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IASB
30 Cannon Street
London EC4M 6XH
United Kingdom

23 December 2014

Re: ED *Recognition of Deferred Tax Assets for Unrealised Losses*

Dear Hans,

We are pleased to have the opportunity to provide our comments to the exposure draft (ED/2014/3) on IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*.

We welcome the IASB attempt to try to resolve an issue that has been very much debated, especially in the periods where debt securities experienced high decrease of fair value that often did not result in any impairment loss recognised.

On a substantive point of view the solution proposed by the amendment appears to be acceptable because it clarifies how entities, experiencing a decrease in FV on a debt instrument classified in AFS category and held until maturity, can recognize a deferred tax asset representing the benefit arising from the non-taxability of the recovery of the FV change. Moreover, we agree that this amendment is aimed to pursue the comparability among entities that will pay taxes on the recovery of the fair value, and hence do not recognize any asset as they do not have any tax benefit, and entities that will benefit from the non-taxation of that recovery, which recognize the asset.

Having said that, we believe that the IASB, in finalising the amendment, should consider the following points:

- the wording of the amendment and the proposed example are complex. Difficulties in understanding a standard may undermine the consistent application of the standard itself. Therefore, we suggest redrafting the amendment with the aim of clarifying it;
- the issue addressed with the amendment is specifically tailored for a debt instrument classified as AFS according with the IAS 39. As the amendment changes IAS 12 in several parts, there is a concrete risk that it could have unintended consequences on the way the standard is applied to circumstances other than the one that triggered the amendment. Therefore, we suggest the IASB to formulate further analysis prior to the finalisation of the amendment to ensure that it does not have unintended consequences. The IASB should also consider if there are implications to the issue arising from the application of IFRS 9;
- in the last years the IASB and the IFRS Interpretations Committee have discussed several issues related to income taxes, we therefore suggest the IASB to launch a comprehensive review of IAS 12 to verify whether the principle underpinning the standard is still up to date and whether assets and liabilities recognized applying the standard are compliant with the definitions and principles of the *Conceptual Framework*.

Should you need any further information, please do not hesitate to contact us.

Yours sincerely,
Angelo Casò