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**Re: *EFRAG draft comment letter on IASB Exposure Draft Deferred Tax: Recovery of Underlying Assets – Proposed amendments to IAS 12 (ED 2010/11)***

Dear Sir/Madam,

We are pleased to have the opportunity to comment on your draft comment letter on IASB *Exposure Draft Deferred Tax: Recovery of Underlying Assets – Proposed amendments to IAS 12*.

We agree that the current IAS 12 does not provide guidance on the accounting for income taxes in relation to assets whose tax effects depend on the way of recovering the carrying amount. We also recognize that in some jurisdictions applying the principle in IAS 12 could be difficult and subject to a certain degree of judgement in some circumstances.

Therefore, we support the efforts of IASB to address this issue.

However, we disagree with the proposed amendment since we do not think that providing an exception to the measurement principle in IAS 12 is the best way in which this issue should be dealt with.

We are generally in favour of principle-based standards and introducing exceptions to the general principles, in this case in IAS 12, to address issues not widespread could give rise to standards more rule-based.

Therefore, we think that the more appropriate manner to addressing the issue is to develop a guidance that assist entities on how to apply the principle in IAS 12, i.e. how to determine the expected manner of recovery of an asset. An application guidance would permit entities to apply the principle in IAS 12 in a consistent manner and accordingly enhance the comparability of information. Doing so, it would not be even necessary to refer to the type of underlying assets in order to define the scope of the amendment.

In conclusion, we suggest to the IASB to consider the development of an application guidance instead of proceeding with its proposal to introduce the exception to the measurement principle in IAS 12.

Yours sincerely,

Angelo Casò  
(OIC Chairman)