



สภาวิชาชีพบัญชี ในพระบรมราชูปถัมภ์

FEDERATION OF ACCOUNTING PROFESSIONS
UNDER THE ROYAL PATRONAGE OF HIS MAJESTY THE KING

November 23, 2015

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board (IASB)
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr. Hoogervorst,

Comment Letter on DI/2015/1 Uncertainty over Income Tax Treatments

The Federation of Accounting Professions of Thailand would like to show our appreciation on the opportunity to comment on *DI/2015/1 Uncertainty over Income Tax Treatments*. Overall, we support the proposed IFRIC on the accounting treatments regarding the income tax that are uncertainty. We also agree that the recognition of such tax costs should be based on a better prediction principle. Nevertheless, we suggest that the uncertain tax should be primarily considered based on the individual approach. The transitional requirements are suitable but it would be better if there is a disclosure of the details of the individual tax treatment over uncertainty.

Please find our responses to the specific questions raised in *DI/2015/1 Uncertainty over Income Tax Treatments* in an attachment. We believe that this proposed interpretation will help the practitioners in the future and that our comment letter will contribute positively to the IASB's due process. Should you need more information, please kindly contact the Federation of Accounting Professions of Thailand.

The Federation of Accounting Professions avails itself of this opportunity to the International Accounting Standards Board the assurances of its highest consideration.

Yours sincerely,

Associate Professor Dr. Vorasak Tummanond
Chair of Thai Accounting Standards Board
Federation of Accounting Professions of Thailand
Bangkok, Thailand

Copied to:

- 1) Chairman, Accounting Standard-Setting Committee of Thailand
- 2) Chairman, Subcommittee on Monitoring of International Financial Reporting Standards
- 3) President, Federation of Accounting Professions of Thailand



Draft IFRIC Interpretation DI/2015/1 Uncertainty over Income Tax Treatments

Question 1—Scope of the draft Interpretation

The draft Interpretation provides guidance on accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. Such uncertain tax treatments may affect taxable profit (tax loss), tax bases, tax credits or tax rates that are used to recognise and measure current or deferred tax liabilities or assets in accordance with IAS 12 Income Taxes.

Do you agree with the proposed scope of the draft Interpretation? If not, why and what alternative do you propose?

FAP: Agree with the proposed scope of the draft Interpretation.

Question 2—When and how the effect of uncertainty over income tax treatments should be included in determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

The draft Interpretation requires an entity to consider whether it is probable that a taxation authority will accept an uncertain tax treatment, or group of uncertain tax treatments, that it used or plans to use in its income tax filings.

If the entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the draft Interpretation requires the entity to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.

If the entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the draft Interpretation requires the entity to use the most likely amount or the expected value in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The method used should be the method that the entity concludes will provide the better prediction of the resolution of uncertainty.

Do you agree with the proposal in the draft Interpretation on when and how the effect of uncertainty should be included in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates? If not, why and what alternative do you propose?

FAP:

When = not probable that TA will accept an uncertain tax treatment

Agree with the proposed draft Interpretation.

How = reflect the effect using most likely amount or expected value

Either the most likely amount method or the expected value method should be applied for determination of uncertain tax treatments when it provides a better prediction.



Question 3—Whether uncertain tax treatments should be considered collectively

The draft Interpretation requires an entity to use judgement to determine whether each uncertain tax treatment should be considered independently, or whether some uncertain tax treatments should be considered together, in order to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

Do you agree with the proposal in the draft Interpretation on the determination of whether uncertain tax treatments should be considered collectively?

If not, why and what alternative do you propose?

FAP: When considering several uncertain tax treatments, the individual approach should be treated as a primary resort unless a tax authority reviews uncertain tax treatments collectively. The separate approach is required the entity to determine each uncertainty tax treatment, in doing so, the entity is able to provide a better prediction in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

Question 4— Assumptions for taxation authorities’ examinations and the effect of changes in facts and circumstances

The draft Interpretation requires an entity to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when making those examinations.

The draft Interpretation also requires an entity to reassess its judgements and estimates if facts and circumstances change. For example, if an entity concludes that new information indicates that it is no longer probable that the taxation authority will accept an uncertain tax treatment, the entity should reflect this change in its accounting. The expiry of the period in which the taxation authority may examine the amounts reported to it would also be an example of a change in circumstances.

Do you agree with the proposal in the draft Interpretation on the assumptions for taxation authorities’ examinations and on changes in facts and circumstances? If not, why and what alternative do you propose?

FAP:

Part I : Assumptions for TAs examination

Agree with the proposed draft Interpretation.

Part II : Effect of changes in facts & circumstances

Agree with the proposed draft Interpretation.



Question 5— Other proposals

Disclosure

The draft Interpretation does not introduce any new disclosure requirements, but highlights the relevance of the existing disclosure requirements in paragraphs 122 and 125–129 of IAS 1 *Presentation of Financial Statements*, paragraph 88 of IAS 12 and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Transition

The draft Interpretation requires an entity to apply its requirements by recognising the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which an entity first applies them, without adjusting comparative information. Full retrospective application is permitted, if an entity can do that without using hindsight.

Do you agree with the proposals in the draft Interpretation on the disclosure and the transition requirements? If not, why and what alternative do you propose?

FAP:

Part I : Disclosure

Agree with the proposed disclosure requirement. However, the [draft] interpretation should specify that an entity shall determine whether to disclose details of the individual tax treatments in case that there are multiples issues of uncertainty over income tax treatments.

Part II : Transition

Although a prospective application is more appropriate in this case, recognising the cumulative effect in retained earnings or other components of equity at the start of the reporting period does not provide details of predictions of the uncertainty over income tax treatments unless an entity disclose this information. As the [draft] interpretation does not require an entity to disclose details of the individual tax treatments over uncertainty, this could be an issue for users of the financial statement.