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Paris, 5 th december 2014

N°40

M. Hans HOOGERVORST
Chairman
I.A.S.B.
30, Cannon Street
LONDON EC4M 6XH
United Kingdom

Re : Exposure Draft ED/2014/3 : recognition of Deferred Tax Assets for Unrealised Losses (Proposed amendments to IAS 12).

Dear Mr Hoogervorst,

I am writing on behalf of the Autorité des Normes Comptables (ANC) to express our views on the above-mentioned draft. These views result from the ANC's due process, involving all interested stakeholders. More precisely, the due process includes work by a diversified experts task force, a full fledged discussion of its assessment by its Commission for all International Standards and then a global and strategic discussion in the Collège (Board) before signing this letter.

The ANC agrees with the proposals in the ED as it helps clarifying the recognition of a deferred asset related to a debt instrument measured at fair value, when the carrying amount of the instrument is lower than its tax base.

The ANC welcomes the addition of a detailed illustrative example dealing with this issue.

Nevertheless, we believe that some of the wording needs clarification to avoid misinterpretations and we suggest these be amended :

- The examples illustrating the probability of recovering (or not) an asset for more than its carrying amount should not be included in paragraph 29A of the Standard, but rather in the Basis for Conclusions ;
- To be comprehensive, paragraph 29 (a) (i) of the Standard should specify that the entity must also exclude the reversal of taxable temporary differences when comparing the deductible temporary differences with future taxable profits ;
- Transition requirements need clarification of the "limited retrospective application" to avoid misunderstanding and diversity of practices ;
- Finally, we believe that paragraphs IE41 and IE43 of the Illustrated Example, if absolutely necessary to maintain, should be amended to avoid misinterpretations of the allocation of changes in deferred taxes to profit and loss or other comprehensive income, as stated by the paragraph 63 of IAS 12.

Our detailed answers to the questions in the ED are in the Appendix.

If you have any questions concerning our comments, we would be pleased to discuss them.

Yours sincerely,

A handwritten signature in blue ink, consisting of a long horizontal stroke followed by a loop and a vertical stroke.

Gérard Gil
ANC Board Member
ANC IFRS Commission Chair