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IASB proposes amendments to accounting for deferred tax

The International Accounting Standards Board (Board) has today published for public comment proposed changes to the IFRS Standard for income tax, IAS 12. The amendments clarify how companies account for deferred tax on leases and decommissioning obligations.

IAS 12 specifies how a company accounts for income tax, including deferred tax, which represents amounts of tax payable or recoverable in the future.

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. Therefore, to promote consistent application of the Standard, the Board has proposed narrow-scope amendments.

According to the proposed amendments, 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 Exposure Draft *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* is open for comment until 14 November 2019.

Board member Gary Kabureck has summarised the proposed changes and the reasons for them in a short document: *In Brief: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*.