

Accounting Standards for Business Enterprises No. 18 - Income Taxes

Chapter 1: General Provisions

Article 1

This Standard is formulated in accordance with the *Basic Standards for Enterprise Accounting* to regulate the recognition, measurement and presentation of enterprise income taxes.

Article 2

Income taxes under this Standard include various domestic and overseas taxes calculated based on taxable income.

Article 3

This Standard does not apply to the recognition and measurement of government grants, except for the income tax effects of temporary differences arising from government grants.

Chapter 2: Tax Bases

Article 4

Enterprises shall determine the tax bases of assets and liabilities when they are acquired. Where differences exist between carrying amounts and tax bases, deferred tax assets or liabilities shall be recognized in accordance with this Standard.

Article 5

The tax base of an asset is the amount deductible from taxable economic benefits when recovering the asset's carrying amount under tax laws.

Article 6

The tax base of a liability is its carrying amount less any amount deductible for tax purposes in future periods.

Chapter 3: Temporary Differences

Article 7

Temporary differences are differences between carrying amounts and tax bases of assets/liabilities. Differences for items not recognized as assets/liabilities but having determinable tax bases are also temporary differences.

Temporary differences are classified as:

1. Taxable temporary differences - will increase taxable income in future periods
2. Deductible temporary differences - will decrease taxable income in future periods

Chapter 4: Recognition

Article 10

Enterprises shall recognize unpaid current/prior period taxes as liabilities, and taxes paid in excess as assets. Deferred tax liabilities/assets shall be recognized for taxable/deductible temporary differences.

Article 11

All deferred tax liabilities from taxable temporary differences shall be recognized, except:

1. Initial recognition of goodwill
2. Initial recognition of assets/liabilities in transactions that:
 - a) Are not business combinations
 - b) Affect neither accounting profit nor taxable income at transaction date

Article 12

Deferred tax liabilities shall be recognized for taxable temporary differences from investments in subsidiaries, associates and joint ventures, unless:

1. The investor controls reversal timing
2. The difference will probably not reverse in foreseeable future

Article 13

Deferred tax assets shall be recognized for deductible temporary differences to the extent taxable profits will be available, except for initial recognition differences in transactions that:

1. Are not business combinations
2. Affect neither accounting profit nor taxable income at transaction date

Chapter 5: Measurement

Article 16

Current tax liabilities/assets shall be measured using tax rates/laws enacted at balance sheet date.

Article 17

Deferred tax assets/liabilities shall be measured using tax rates expected to apply when assets are recovered/liabilities settled.

Article 20

Deferred tax assets shall be reviewed at each balance sheet date and written down if future taxable profits become insufficient. Write-downs shall be reversed when profits become probable.

Chapter 6: Presentation

Article 23

Deferred tax assets/liabilities shall be presented as non-current assets/liabilities.

Article 25

The following shall be disclosed:

1. Components of tax expense (income)
2. Reconciliation between tax expense and accounting profit
3. Unrecognized deductible temporary differences/tax losses (with expiry dates if applicable)
4. Deferred tax assets/liabilities recognized for each type of temporary difference
5. Unrecognized deferred tax liabilities for investments in subsidiaries, associates and joint ventures

Issued on: March 9, 2006