

## DEFINITIONS

**Temporary difference:** Is the difference between the carrying amount of an asset/liability and its tax base.

### Tax base of an asset

- Is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to the entity when it recovers the carrying amount of the asset.
- If those economic benefits will not be taxable, the tax base of the asset is equal to its carrying amount.

### Tax base of a liability

- Is its carrying amount,
- Less any amount that will be deductible for tax purposes in respect of the liability in future periods.

### Tax base of Income received in advance

- Is its carrying amount,
- Less any revenue that will not be taxable in the future.

## TEMPORARY DIFFERENCES

**Taxable temporary differences** will result in taxable amounts in future when the carrying amount is recovered/liability settled.

**Deductible temporary differences** will result in deductible amounts in future when the carrying amount is recovered/liability settled.

## CURRENT TAX

- Recognise liability for unsettled portion of tax expense.
- Recognise an asset to the extent amounts paid exceed amounts due.
- Tax loss which can be used against future taxable income can be recognised as an asset (deferred tax asset).

## CURRENT TAX MEASUREMENT

Measure the asset/liability using the tax rates that are enacted or substantively enacted at the reporting date.

## TIER 2 RDR REPORTERS

RDR Reporters are granted certain disclosure exemptions under PBE IAS 12.

## DEFERRED TAX

### Deferred tax liabilities

Recognise liabilities for all taxable temporary differences, except to the extent it arises from:

- Initial recognition of goodwill.
- Initial recognition of an asset/liability that at the time of the transaction does not affect accounting or tax profit and the transaction is not a business combination.
- Liabilities from temporary differences relating to investments in controlled entities, branches and associates, and interests in joint ventures where:
  - the controlling entity, investor or venture can control the timing of the reversal; and
  - it is probably that the temporary differences will not reverse in the future.

### Deferred tax assets

Recognise for deductible temporary differences, unused tax losses, unused tax credits to the extent that taxable profit will be available against which the asset can be used, except to the extent it arises from:

- The initial recognition of an asset/liability, other than in a business combination, which does not affect accounting/tax profit at the time of the transaction.

Recognise for deductible temporary differences arising from investments in controlled entities, branches and associates, and interests in joint ventures to the extent it is probable the temporary difference will reverse in the foreseeable future and there will be available tax profit to be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available (i.e. the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profits will be available against which the unused tax losses or unused tax credits can be utilised).

## DEFERRED TAX - MEASUREMENT

- Measure the balance at tax rates that are expected to apply in the period in which the asset is realised or liability settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.
- Deferred tax assets and liabilities are not discounted.
- The applicable tax rate depends on how the carrying amount of an asset or liability is recovered or settled.
- Current and deferred tax are recognised as revenue or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, directly in net assets/equity or other comprehensive revenue and expense, or a business combination.
- Current tax and deferred tax are charged or credited directly to net assets/equity or other comprehensive revenue and expense if the tax relates to items that are credited or charged, in the same or a different period, directly to net assets/equity or other comprehensive revenue and expense.

## REBUTTABLE PRESUMPTION - FOR INVESTMENT PROPERTY AT FAIR VALUE UNDER PBE IPSAS 16 - INVESTMENT PROPERTY

**Presumption** - For investment properties at fair value, deferred tax is calculated assuming the recovery of the carrying amount of the investment property, will ultimately be entirely through sale, regardless of whether this is actually managements' intention or not.

**Presumption is rebutted** and the carrying amount will ultimately be recovered "through use" over the life of the asset rather than sale:

- If the asset is "depreciable"; and
- The asset is held in order to consume all of the assets benefits over the life of the asset (i.e. collecting rental income until the property "falls over"). If the presumption is rebutted then the requirements of paragraphs 51 and 51A must be followed.

**Land** - Land is not depreciable and therefore the recovery of Land is always through sale.