

20 August 2019

Hans Hoogervorst
Chair
International Accounting Standards Board
Columbus Building
7 Westferry Circus
Canary Wharf
London
E14 4HD

Dear Mr Hoogervorst

Exposure Draft 2019/3 – Reference to the Conceptual Framework (proposed amendments to IFRS 3)

Deloitte Touche Tohmatsu Limited is pleased to respond to the International Accounting Standards Board's ('the IASB's') exposure draft *Reference to the Conceptual Framework (proposed amendments to IFRS 3)*.

We agree with the proposed amendments to IFRS 3 to replace a reference to an old version of the Conceptual Framework with a reference to the current version. We also agree with the proposed addition of an exception for the recognition principles in IFRS 3 with respect to liabilities and contingent liabilities in the scope of IAS 37 and of IFRIC 21 and of the clarification of the IFRS 3 requirements for contingent assets.

However, to ensure that no changes arise in liabilities and contingent liabilities recognised applying IFRS 3 after updating the reference to the Conceptual Framework, we believe that an exception to the recognition principles in IFRS 3 is also required with respect to uncertain current tax positions within the scope of IFRIC 23 *Uncertainty over Income Tax Treatments*. As noted in the Basis for Conclusions, the change in the reference to the Conceptual Framework in IFRS 3 may affect the recognition of assets and liabilities with a low probability of future inflows or outflows, and result in a day 2 gain/loss if the IFRS standard applicable to the item after the business combination would not permit recognition of such assets or liabilities. Applying IFRIC 23, an entity reflects the effect of the uncertainty in determining the related tax balances only if it concludes that it is not probable that a taxation authority will accept an uncertain tax treatment. Hence the removal of the probability criteria in IFRS 3 may result in recognition of uncertain current tax assets and liabilities as part of the business combination that would not satisfy the probability recognition criterion of IFRIC 23 immediately after the business combination. For this reason, we believe a further recognition exception is required in IFRS 3. We note that this recognition exception is only required with respect to uncertain *current* tax positions because of the existing exception in IFRS 3 with respect to deferred tax assets and liabilities.

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', with a long horizontal flourish extending to the right.

Veronica Poole
Global IFRS Leader