



Grupo Latinoamericano
de Emisores de Normas
de Información Financiera

Group of Latin American
Accounting Standard Setters

November 14, 2019

IFRS Foundation
Columbus Building
7 West ferry Circus
Canary Wharf
London E14 4HD
United Kingdom

RE: Exposure Draft - Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Proposed amendments to IAS 12

Dear Members of the IFRS Foundation:

The “Group of Latin American Accounting Standard Setters” – GLASS¹ welcomes the opportunity 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 “ED”).

This response summarizes the points of view of the members of the different countries that comprise GLASS, pursuant to the following due process.

Due process

The discussions regarding the proposed amendments to IAS 12 *Income taxes* were held within a specified Technical Working Group (TWG) created in October 2019. All GLASS country-members had the opportunity to appoint at least one member to participate in this TWG. Each standard setter represented in the TWG has undertaken different tasks in their respective countries (e.g. surveys, internal working groups). All results were summarized, and this summary was the platform for the TWG discussion process.

The TWG discussed the different points of view included in the summary through conference calls. In those calls the TWG developed a final document on the basis of the agreed-upon responses and the technical points of view of its members. Finally, the TWG document was submitted to and approved by the GLASS Board.

Overall comments

We agree with the proposed limitation to the application of the deferred tax recognition exemption included in paragraphs 15 and 24 of IAS 12. We believe that an interpretation of the existing exemption has led to a different application of the concept in various jurisdictions, and we also consider that the non-recognition of deferred tax in the cases exemplified in the ED, as well as similar cases, leads to the generation of inadequate information, increasing the lack of comparability between similar situations with different accounting treatments. The ED adequately clarifies the issue and facilitates the uniform application of specific concepts of the standard.

Some members of our group propose that the exemption recognition included in paragraphs 15 and 24 should be reviewed in a more comprehensive review of IAS 12, because they believe that the non-recognition of deferred taxes leads to the generation of inadequate financial information.

¹ The overall objective of the Group of Latin American Accounting Standard Setters (GLASS) is to present technical contributions with respect to all Exposure Drafts issued by the IASB. Therefore, GLASS aims to have a single regional voice before the IASB. GLASS is constituted by: Argentina (Chairman), Bolivia, Brazil (Board), Chile (Board), Colombia (Board), Costa Rica (Board), Dominican Republic, Ecuador, Guatemala, Honduras, Mexico (Vice Chairman), Panama, Paraguay, Peru (Board), Uruguay (Board) and Venezuela (Board).



Grupo Latinoamericano
de Emisores de Normas
de Información Financiera

Group of Latin American
Accounting Standard Setters

We consider essential the clarification that the ED makes regarding the non-application of the exemption in cases in which the initial recognition results in equal amounts of deductible and taxable temporary differences, a situation that acquired much greater relevance due to the January 1, 2019 effective date of IFRS 16, which results in the generation of significant new differences between the book and tax bases of assets and liabilities determined in accordance with such standard. The failure to recognize the temporary differences that arise subsequent to the initial recognition as a result of the application of the exemption provided by paragraphs 15 and 24 to the cases described as an example, would lead to the presentation of financial information with significant and serious distortions of the information they intend to represent.

Specific comments

Attached please find our specific responses to the question presented in the ED.

Contact

If you have any questions about our comments, please contact glenif@glenif.org.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Jorge José Gil'.

Jorge José Gil

Chairman

Group of Latin American Accounting Standard Setters (GLASS)



Grupo Latinoamericano
de Emisores de Normas
de Información Financiera
Group of Latin American
Accounting Standard Setters

Attachment

**GLASS Comment Letter on the IASB Exposure Draft –
Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Proposed amendments to IAS 12**

Question
<p>a) Do you agree with the Board’s proposal to amend IAS 12 in the manner described in the Exposure Draft?</p> <p>As we express in our general comments, we agree with the proposed amendment to IAS 12 as described by the ED.</p> <p>b) If not, why not, and what do you recommend instead?</p> <p>N/A</p>