

IAS 12: Income Taxes — Substantive Enactment

Extract, IFRS Discussion Group Report on meeting – November 25, 2009

IAS 12 *Income Taxes* permits the use of “substantively enacted” tax rates and laws when measuring tax balances but does not provide extensive guidance on when tax rates and laws become substantively enacted. IDG members were asked to consider whether the IFRIC should be requested to provide more, or different, guidance compared to that found in existing IAS 12.

While the IASB’s March 2009 Exposure Draft, “Income Tax,” proposed some clarification of substantive enactment, the IASB has indicated that its project on Income Tax will not continue in its current form. The IFRIC does not address issues when the IASB has a current project on the subject and, therefore, the IDG members agreed that the IASB should be encouraged to include, in any revision of IAS 12, the text from its March 2009 Exposure Draft clarifying the meaning of substantive enactment. A communication to that effect has subsequently been sent to IASB staff.