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IFRS Interpretations Committee  
Mr Robert Garnett  
30 Cannon Street  
London EC4M 6XH

Berlin, 18. Oktober 2010

United Kingdom

Dear Bob

**Comment Letter on IFRIC's Agenda Decision 'IFRS 2 Share-based Payment – Share-based payment awards settled net of tax withholdings' published in September 2010**

During its meeting in September 2010 the IFRS Interpretations Committee discussed a request for guidance on the classification of a share-based payment transaction in which the entity withholds a specified portion of the shares that would otherwise be issued to the counterparty upon exercise (or vesting) of the share-based payment award. The shares are withheld by the entity in return for settling the counterparty's tax withholding obligation associated with the share-based payment.

The Committee responded to the question whether the portion of the share-based payment that is withheld should be classified as cash-settled or equity-settled. In the circumstances considered by the Committee, cash is transferred to the tax authority, in settlement of the counterparty's tax obligation, in respect of the shares withheld.

While the Committee noted that IFRS 2 provides sufficient guidance to address this issue and that it does not expect diversity in practice, we would like to raise the following concern which we ask the Committee to address.

We understand that the tentative agenda decision is meant to address specific situations as further described in the Staff Paper No. 14 for the September 2010 meeting of the committee. However, the proposed wording of the Tentative Agenda Decisions rather gives the impression that it generally and comprehensively addresses the issue ('share-based payment awards settled net of tax withholdings').



Therefore, we ask the Committee to make specifically clear in its Agenda Decision

- which tax withholding approach (e.g. 'broker-assisted cashless exercise', 'net settlement')
- under which income tax regime (e.g. taxing the fair value of the share-based payment transaction at the grant date or taxing the value of the shares once they have vested or cashed)

the decision relates to.

If you would like further clarification of the issue set out in this letter, please do not hesitate to contact me.

With best regards

*Guido Fladt*  
AIC, Chairman