

Accounting Standards Board of Japan (ASBJ)

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13 November 2019

Mr. Hans Hoogervorst

Chair

International Accounting Standards Board

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Comments on the Exposure Draft (ED 2019/5) *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Proposed amendments to IAS 12)

1. The Accounting Standards Board of Japan (the “ASBJ” or “we”) welcome the opportunity to provide our comments on the International Accounting Standards Board (“IASB”)’s Exposure Draft *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Proposed amendments to IAS 12)* (hereinafter referred to as “ the ED”), issued in July 2019.
2. We agree with the following proposals in the ED:
 - (a) to change the scope of the deferred tax recognition exemption in IAS 12 *Income Taxes*, so that the accounting for the equal amounts of deferred tax assets and liabilities on initial recognition and subsequent accounting would be aligned; and
 - (b) to provide transition relief in relation to the assessment of the recoverability for deferred tax assets.
3. On the other hand, we do not believe that the guidance that states that “an entity applies judgement in determining whether tax deductions relate to the lease asset or lease liability, having considered the applicable tax law” (paragraph BC6 of the ED)

provides sufficient guidance in determining whether to recognise deferred tax by applying IAS 12.

4. Tax laws in each country are not necessarily prescribed after considering the concepts underlying IFRS standards and, accordingly, there may be cases where it is difficult to make the required judgements even when the applicable tax laws are considered. Therefore, we propose that the IASB provides additional guidance, assuming that there are certain cases where it is difficult to make the required judgements.
5. In this regard, we believe that paragraph 10 of IAS 12, which provides guidance when it is difficult to determine the tax base, may be used as a reference.
6. In addition, we have practical concerns about some issues that are not addressed in the ED. For example, we have concerns about the following issues:
 - (a) The treatment of deferred tax liabilities when the entity does not recognise a deferred tax asset and a corresponding deferred tax liability on initial recognition applying the recoverability requirement, but subsequently a deferred tax asset is recognised as a result of the reassessment of unrecognised the deferred tax asset.
 - (b) How to reflect the results of assessing the probability that the taxable profit will be available in the same taxation authority and the same taxable entity to the deferred tax assets that arise from individual transactions, when the recoverability requirement for deferred tax assets is applied.
7. We hope our comments are helpful for the IASB's consideration in the future. If you have any questions, please feel free to contact us.

Yours sincerely,



Atsushi Kogasaka

Chair

Accounting Standards Board of Japan