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May 27, 2015

Ms. Susan M. Cospers
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference No. 2015-210

Re: Proposed Accounting Standards Update *Balance Sheet Classification of Deferred Taxes*

Dear Ms. Cospers:

Deloitte & Touche LLP is pleased to comment on the FASB's proposed Accounting Standards Update (ASU) *Balance Sheet Classification of Deferred Taxes*.

We support the Board's efforts to make improvements to aspects of U.S. GAAP that are unnecessarily complex and costly as part of its simplification initiative. We believe that the proposal furthers these objectives and agree that the balance sheet classification of deferred taxes should be changed to treat all deferred taxes as noncurrent.

The appendix of this letter contains our responses to the proposed ASU's questions for respondents.

If you have any questions concerning our comments, please contact Karen Wiltsie at (203) 761-3607 or Rob Morris at (203) 563-2357.

Yours truly,

Deloitte & Touche LLP

cc: Robert Uhl

Appendix
Deloitte & Touche LLP
Responses to Questions for Respondents

Balance Sheet Classification of Deferred Taxes

Question 1: *Should all deferred income tax liabilities and assets be presented as noncurrent in a classified statement of financial position? If not, why, and what alternatives should the Board consider, and what is the conceptual basis for the alternatives?*

Yes, we believe that all deferred income tax liabilities and assets should be presented as noncurrent in a classified statement of financial position. The classification of deferred taxes under existing GAAP does not provide useful information to users since it does not effectively convey whether cash paid for taxes will increase or decrease in the following year. For example, a temporary difference related to a current asset or liability that reverses in the following year may be replaced with a new temporary difference for a similar asset or liability arising in that year. Thus, even though the related deferred tax is classified as current, taxes payable in the following year may not be affected.

We believe that the guidance in the proposed ASU will allow preparers to reduce the time and effort they expend to appropriately present deferred income tax assets and liabilities in the statement of financial position. In addition, the change would result in little or no reduction of decision-useful information for financial statement users.

Further, presenting all deferred income tax assets and liabilities as noncurrent is consistent with the guidance in IAS 12, *Income Taxes*.

Question 2: *Should the proposed guidance be applied on a prospective basis?*

Prospective application of the guidance should be permitted so that entities can avoid the cost of reperforming jurisdictional netting of deferred tax assets and liabilities if the accounting change is retrospectively applied. However, we suggest that preparers be permitted to apply the guidance retrospectively if they prefer that approach.

Question 3: *Should the amendments in this proposed Update be effective for:*

- a. *Public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2016*
- b. *All other entities for annual periods beginning after December 15, 2017, and interim periods in annual periods beginning after December 15, 2018, with early adoption permitted, but not before the effective date for public business entities?*

We agree with the proposed effective dates. However, since the new guidance would significantly reduce complexity for preparers, and the timing of its adoption should not significantly affect comparability for users, we recommend that the Board permit early application. For the same reason, we believe that if early adoption is permitted, entities should not be required to adopt the

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change in classification at the same time they adopt the proposed change in accounting for income taxes related to intra-entity asset transfers.

***Question 4:** What would be the expected transition costs of adopting the guidance in the proposed Update? What would be the expected recurring costs of applying the proposed guidance compared with the costs of applying current GAAP?*

We believe that the transition costs incurred by preparers in adopting the proposed ASU would be insignificant. We expect that the recurring costs of applying the proposed guidance will be less than the costs of applying the existing deferred tax classification requirements.