

Wayne Upton
Chairman
IFRS Interpretations Committee
30 Cannon Street
London
United Kingdom
EC4M 6XH

Email: ifric@ifrs.org

9 June 2014

Dear Mr Upton

Tentative agenda decision - IAS 12 *Income Taxes*: Recognition of deferred tax for a single asset in a corporate wrapper

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretations Committee's publication in the March IFRIC Update of the tentative decision not to take onto the Committee's agenda a request for guidance on the accounting for deferred tax in the consolidated financial statements of a parent that has a subsidiary with only one asset within it and expect to recover the value of that asset by selling shares in the subsidiary.

We agree that the tentative agenda decision provides one possible description of the current requirements of IAS 12. However, we believe that in a jurisdiction where (as a result of local tax considerations) all market participants will purchase and sell property within a corporate shell there are other treatments that lead to better financial reporting and thus diversity in practice exists. Such circumstances raise important questions relevant to both IAS 12 and IFRS 13 *Fair Value Measurement*, including:

- the relevance of the 'inside basis' deferred tax asset or liability in a market where this is highly unlikely to crystallise; and
- whether in consolidated financial statements the fair value of a property should be measured at the price that would be achieved by selling the property itself (a buyer would logically pay less for an asset purchased in a tax inefficient manner) or at a higher price that would be achieved by selling the corporate shell.

For these reasons, we do not believe that an agenda decision is the appropriate means to address this issue and recommend that the Committee add this item to its agenda with a view to providing an clear interpretation.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0)20 7007 0884.

Yours sincerely

A handwritten signature in black ink, appearing to read 'V. Poole', is positioned above the printed name.

Veronica Poole
Global IFRS Leader