (b) the recognition of a deferred tax asset in full and an offsetting valuation allowance to the extent necessary,
 - (c) guidance on assessing the need for a valuation allowance,
 - (d) guidance on substantive enactment,
 - (e) the allocation of current and deferred taxes within a group that files a consolidated tax return.
6. Furthermore, the Board indicated that it would explore the possibility of considering the tax effect of dividends paid by certain entities such as real estate investment trusts and co-operative societies.

Proposals in the July 2010 Board meetings

- 7. The staff are bringing to the Board at this meeting a proposal in the Agenda Paper 17A on the issue of deferred tax on remeasurement of investment property at fair value.
- 8. The staff plan to bring to the Board proposals for the remaining issues in following meetings (please see a time table in Appendix A).

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Appendix A: a time table

<i>Timing</i>	<i>Topic</i>
July 2010	remeasurement of investment property at fair value
September 2010	tax effect of dividends by specific entities such as real estate investment trust other proposals in the exposure draft in March 2009 that attracted general support
October 2010	uncertain tax positions.
November 2010	pre-ballot draft and, if needed, second pre ballot draft.
December 2010	ballot and publication
January to April 2011	comment period.
May 2011	consider comments received on the exposure draft
June 2011	finalise the limited amendments to IAS 12