

14 November 2019

International Accounting Standards Board  
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7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom  
Email: [commentletters@ifrs.org](mailto:commentletters@ifrs.org)

Dear Sir/ Madam

**SAICA SUBMISSION ON ED/2019/5 – DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION: PROPOSED AMENDMENTS TO IAS 12**

In response to your request for comments on ED/2019/5 – *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction: Proposed Amendments to IAS 12*, attached is the comment letter prepared by the South African Institute of Chartered Accountants (SAICA). This comment letter results from deliberations of SAICA's Accounting Practices Committee (APC), which comprises members from reporting organisations, regulators, auditors, IFRS specialists, investment analysts and academics.

We thank you for the opportunity to provide comments on this draft exposure draft.

Please do not hesitate to contact us should you wish to discuss any of our comments.

**Ahmed Mohammadali-Haji**  
Chairperson: APC

**Bongeka Nodada**  
Project Director: Financial Reporting  
Standards

# SAICA SUBMISSION ON *DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION*: PROPOSED AMENDMENTS TO IAS 12

## SPECIFIC COMMENTS

### Question

*Do you agree with the Board's proposal to amend IAS 12 in the manner described in the Exposure Draft? If not, why not, and what do you recommend instead?*

The majority of the respondents are in favour of the proposed amendments to IAS 12 as they will be useful in clarifying the application of the IAS 12 requirements in the context of IFRS 16 – *Leases*.

However, suggestions were made to enhance the wording in the exposure draft, including recommendations to expand on the rationale for the proposed amendments. In our view, the wording enhancements could assist entities in better understanding the requirements of the proposed amendments. In terms of paragraph 98K where the following sentence reads: “*An entity may choose to apply the amendments in paragraph 98J retrospectively in accordance with IAS 8, except with respect to the assessment of future taxable profit required by paragraph 24.*” Our proposed wording changes to the sentence are as follows “*An entity is not required to apply the requirement of paragraph 98J with respect to the assessment of future taxable profit required by paragraph 24.*” These revisions could be read to imply that retrospective application is optional with regards to paragraph 24.

We also suggest that paragraph BC2 also refers to IAS 12 paragraph 10 which states: “*It is helpful to consider the fundamental principle upon which this Standard is based: that an entity shall, with certain limited exceptions, recognise a deferred tax liability (asset) whenever recovery or settlement of the carrying amount of an asset or liability would make future tax payments larger (smaller) than they would be if such recovery or settlement were to have no tax consequences.*”

To clarify the objective of the proposed amendment, we recommend that paragraphs BC16 to BC28 be moved to the body of IAS 12 as this will aid the understanding of the amendment.

## OTHER COMMENTS

We request that the amendments be made timeously so that the process can be concluded sooner rather than later as IFRS 16 becomes applicable on 1 January 2019 and the amendments to IAS 12 is applicable to IFRS 16 recognition of right-of-use assets and lease liabilities recorded on transition date.

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