

Guideline on Application of Tax Rates in Measurement of Deferred Tax

Introduction

It was noted that there is a confusion in interpretation regarding the applicable tax rates when calculating deferred tax.

Purpose

The purpose of this guideline is to provide the guidance on the tax rate, in the context of substantial enacted rate, to be used in measurement of deferred tax.

Background

According to paragraph 47 of LKAS 12 *“Income Taxes”*, Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

This **guideline shall be applied** by all entities when measuring the deferred tax provision or asset in the financial statements as at the reporting date.

Recommendation

Substantively enacted rate that shall be used in the measurement of deferred tax shall be the rate legislated as of the reporting date.