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Our ref : RJ-EFRAG 597 B
Direct dial : Tel.: (+31) 20 301 039
Date : Amsterdam, October 28th 2019
Re : Comments on the draft comment letter on IASB ED/2019/5 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Dear members of the EFRAG Technical Expert Group,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to comment on your draft comment letter to the International Accounting Standards Board's (IASB) Exposure Draft ED/2019/5 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*¹ (the 'draft comment letter'). We support the IASB's efforts to help reduce diversity in practice and to require the recognition of deferred tax on transactions that at initial recognition give rise to equal and offsetting temporary differences.

We generally agree with your draft comment letter, with due regard to our comments below. Similar to EFRAG we do not agree with the proposed 'recognition cap' for deferred tax liabilities, which would introduce a new exception to the general principles of IAS 12 and, consequently, might create new difficulties. In addition, we do see the potential of a 'net approach' and recommend the IASB to perform further analysis to evaluate whether a net approach to the temporary differences avoids certain problems and complexity, as addressed in your draft comment letter.

The comments below relate to EFRAG's responses with regard to the 'Questions to constituents'.

Questions to constituents

Below we provide you with our responses to the questions to constituents as included in your draft comment letter.

Q: EFRAG observes that the issue could have been addressed more simply on, for example, an Agenda Decision. This could avoid the complexity introduced by the ED. Do you agree with EFRAG that a simpler solution could have been developed?

Due to the complexity of the issue and considering that an amendment to the standard seems needed to narrow the scope of the IRE (i.e., this cannot be inferred from the current wording in IAS 12), we do not agree with the observation that the issue could have been addressed through an Agenda Decision.

¹ <https://www.efrag.org/Assets/Download?assetUri=/sites/webpublishing/Project%20Documents/1904051103013011/Draft%20Comment%20letter%20-%20Deferred%20Tax%20related%20to%20Assets%20and%20Liabilities%20arising%20from%20a%20Single%20Transaction.pdf>.

Q: If the IASB continues standard setting activity, do you agree with EFRAG's recommendation that the 'cap' should be removed?

We agree with EFRAG's recommendation that the 'cap' should be removed for similar reasons as noted by EFRAG in the draft comment letter. We do see the potential of a 'net approach' but also recognize that further analysis is needed to evaluate whether a net approach avoids other problems and complexity, as also addressed in EFRAG's comment letter.

Q: If you are not using a similar approach to that proposed in the ED, do you expect significant complexity in transitioning to the approach proposed in the ED?

Based on our experience, we do not expect significant complexity in transitioning to the approach proposed in the ED as long as transactions result in the recognition of equal amounts of deferred tax assets and liabilities.

Q: Do you have other concerns with the application of the proposed amendments?

We note that in some instances the proposed wording for specific paragraphs is different while the same meaning seems intended:

Observation 1

- *IAS 12.15(b)(iii) in the ED states: '... (except as described in paragraph 22A)'*
- *IAS 12.24 in the ED states: '... (see paragraph 22A)'*

Observation 2

- *IAS 12.22(c) in the ED states: '... and does not result in the recognition of equal amounts of deferred tax assets and liabilities'*
- *IAS 12.15 (b)(iii) and IAS 12.24(c) in the ED state: '..., does not give rise to equal amounts of taxable and deductible temporary differences'*

Not in the least to avoid potential confusion, we believe that the IASB should use consistent wording.

We will be pleased to give you any further information that you may require.

Yours sincerely,

prof. dr. Peter Sampers
Chairman Dutch Accounting Standards Board