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Berne, November 15, 2019

Comment Letter on the Exposure Draft "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)"

Dear Madam, dear Sir

SwissHoldings, the Swiss Federation of Industrial and Services Groups in Switzerland, represents 58 Swiss groups, including most of the country's major industrial and commercial enterprises. We very much welcome the opportunity to provide comments to this Exposure Draft (ED).

We support the proposed amendments as outlined in our response (in the appendix) which has been prepared in conjunction with our member companies. Please contact us if you require additional information.

Yours sincerely

SwissHoldings
Federation of Industrial and Service Groups in Switzerland

Dr Gabriel Rumo	Denise Laufer
Director	Member Executive Committee

cc SH Board

APPENDIX

PARAGRAPHS FOR COMMENTS

Amendment to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

We agree that transactions which result in the recognition of both an asset a liability can give rise to diversity in applying the requirements of IAS 12 Income Taxes and that the multiplication of such transactions as a result of the application of IFRS 16 Leases will probably lead to an increase in such diversity. Swissholdings therefore welcomes the IASB's efforts to reduce or remove the source of such diversity.

We also recognise that the Board's approach, which consists in narrowing the scope of the recognition exemption of IAS 12.15, will help to resolve this issue. We would however bring the following to your attention:

1. Paragraph BC15 implies that it is the Board's intention that, regardless of whether the tax deductions are attributable to the lease asset or the lease liability, deferred tax assets and liabilities would be recognised for leases both upon initial recognition of the lease and subsequently. Proposed paragraph 22A deals however only with the deferred-tax consequences of the initial recognition of the transaction but it remains unclear what happens thereafter. Under paragraph 22(c), when the exemption of IAS 12.15 applies, there are no adjustments made for subsequent changes in the deferred tax liability or asset. It would be helpful if the Board would clearly articulate the difference in effect between these two situations (i.e. the initial and subsequent accounting when the exemption applies and when it does not) and provide guidance for the treatment of subsequent changes under paragraph 22A. Such guidance should include how changes in the recoverability of the deferred tax asset are treated and the related consequences for the capped deferred tax liability.

2. Paragraph BC7 explains that temporary differences arise only when the entity determines that the tax deductions relate to the lease liability. As a result of the proposed amendments, although there will still be no deferred tax to be recognised initially for tax deductions related to the lease asset, equal deferred tax assets and liabilities will be recognised for situations where the deductions are attributable to the lease liability. It will be important to make the distinction between the different triggers for the deductions. From our discussions on this topic, it appears that the approaches to the determination of the attribution of the deductions can be varied. For example, where payment of the lease instalment generates an equal tax deduction, some attribute this to the liability whereas others base their analysis on the accounting principle behind IFRS 16 (i.e. assimilating the transaction to a purchase of an asset financed by a loan) and thus perform an analysis of the tax law relating to such a transaction. It would therefore be helpful if the Board were to provide further guidance on how to perform the analysis required by the statement in paragraph BC6.