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Organización Internacional de Comisiones de Valores
International Organisation of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valore

November 9, 2010

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

RE: ED – Deferred Tax: Recovery of Underlying Assets

Dear IASB Members:

The International Organization of Securities Commissions (IOSCO) Standing Committee No. 1 on Multinational Disclosure and Accounting (Standing Committee No. 1) thanks you for the opportunity to provide our comments regarding the International Accounting Standards Board (IASB or the Board) Exposure Draft on *Deferred Tax: Recovery of Underlying Assets*, (the ED).

IOSCO is committed to promoting the integrity of international markets through promotion of high quality accounting standards, including rigorous application and enforcement. Members of Standing Committee No. 1 seek to further IOSCO's mission through thoughtful consideration of accounting and disclosure concerns and pursuit of improved transparency of global financial reporting. The comments we have provided herein reflect a general consensus among the members of Standing Committee No. 1 and are not intended to include all of the comments that might be provided by individual securities regulator members on behalf of their respective jurisdictions.

We present below our general observations regarding the proposed approach set out in the ED. We have not directly responded to the specific questions in the ED.

We support the overall intent of the Board to enhance consistency in practice in recording deferred taxes if it is difficult to determine the manner in which the underlying asset will be recovered. However, although there are examples where the proposal might be helpful, there may be situations where this proposal will result in management having to assume recovery of an asset by sale if it cannot overcome the rebuttable presumption, despite management's expectations to recover the asset through use. We believe, in these situations, the use of a *rebuttable presumption* creates an inappropriately high threshold for management to

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overcome in order to account for deferred tax in a manner consistent with their expectation. Accordingly, we believe the results of applying the ED may inappropriately convey consistency in financial reporting for situations that are not, in fact, similar with regard to management's expectations of recovery of the underlying asset. Further, it is not apparent from the Basis for Conclusions that the Board has gathered adequate evidence to support the presumption that companies that record assets at fair value intend on recovering their carrying value through sale.

We believe that in all situations management should be obligated to consider all facts and circumstances when assessing the manner of recovery. We further believe that determining the method of recovery, while in some situations may be challenging, is not intrinsically more difficult than certain other judgments preparers make in the preparation of their financial statements. Therefore, we recommend that the Board reconsider the need for amending the current guidance to include an exception to the existing principle.

Were the IASB to continue with this project, some members believe that the Board should consider whether additional implementation guidance, rather than an exception to the existing principle in the form of a rebuttable presumption, could be provided to address practice issues that have been identified. These members would not oppose limited implementation guidance that suggests the method of recovery for investment property measured using the fair value model in IAS 40 would more frequently be through sale, whereas, for property, plant and equipment measured through revaluation under IAS 16, would more frequently be through use. Lastly, given the varying and different nature of intangible assets, we believe intangible assets should be excluded from the scope of this ED.

As a general matter, we support standard setting that establishes principles, rather than rules, that allow preparers to account for transactions in a manner that best reflects the economics and provides decision-useful information. We urge the Board to carefully consider whether the situations identified in the proposal represent a significant practice issue that justifies providing an exception to the general principle in IAS 12 in the form of a presumption, and whether finalizing the ED will result in improvement to the existing guidance. With this in mind, we question the relative priority of this project compared to other items on the Board's agenda at this time.

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We appreciate your thoughtful consideration of the comments raised in this letter. If you have any questions or need additional information on the recommendations and comments that we have provided, please do not hesitate to contact me at 202-551-5300.

Sincerely,

Julie A. Erhardt

Julie A. Erhardt
Chairman
IOSCO Standing Committee No. 1