

9 November 2019

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sir/Madam

Re: Exposure Draft: ED 2019/5 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

On behalf of the Institute of Public Accountants (“IPA”), I am writing to comment on the Exposure Draft ED 2019/5 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, proposed amendments to IAS 12.

The IPA agrees that with the introduction of IFRS 16 *Leases* there is a risk of diversity in practice in relation to the recognition of deferred tax assets and liabilities arising from a single transaction in the circumstances described in the exposure draft. In particular, the IPA is of view that:

1. The proposed amendments are conceptually consistent with IAS 12,
2. The appropriate unit of account is the deferred tax asset and liability and not the single transaction. The IPA believes it necessary to consider the component parts of a transaction when addressing the appropriate accounting treatment, and
3. The recognition of equal deferred tax assets and deferred tax liabilities does not necessarily result in the crystallisation of those deferred tax assets and liabilities in the same reporting period.

While the IPA supports the proposed amendment to IAS 12, the IPA does not believe there is a conceptual basis for limiting the application of the amendments to circumstances where the deferred tax liability does not exceed the deferred tax assets recognised (IAS.12.22A(b)). This approach is also inconsistent with the unit of account being deferred tax asset or deferred tax liability.

If you would like to discuss our comments, please contact me or our technical advisers Mr Stephen La Greca (stephenlagreca@aol.com) or Mr Colin Parker (colin@gaap.com.au) (a former member of the AASB), GAAP Consulting.

Yours sincerely



Vicki Stylianou
Executive General Manager, Advocacy & Technical
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CC Chair AASB

About the Institute of Public Accountants

The IPA is a professional organisation for accountants recognised for their practical, hands-on skills and a broad understanding of the total business environment. Representing more than 37,000 members in Australia and in over 65 countries, the IPA represents members and students working in industry, commerce, government, academia and private practice. Through representation on special interest groups, the IPA ensures the views of its members are voiced with government and key industry sectors and makes representations to Government including the Australian Tax Office (“**ATO**”), Australian Securities and Investments Commission (“**ASIC**”) and the Australian Prudential Regulation Authority (“**APRA**”) on issues affecting our members, the profession and the public interest. The IPA recently merged with the Institute of Financial Accountants of the UK, making the new IPA Group the largest accounting body in the SMP/SME sector in the world.