

Accounting Standards Board of Japan (ASBJ)

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IFRS Interpretations Committee
International Accounting Standards Board
30 Cannon Street
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United Kingdom

Comments on the Tentative Agenda Decision Relating to IAS 12 *Income Taxes*—Interest and penalties related to income taxes

1. The Accounting Standards Board of Japan (the “ASBJ”) welcomes the opportunity to comment on the IFRS Interpretation Committee’s (the “Committee”) tentative agenda decision relating to IAS 12 *Income Taxes*— Interest and penalties related to income taxes in the March 2017 IFRIC Update.
2. We do not support the Committee’s decision not to add this issue to the standard-setting agenda.
3. Since the IASB had previously reconsidered IAS 12 based on the understanding that a comprehensive review was necessary, some are of the view that the issue on interest and penalties should be considered as part of a comprehensive review of IAS 12 rather than being addressed independently.
4. However, because there is no specific requirement for interest and penalties related to income taxes, diversity exists in the accounting standard that is applied by entities in the resulting accounting treatment. When the amounts of interest and penalties are material, the amounts recognised in the statement of financial position and the statement(s) of financial performance may vary significantly. In this case, we think that merely providing appropriate disclosures, as proposed in the Committee’s tentative agenda decision, is insufficient in providing useful information in the financial statements. We believe that, from the perspective of achieving comparability, the same accounting treatment should be applied for the same

economic phenomena. Accordingly, we believe this issue be added to the standard setting agenda.

5. The Committee's tentative agenda decision notes that, if an entity determines that amounts payable or receivable for interest and penalties are "income taxes", then the entity applies IAS 12 to those amounts. Our observation is that the judgement regarding whether interest and penalties qualify as income taxes in the light of IAS 12 varies, even within the same jurisdiction where the same taxation system applies. We think that the proposed agenda decision would not address the concern that diversity exists in practice.
6. We hope our comments are helpful for the Committee's and the IASB's consideration in the future. If you have any questions, please feel free to contact us.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Y Kawanishi', with a long horizontal flourish extending to the right.

Yasunobu Kawanishi

Chairman of the Technical Committee for IFRS Implementation
Accounting Standards Board of Japan