

Material published to accompany

SIC-25

Income Taxes – Changes in the Tax Status of an Entity or its Shareholders

The text of the unaccompanied Interpretation, SIC 25, is contained in Part A of this edition. Its effective date when issued was 15 July 2000. This part presents the following document:

BASIS FOR CONCLUSIONS

Basis for Conclusions on SIC Interpretation 25 *Income Taxes—Changes in the Tax Status of an Entity or its Shareholders*

This Basis for Conclusions accompanies, but is not part of, SIC-25.

[The original text has been marked up to reflect the amendment to IAS 12 in 2003, and the revision of IAS 38 Intangible Assets in 2004 and IAS 1 Presentation of Financial Statements in 2007: new text is underlined and deleted text is struck through.]

- 5 IAS 12.58 requires current and deferred tax to be included in ~~the net profit or loss for the period, except to the extent the tax arises from a transaction or event that is recognised~~ outside profit or loss either in other comprehensive income or directly in equity, in the same or a different period, (or arises from a business combination that is an acquisition). IAS 12.61A requires that current and deferred tax to be recognised outside profit or loss charged or credited directly to equity if the tax relates to items that are recognised credited or charged, in the same or a different period, outside profit or loss directly to equity.
- 5A IAS 12.62 identifies examples of circumstances in which a transaction or event is recognised in other comprehensive income as permitted or required by another IFRS. All of these circumstances result in changes in the recognised amount of equity through recognition in other comprehensive income.
- 6 IAS 12.62A identifies examples of circumstances in which a transaction or event is recognised directly in equity as is permitted or required by another IFRS International Financial Reporting Standard. All of these circumstances result in changes in the recognised amount of equity through recognition of a credit or charge directly to equity.
- 7 IAS 12.65 explains that where the tax base of a revalued asset changes, any tax consequence is recognised in other comprehensive income directly in equity only to the extent that a related accounting revaluation was or is expected to be recognised in other comprehensive income directly in equity (revaluation surplus).
- 8 Because tax consequences recognised outside profit or loss, whether in other comprehensive income or directly in equity, must relate to a transaction or event recognised outside profit or loss directly in equity in the same or a different period, the cumulative amount of tax ~~charged or credited directly to equity~~ recognised outside profit or loss can be expected to be the same amount that would have been recognised outside profit or loss charged or credited directly to equity if the new tax status had applied previously. IAS 12.63(b) acknowledges that determining the tax consequences of a change in the tax rate or other tax rules that affects a deferred tax asset or liability and relates to an item previously recognised outside profit or loss charged or credited to equity may prove to be difficult. Because of this, IAS 12.63 suggests that an allocation may be necessary.