



**INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OF UGANDA**

Our Ref: STA/001

09 May 2020

International Financial Reporting Standards Interpretations Committee
IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Members of the IFRS Interpretations Committee,

**TENTATIVE AGENDA DECISION: DEFERRED TAX RELATED TO AN INVESTMENT IN A
SUBSIDIARY (IAS 12)**

The Institute of Certified Public Accountants of Uganda (ICPAU) appreciates the opportunity to comment on the above tentative agenda decision as published in the March 2020 IFRIC Update.

Enclosed in **Appendix 1** are our comments in detail. We hope that you find them helpful.

In case of any queries relating to this comment letter, please contact the undersigned at clutimba@icpau.co.ug

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Charles Lutimba', with a circular flourish at the end.

CPA Charles Lutimba
MANAGER STANDARDS AND TECHNICAL SUPPORT
For: SECRETARY/CEO

Encl (ICPAU's Comments on Tentative Agenda Decision: Deferred Tax Related to an Investment in a Subsidiary (IAS 12))

NNN/.....

Appendix 1

The IFRS Interpretations Committee (Committee) received a request about how an entity, in its consolidated financial statements, accounts for deferred tax related to its investment in a subsidiary.

The Committee concluded that the principles and requirements in IAS 12: Income Taxes provide an adequate basis for an entity to account for deferred tax in the fact pattern described in the request. Consequently, the Committee decided not to add the matter to its standard-setting agenda.

Our Comments

The Institute of Certified Public Accountants of Uganda (ICPAU) is in support of the Committee's conclusion that the principles and requirements set out in IAS 12: Income Taxes provide an adequate basis for an entity to account for deferred tax in the fact pattern described in the request.

We agree with the Committee that the matter need not be added to its standard setting agenda.

As explained in the Committee's tentative agenda decision, we believe that:

- (a) Paragraph 39 of IAS 12 adequately provides for recognition of a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries;
- (b) Paragraph 51 of IAS 12 clearly requires the measurement of any deferred tax liabilities to reflect the manner in which the entity expects to recover the carrying amount of its investment; while
- (c) Paragraphs 52A and 57A of IAS 12 only apply to the measurement of temporary differences related to distributions by a reporting entity to its shareholders.

Therefore, ICPAU fully supports the tentative agenda decision.