



25 July 2019

To: **Members of the Hong Kong Institute of CPAs**
All other interested parties

**INVITATION TO COMMENT ON IASB EXPOSURE DRAFT
ED/2019/5 *Deferred Tax related to Assets and Liabilities
arising from a Single Transaction***

Comments to be received by 14 October 2019

The Financial Reporting Standards Committee (FRSC) of the Hong Kong Institute of Certified Public Accountants (Institute) is seeking comments on the IASB ED/2019/5. The Exposure Draft is available on the Institute's website:

<https://www.hkicpa.org.hk/en/Standards-and-regulation/Standards/Open-for-comment-documents/fred>

The International Accounting Standards Board (IASB) is proposing amendments to IAS 12 *Income Taxes*. The amendments clarify how companies account for deferred tax on leases and decommissioning obligations.

In specific circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. There has been some uncertainty in the market about whether the exemption applies to leases and decommissioning obligations. The IASB has proposed to clarify that the exemption in the Standard would not apply to leases and decommissioning obligations—transactions for which companies recognise both an asset and a liability. The proposed amendments would result in companies recognising deferred tax on such transactions.

The FRSC invites your comments on the proposal as set out in the ED by **14 October 2019** to allow your comments to be considered in developing its response to the IASB. Comments should be supported by specific reasoning and should be submitted in written form.

Comments may be sent by mail, fax or e-mail to:

Standard Setting Department
Hong Kong Institute of Certified Public Accountants
37th Floor, Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

Fax number (+852) 2865 6776
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Comments will be acknowledged and may be made available for public review unless otherwise requested by the respondent.