



5 November 2010

Our ref: ICAEW Rep 121/10

Mme Françoise Flores  
Chair  
European Financial Reporting Advisory Group  
13-14 Avenue des Arts  
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Chère Mme Flores

**ED/2010/11 *Deferred Tax: Recovery of Underlying Assets - Proposed amendments to IAS 12***

1. ICAEW welcomes the opportunity to comment on EFRAG's draft comment letter, published in October 2010, on the International Accounting Standards Board Exposure Draft ED/2010/11 *Deferred Tax: Recovery of Underlying Assets - Proposed amendments to IAS 12*. Our responses to the main issues highlighted by EFRAG are set out below. A draft of our response to the IASB, which has not yet been finalised, is attached to this letter.
2. We second EFRAG's view that the use of an exception to the measurement principles in IAS 12 is not an appropriate solution to the issues dealt with by the exposure draft. We do not believe that the existing principles should be compromised; we would prefer explicit disclosure of how management has applied its judgement. Additional application guidance, as suggested by EFRAG, would be welcome.
3. We also support EFRAG's views on the rebuttable presumption as drafted; it is not operational in practice and may result in meaningless deferred tax balances being disclosed. Should the IASB proceed with these proposals, we agree that the rebuttable presumption should be redrafted. In our view, the suggestions in paragraph 19 of EFRAG's draft comment letter would be a significant improvement on the proposals as currently drafted.
4. We also broadly support EFRAG's views on the scope of the exception. We believe that if an exception were to be given, it should only be applied where it is difficult to determine the manner in which an entity expects to recover or settle the carrying amounts of assets or liabilities. Where there is no difficulty in applying the existing model there is no clear reason why it should be amended. We also agree that any exception should be limited to investment properties, though we would accept its application to other revalued PPE or intangibles.
5. Although our draft representation letter does not make specific reference to the points EFRAG raise in relation to cost of implementation and entity-wrappers, we support their views in these areas

Please contact me should you wish to discuss any of the points raised in this letter or the attached draft response.

Yours sincerely

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