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Berlin, 26 June 2018

Dear Sue,

Re: Flagging concerns regarding the most recent IFRS IC's discussion on "Voluntary payments" in the March & May 2018 meetings

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on the issue "Payments relating to taxes other than income taxes" as discussed by the IFRS Interpretations Committee (IFRS IC) in its meetings in March and May 2018 and on the findings as published in the respective *IFRIC Updates*.

We consider the IFRS IC's tentative conclusions in respect of this issue neither precise nor sufficient.

Acknowledging that the findings aim at (only) addressing the fact pattern in the request, we do not fully agree with two specific findings. Firstly, we are not convinced that the payment indeed creates a resource that is controlled by the entity and results in potential future economic benefits. In this regard, it is particularly the second part that seems debatable. Some of us argue that the voluntary payment may not be used to settle the tax liability, since no tax liability has been recognised yet. Thus, there is still uncertainty about the *existence of* future economic benefits, not only about *the form of* those benefits. In other words, there is a contingency. Secondly, the findings do not contribute to clarity since they address payments that an entity pays "either voluntary or because it is required to do so". If phrased this way, it remains unclear and debatable why the answer does not differ when considering "voluntary" and "required" payments. We would have expected that voluntariness is a crucial point in this fact pattern.

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Further, we deem the issue under discussion being part of a broader question, which is how to account for any kind of payments before they become due or payments that are “voluntary” in character (eg. prepayments, overpayments, deposits, etc.) and which we believe deserves deliberation. The IFRS IC’s findings do not allow for being carried over to other, similar or comparable, voluntary payments. Moreover, the IFRS IC’s rationale – the issue (i.e. asset) is not captured by any IFRS, hence, IAS 8.10 et seq. apply – leaves, or even opens, much room for interpretation.

In summary, we feel that the broader issue of accounting for any kind of “voluntary payments” remains unanswered – and possibly becomes even more unclear with these recent findings.

If you would like to discuss our views further, please do not hesitate to contact Jan-Velten Große (grosse@drsc.de) or me.

Yours sincerely,

Andreas Barckow

President