



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

26 October 2009

Dear Sir or Madam,

We send you the present letter dealing with the Income Tax project and with our comment letter to the ED 2009/2 Income Taxes sent on 31st July, which you find enclosed for ease of reference.

In our comment letter we expressed our concern in relation with the definition of the tax basis of an asset in terms of recovery through sale and urged the Board to retain the current approach of having the tax basis reflect the expected method of recovery. At the same time we recommended to take the opportunity to improve the current wording of IAS 12 to prevent anomalies that could arise in practice through too literal interpretation.

One of these anomalies would be the treatment of "dual-use assets", that are assets which are recovered through a combination of use followed by sale (as explained in SIC 21, this is the case of depreciable assets that are expected to be recovered through use to the extent of its depreciable amount, and through sale at its residual value). Although management have not stated intention to dispose the asset, we understand that a solution can be applied in which a single tax base of the asset should be determined based not only on the tax effects of depreciation but also on the tax effect of selling the asset.

This approach will avoid the recognition of a deferred tax liability, due to a literal interpretation of current IAS 12 wording, in an anomalous situation when a company cannot recover for tax purposes the acquisition cost of an asset through depreciation but recovers it through sale or destruction at the end of its useful life.



The “dual-use assets” subject has also been noted by the EFRAG (European Financial Reporting Advisory Group) in paragraph 16 of its comment letter to the IASB ED 2009/2 Income Taxes, that sets out: “In some cases an entity may have a dual intention with respect to how it will recover an asset (i.e. to use the asset and the to sell it). This may also occur with liabilities, albeit to a lesser extent. In our view, a “dual-purpose” asset means that it will be recovered in two ways and the calculation of deferred tax should reflect that dual expectation.”

We believe that this is an important matter with a deep impact in particular jurisdictions and therefore we hope that this matter will be clarified by the IASB.

We remain at your disposal when you wish to discuss this issue any further.

Yours sincerely,

Jérôme P. Chauvin
Director
Legal Affairs Department

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