Norsk RegnskapsStiftelse

8 May 2020

International Accounting Standards Board
Email: commentletters@ifrs.org

Cc: EFRAG

Dear Sir/Madam

Exposure Draft ED/2020/2: Covid-19-Related Rent Concessions - Proposed amendment to IFRS 16

Norsk Regnskaps Stiftelse (the Norwegian Accounting Standards Board, NASB) welcomes the opportunity to submit its views on ED/2020/2 Covid-19-Related Rent Concessions - Proposed amendment to IFRS 16.

NASB agrees that the proposed amendment would provide lessees with practical relief while enabling them to continue providing useful information about their leases to users of financial statement. In NASB's opinion, immediately showing the effect of Covid-19-related rent concessions in profit or loss provides users of the financial statements with more useful information than spreading the effects over the remaining useful life of the right-of-use asset. Further, assessing whether Covid-19-related rent concessions are resulting from a modification could be complex, and determining the revised discount rate when remeasuring the lease liability may be challenging under current market conditions. We believe the proposed solution appropriately addresses these issues in very special circumstances.

NASB also agrees to the proposed effective date with earlier application permitted, as well as transition approach. This would allow entities to apply the amendments in any set of financial statements not yet authorised for issue, while avoiding the burden of restating prior period figures.

The practical expedient is limited to lessees. We believe a similar expedient is relevant for lessors, both for practical reasons and from a user perspective.

IFRS 16.87 requires a lessor to account for a lease modification to an operating lease as a new lease from the effective date of the modification. Further IFRS 16.81 requires a lessor to recognise lease payments from operating leases on a straight-line basis in most cases. For rent concessions considered to be lease modifications, this implies that the lessor will recognise the reduced rent over the remaining lease term and not in the period that the rent reduction is given. We believe rent concessions given in this situation is a current period loss in most cases. In our view recognising reduced revenue in the period that the rent concession is given, gives more relevant information to users, and faithfully represent the economics of the situation. We think lease modifications from Covid-19 rent concessions is different from other lease modifications. Rent concessions occurring as a direct consequence of Covid-19, are often given based on a public pressure and/or government encouragement and are thus different from lease modification following from negotiations between the lessee and lessor. This warrants a different accounting treatment.

We also believe the expedient should be extended to lessors due to practical reasons. One of the reasons for the expedient to be granted to lessees is that considering whether a lease contract has been modified is challenging. Considering whether a rent concession is a lease modification or not, will often require a legal assessment, and may require a high degree of legal judgment, especially regarding whether force majeure applies. This also applies to lessors. Lessors may also have a significant number

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of different leases, and not only a few standard contracts. Lease agreement may for example be different for different assets and also for different categories of investment property (office buildings, warehouses, shopping centres, hotels, barracks etc.). Lessors may also have leases in several jurisdiction. Finally, although accounting for a lease modification is quite straight forward for a single operating lease, for some lessors accounting for the modification can create practical challenges due to a very high number of lease contracts.

You are welcome to contact us if you would like to discuss any specific issues addressed in our response further.

Yours faithfully,
Karina Vasstveit Hestås
Chair of the Technical Committee on IFRS of Norsk RegnskapsStiftelse

Norsk RegnskapsStiftelse

25 May 2020

International Accounting Standards Board
Email: commentletters@ifrs.org

Cc: EFRAG

Dear Sir/Madam

Exposure Draft 2020/1: Interest Rate Benchmark Reform – Phase 2

Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board – the NASB) is pleased to respond to your invitation to comment on the Exposure Draft ED/2020/1 Interest Rate Benchmark Reform – Phase 2 proposing amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

Without commenting on the details of the ED, we believe it is important that the accounting consequences of the IBOR reform is dealt with in the form of standard setting and supports the objective of the proposals. We believe it is important to finalise the amendments within the scheduled timeline.

While the phase 1 amendments related only to hedge accounting, the phase 2 amendments have a broader impact. We suggest that amendments not related to hedge accounting should not be inserted in chapter 6 of IFRS 9. For entities applying IAS 39 hedge accounting, the modification amendments will not be available if they are included in chapter 6 of IFRS 9. We suggest that the amendments proposed in paragraphs 6.9.1 to 6.9.6 is included in Chapter 3 Recognition and Derecognition as a new section 3.4, while amendments which do relate to hedge accounting should remain in section 6.9.

Please contact us if you would like to discuss any specific issues addressed in our response further.

Yours faithfully,

Karina Vasstveit Heštås
Chair of the Technical Committee on IFRS of Norsk RegnskapsStiftelse

30 September 2020

International Accounting Standards Board
Email: commentletters@ifrs.org

Cc: EFRAG

Dear Sir/Madam

Exposure Draft ED/2019/7: General Presentation and Disclosure

Norsk Regnskapsstiftelse (the Norwegian Accounting Standards Board, NASB) welcomes the opportunity to submit its views on ED/2019/7: General Presentation and Disclosures.

In general, we welcome the project and support many of the ED's proposals. We support the proposed categories in the statement of profit or loss with the operating category as a residual category. However, the definitions of financing and investing may be improved. We suggest that the final standard should define *main business activities* and give this concept an even more prominent role in the definitions of the categories. This concept should also be given more weight in the separation of integral and non-integral associates and joint ventures.

We do not support some of the proposals, especially related to the presentation of integral and non-integral associates and joint ventures with a subtotal requirement as well as the requirement for separate note disclosure for unusual items. We also suggest that the IASB align its proposal for management performance measures more with the ESMA's guidelines for alternative performance measures, and suggest allowing mixed models for presentation of operating expenses when this provides the most relevant information, in addition to requesting guidance to clarify what is required by a 'by nature' specification.

To discuss the issues raised in this paper please contact us.

Bjørn E. Strandberg

Yours faithfully,
Bjørn Einar Strandberg
Chair of the Technical Committee on IFRS

Appendix - responses to the specific questions

Question 1—operating profit or loss
Paragraph 60(a) of the Exposure Draft proposes that all entities present in the statement of profit or loss a subtotal for operating profit or loss. Paragraph BC53 of the Basis for Conclusions describes the Board's reasons for this proposal. Do you agree with the proposal? Why or why not? If not, what alternative approach would you suggest and why?

We agree that all companies present operating profit or loss.

In addition to operating profit or loss, users may appreciate additional subtotals on the face of the income statement within the operating category. The need for such additional subtotals may vary between industries, and we agree that the new standard should not require further subtotals for all companies. However, we support paragraph 42, which requires additional subtotals when such presentation is relevant. For instance, a subtotal before fair value adjustments may provide relevant information in industries such as investment property and fish farming.

Question 2—the operating category
Paragraph 46 of the Exposure Draft proposes that entities classify in the operating category all income and expenses not classified in the other categories, such as the investing category or the financing category. Paragraphs BC54–BC57 of the Basis for Conclusions describe the Board's reasons for this proposal. Do you agree with this proposal? Why or why not? If not, what alternative approach would you suggest and why?

We agree that it is appropriate to define the operating category as a residual category. However, this residual approach requires clear definitions of the other categories. In question 5, we call for a clearer definition of the investing category.

According to paragraph 56, "an entity shall classify foreign exchange differences included in profit or loss applying IAS 21 in the same category of the statement of profit or loss as the income and expenses from the items that gave rise to the foreign exchange differences". For many companies, this implies more foreign exchange differences classified in the operating category than today. Some analysts consider foreign exchange differences in the operating category as noise for their valuations. We do not express any view on the categorization of foreign exchange differences, but we recommend separate disclosure of foreign exchange differences included in operating profit, either in the income statement or in the notes, for instance by amending IAS 21.52(a).

Question 3—the operating category: income and expenses from investments made in the course of an entity's main business activities
Paragraph 48 of the Exposure Draft proposes that an entity classifies in the operating category income and expenses from investments made in the course of the entity's main business activities. Paragraphs BC58–BC61 of the Basis for Conclusions describe the Board's reasons for this proposal. Do you agree with the proposal? Why or why not? If not, what alternative approach would you suggest and why?

We support the idea behind paragraph 48, but we recommend the IASB to define *investments* (see question 5) and *main business activities*. *Main business activity* appears an important concept in the ED, and in our response to other questions, we call for the IASB to consider using the concept more broadly as a determining factor in categorization issues. This importance requires a definition of the concept. Without a definition of main business activities, it is not clear how it relates to other similar terms, such as core business and principal activities.

We call for more guidance on how the concept of main business activities are identified in a group. If an activity is identified as a main business activity on a subsidiary level in its separate statements, it may or may not remain so on a group level, and we do not see that the ED provides enough guidance.

Moreover, the ED frequently refers to "*in the course of* its main business activities". It is not always clear what "in the course of" means, and it may be difficult to translate this phrase into Norwegian. A question arises as to whether this term extends the scope of the main business activities to include auxiliary activities, or whether it narrows it to only those that follows directly from the main activities. We suggest that the IASB considers expanding the definitions to include "in the course of" when *main business activities* are defined.

Question 4—the operating category: an entity that provides financing to customers as a main business activity
Paragraph 51 of the Exposure Draft proposes that an entity that provides financing to customers as a main business activity classify in the operating category either: • income and expenses from financing activities, and from cash and cash equivalents, that relate to the provision of financing to customers; or • all income and expenses from financing activities and all income and expenses from cash and cash equivalents. Paragraphs BC62–BC69 of the Basis for Conclusions describe the Board's reasons for the proposals. Do you agree with the proposal? Why or why not? If not, what alternative approach would you suggest and why?

As mentioned in question 3, we support the idea that main business activities are categorised as operating activities. However, we do not agree that the option in question 4 should be a free choice for the eligible entities. In BC68, the IASB argues that "*because of the difficulty in some cases in allocating income or expenses between the categories, the Board concluded that allocation should not be required but should be permitted*" (our underlining). In our opinion, it is not appropriate to give all eligible entities this option just because it is difficult for some. Rather, we suggest limiting this option to entities for which such allocation requires undue cost or effort. For entities with limited financing activities, we are concerned that presenting all financing items in operating profit provides information that seem more irrelevant or obscure.

Question 5—the investing category
Paragraphs 47–48 of the Exposure Draft propose that an entity classifies in the investing category income and expenses (including related incremental expenses) from assets that generate a return individually and largely independently of other resources held by the entity, unless they are investments made in the course of the entity's main business activities. Paragraphs BC48–BC52 of the Basis for Conclusions describe the Board's reasons for the proposal. Do you agree with the proposal? Why or why not? If not, what alternative approach would you suggest and why?

Investments are not defined in Appendix A, and paragraph 47-48 may seem ambiguous. Following the guidelines in paragraph 48, there will be assets that are neither part of main business activities nor part of investing category (nor cash or cash equivalent), and we assume income and expenses from these assets will end up in the operating category. If this is what is intended, it should be stated clearly. However, this categorization is not in line with the stated purpose of the investing category in the ED's BC49: "The objective of the investing category is to identify returns from investments that are **not** part of the entity's main business activities".

Considering the key role main business activities plays elsewhere in the ED's guidelines for categorization, we recommend that the IASB considers whether the investing category should be referred to as income and expenses from investments that are not part of its main business activities (or financing category).

In sum, we recommend the IASB to include a definition of *investment*, and this definition should be aligned with the stated objective for the investing category. We also recommend a definition of *main business activities,* see question 3.

Question 6—profit or loss before financing and income tax and the financing category
a) Paragraphs 60(c) and 64 of the Exposure Draft propose that all entities, except for some specified entities (see paragraph 64 of the Exposure Draft), present a profit or loss before financing and income tax subtotal in the statement of profit or loss. b) Paragraph 49 of the Exposure Draft proposes which income and expenses an entity classifies in the financing category. Paragraphs BC33–BC45 of the Basis for Conclusions describe the Board's reasons for the proposals. Do you agree with the proposals? Why or why not? If not, what alternative approach would you suggest and why?

In general, we agree.

Nevertheless, we recommend the IASB to clarify the scope of "other liabilities" in paragraph 49 (c). For example, are provisions for uncertain tax positions within the scope of other liabilities? Prolonged tax disputes may cause significant interest to be incurred. Does paragraph 49 restrict interest to be categorised within the finance category only if the tax claim is recognised as a liability? In some jurisdictions, the interest payments tend to be received interest, rather than paid interest, because the tax claim is paid when claimed and returned if the conclusion is in favour of the taxpayer. The wording in paragraph 49 indicates that this interest is not within the finance category. We recommend that the guidance should be clarified so both interest income and expenses on uncertain tax amounts are included in the same category, similar to how measurement is independent of whether the tax position is an asset or a liability, cf. IFRIC 23.

We also note that the exclusion of assets from paragraph 49 (c) suggests that unwinding of the discount on assets is not part of the financing category. However, the examples in paragraph B37 (d) and BC43 indicates that the category also includes unwinding of the discount on assets. We recommend the IASB to clarify the categorisation of interest income and expenses related to assets.

While seldom a material amount, we find the rationale for unwinding a discount on costs to sell to be presented in the finance category to be unconvincing. An estimated future 'cost to sell' is not a liability, it is merely a part of the measurement of an asset's value under IFRS 5. While we see merit in net pension liabilities being part of the financing of the entity, we do not follow this logic here.

We note that IFRIC 12 seems to include the unwinding effect as an operating expense (see IFRIC 12.IE36-37). The IASB should consider amending IFRIC 12 to be ensure consistent categorisation of the effect of unwinding.

Question 7—integral and non-integral associates and joint ventures
a) The proposed new paragraphs 20A–20D of IFRS 12 would define 'integral associates and joint ventures' and 'non-integral associates and joint ventures'; and require an entity to identify them. b) Paragraph 60(b) of the Exposure Draft proposes to require that an entity present in the statement of profit or loss a subtotal for operating profit or loss and income and expenses from integral associates and joint ventures. c) Paragraphs 53, 75(a) and 82(g)–82(h) of the Exposure Draft, the proposed new paragraph 38A of IAS 7 and the proposed new paragraph 20E of IFRS 12 would require an entity to provide information about integral associates and joint ventures separately from non-integral associates and joint ventures. Paragraphs BC77–BC89 and BC205–BC213 of the Basis for Conclusions describe the Board's reasons for these proposals and discuss approaches that were considered but rejected by the Board. Do you agree with the proposals? Why or why not? If not, what alternative approach would you suggest and why?

We agree that the users will benefit from information that makes them able to separate associates and joint ventures that are closely related to operating activities from those who are not. However, we do not support all the proposed solutions.

Firstly, the proposed definition of *integral associates and joint ventures* will exclude many associates and joint ventures that entities consider part of their main business activities. In many capital intensive industries, it is common to cooperate with other companies through joint arrangements and associates, and it may be of less importance who operate the joint operation or control the associate. Many such cooperations will not fulfill the requirements in IFRS 12.20D and will be categorised as non-integral. Nevertheless, the arrangements and associates are in fact considered part of the main business activities of the entity. The proposed definitions of the terms *integral* and *non-integral* introduce a new layer of judgement. We suggest that a separation of entities into the two categories should be made with reference to main business activities, and not level of integration. This would facilitate a more coherent categorisation throughout the standard, and it would facilitate more consistency by reducing the number of judgemental terms.

Secondly, we do not support the proposed paragraph 60(b) that mandates the subtotal "operating profit or loss and income and expenses from integral associates and joint ventures". This subtotal is a sum of two numbers, and due to its nature, it may be used by quite few, and therefore not be a key metric across the board. If this is an important subtotal for the users, the users will be able to summarise themselves.

Thirdly, if the IASB decides to keep the proposed split in the income statement, we are not convinced that it is necessary to require a mandatory split in all the other primary statements.

Question 8—roles of the primary financial statements and the notes, aggregation and disaggregation

a) Paragraphs 20–21 of the Exposure Draft set out the proposed description of the roles of the primary financial statements and the notes.
b) Paragraphs 25–28 and B5–B15 of the Exposure Draft set out proposals for principles and general requirements on the aggregation and disaggregation of information.

Paragraphs BC19–BC27 of the Basis for Conclusions describe the Board's reasons for these proposals.

Do you agree with the proposals? Why or why not? If not, what alternative approach would you suggest and why?

We agree with the proposed roles of the primary financial statements and the notes, but we find the wording of paragraph 20 unclear and a bit superfluous. One example is paragraph 20(c): What does it mean to *identify* items or areas about which users of financial statements may wish to seek additional information in the notes? Is this just referring to cross-referencing, or is it referring to a wider purpose? If it is the latter, a poor presentation in a primary financial statement may fulfil its role since the reader have to seek additional information in the notes. We question the need for paragraph 20 (c); in our opinion, it adds little to paragraph 21.

Question 9—analysis of operating expenses
Paragraphs 68 and B45 of the Exposure Draft propose requirements and application guidance to help an entity to decide whether to present its operating expenses using the nature of expense method or the function of expense method of analysis. Paragraph 72 of the Exposure Draft proposes requiring an entity that provides an analysis of its operating expenses by function in the statement of profit or loss to provide an analysis using the nature of expense method in the notes. Paragraphs BC109–BC114 of the Basis for Conclusions describe the Board's reasons for the proposals. Do you agree with the proposals? Why or why not? If not, what alternative approach would you suggest and why?

In principle, we agree. The need for digitally readable information increases and non-mixed models and information about operating expenses by nature will facilitate this.

There is, however, a need for a more consistent application of the models. Even though the models have existed for a long time, they are not very well described, neither in the current IAS 1 nor in the ED.

We believe there is need for more guidance. Without clear definitions or guidance, we believe that mixed models will continue in practice.

In paragraph 69, the ED provides some examples of expenses by nature. We struggle to see how expenses related to raw-materials, employees, equipment and intangibles are all examples of 'materials'? A more generic term would be 'resources'. (The meaning would be somewhat clearer if the comma after raw materials is replaced with an ending parenthesis.)

Also, one of the examples in paragraph 69 is "expenses related to employees (employee benefits)". Does this example imply that the broader term 'personnel expenses' is not a nature since it may include hired personnel? If so, what is the nature of hired personnel, is it the hiring that decide the nature so it should be grouped with hired cars etc, or is it the similarity to employees that decide the nature? The BC argues that a by nature specification gives better information to project the future expenses. Under this approach employee expenses are typically more fixed than hired personnel, which may warrant separate presentation.

In B15 various line items are mentioned such as provisions and reversal of provisions. Provisions may include expenses of many natures. In our opinion, a change in a provision is not a 'nature' and this presentation is compatible with the by-nature approach only if all changes in provisions are shown on a separate line, similar to changes in inventories of finished goods and work in progress.

We note that some preparers and users argue that the mixed model is appropriate for some industries, and it is commonly used by peers that apply other GAAPs, such as US GAAP. We are therefore not convinced that prohibition of mixed models is the best solution. However, we agree with the ED that entities should use the model that is most relevant, but we suggest that the IASB consider including mixed models as an option when this is the most relevant model.

According to paragraph 65(a)(vii), entities shall present *cost of sales* in the statement of profit or loss. The paragraph refers to paragraph 71, which clarifies that this applies when entities apply a *function of expense* method. However, paragraph B47 states that "an entity shall present in the statement of profit or loss the line items required by paragraph 65 regardless of the method of analysis of expenses used" (our underlining). This means that *cost of sales* must be presented in the statement of profit or loss also when the *nature of expense* method is used, which seems strange and is contrary to what is said in paragraph 71. This should be clarified.

Question 10—unusual income and expenses

a) Paragraph 100 of the Exposure Draft introduces a definition of 'unusual income and expenses'.
b) Paragraph 101 of the Exposure Draft proposes to require all entities to disclose unusual income and expenses in a single note.
c) (c) Paragraphs B67–B75 of the Exposure Draft propose application guidance to help an entity to identify its unusual income and expenses.
d) (d) Paragraphs 101(a)–101(d) of the Exposure Draft propose what information should be disclosed relating to unusual income and expenses.

Paragraphs BC122–BC144 of the Basis for Conclusions describe the Board's reasons for the proposals and discuss approaches that were considered but rejected by the Board.Do you agree with the proposals? Why or why not? If not, what alternative approach would you suggest and why?

We agree that unusual income and expenses should be disclosed. However, we do not support a separate note requirement for this. IFRS already includes other requirements that require entities to disclose unusual items that are material. For instance, paragraph 24 in the ED states that "An entity shall also consider whether to provide additional disclosures when compliance with the specific requirements in IFRS Standards is insufficient to enable users of financial statements to understand the impact of transactions and other events and conditions on the entity's financial position and financial performance." One alternative is to extend this paragraph with a reference to the predictive value, which is key in the proposed definition of unusual income and expenses.

Moreover, the IASB has expressed that the definition of unusual income and expenses sets a high threshold for being unusual. We note that some stakeholders, who support separate note disclosure, would like a lower threshold for being unusual. This indicates that the proposal in the ED might result in two layers of unusual items in practice. Also, the introduction of MPMs might address unusual items.

In sum, we believe that the proposal adds little benefit to information required elsewhere in IFRS.

Question 11—management performance measures
a) Paragraph 103 of the Exposure Draft proposes a definition of 'management performance measures'. b) Paragraph 106 of the Exposure Draft proposes requiring an entity to disclose in a single note information about its management performance measures. c) Paragraphs 106(a)–106(d) of the Exposure Draft propose what information an entity would be required to disclose about its management performance measures. Paragraphs BC145–BC180 of the Basis for Conclusions describe the Board's reasons for the proposals and discuss approaches that were considered but rejected by the Board. Do you agree that information about management performance measures as defined by the Board should be included in the financial statements? Why or why not? Do you agree with the proposed disclosure requirements for management performance measures? Why or why not? If not, what alternative disclosures would you suggest and why?

We are not convinced that Management Performance Measures (MPM) should be within the scope of IFRS-standards. Many entities have already implemented similar guidelines, such as ESMA's guidelines for Alternative Performance Measures. For these companies, the MPM-requirements will not bring much additional benefit, it will rather present alternative performance measures in two separate sections of the financial report while the users express a desire to have them in one place. We suggest that the IASB and the ESMA align their requirements and guidance for management/alternative performance measures.

Question 12—EBITDA
Paragraphs BC172–BC173 of the Basis for Conclusions explain why the Board has not proposed requirements relating to EBITDA. Do you agree? Why or why not? If not, what alternative approach would you suggest and why?

We agree.

Question 13—statement of cash flows
a) The proposed amendment to paragraph 18(b) of IAS 7 would require operating profit or loss to be the starting point for the indirect method of reporting cash flows from operating activities. b) The proposed new paragraphs 33A and 34A–34D of IAS 7 would specify the classification of interest and dividend cash flows. Paragraphs BC185–BC208 of the Basis for Conclusions describe the Board's reasons for the proposals and discusses approaches that were considered but rejected by the Board. Do you agree with the proposals? Why or why not? If not, what alternative approach would you suggest and why?

We agree with the proposals in the question above.

However, we do not agree with the mandatory requirement to split the cash flows from integrated and non-integrated separately in paragraph IAS 7.38A (see question 7), and we suggest that the IASB avoids using the same name on categories in the *statement of profit or loss* and in the *statement of cash flow* when the content of the categories is different.

Question 14—other comments
Do you have any other comments on the proposals in the Exposure Draft, including the analysis of the effects (paragraphs BC232–BC312 of the Basis for Conclusions, including Appendix) and Illustrative Examples accompanying the Exposure Draft?

Definition of Primary Financial Statement

Paragraph 11 defines Primary Financial Statement (PFS) as the statements described in paragraph 10(a)-10(d). Consequently, comparative information is not part of PFS as comparative information is described in 10(f). In our opinion, it would make sense to include comparative information to the statements in paragraph 10(a)-10(d) as part of PFS. Moreover, excluding comparative information is inconsistent with the proposed role of the PFS to make comparisons between reporting periods, ref. paragraph 20(b).

Definition of General Purpose Financial Statements

In Appendix A, *General Purpose Financial Statement* is now defined as "financial reports that provide information about a reporting entity's assets, liabilities, equity, income and expenses". In our opinion, this is a definition of *Financial Statements* as such without any explanation of what the term *General Purpose* might encompass.

Undue cost or effort

Several times in the ED, the IASB refers to undue cost or effort for some entities to justify exemptions from preferred solutions. However, the ED is inconsistent in the form of such exemptions:

1. In some cases, the ED allows exemptions only for entities facing undue cost or effort.
2. In some cases, the ED allows free choice for all entities (e.g. BC 68, see question 4).
3. In some cases, the ED disallows the preferred solution for all entities (e.g. BC 102)

The example from BC 68 (see number 2 above), is already described in Question 4.

The example from BC 102 (see number 3 above) is about the rejection of including non-derivative financial instruments in paragraph 58 “because it may be costly for an entity to identify the categories affected by the risk(s) managed and monitor whether the entity is holding the financial instrument for risk management. This is because entities may hold non-derivative financial instruments for multiple purposes, including risk management.” We do not support to disallow the most relevant solution for all entities because it might be costly for some entities.

In general, we support exemptions only for entities facing undue cost or effort (see number 1 above).

Superfluous paragraphs

We have noted some paragraphs that seem to be superfluous as they repeat what is said in other paragraphs. Some examples:

Paragraph 102: Income and expenses from the recurring remeasurement of items measured at a current value are expected to change from period to period. They would not normally be classified as unusual income and expenses (see paragraph B72).	Paragraph B72: Income and expenses from the recurring remeasurement of items measured at current value would not normally be classified as unusual. Income and expenses from the remeasurement of such items are expected each reporting period and are expected to vary from period to period.

Paragraph 62: If an entity has no integral associates and joint ventures, it is not required to present the subtotal required by paragraph 60(b) for operating profit or loss and income and expenses from integral associates and joint ventures.	Paragraph 24: Some IFRS Standards specify information that is required to be presented in the primary financial statements or disclosed in the notes. An entity need not provide a specific presentation or disclosure required by an IFRS Standard if the information resulting from that presentation or disclosure is not material. This is the case even if the IFRS Standard contains a list of specific requirements or describes them as minimum requirements. […]

23 December 2020

International Accounting Standards Board
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Dear Sir/Madam

Discussion paper (DP) 2020/1: Business combinations – Disclosures, Goodwill and Impairment

Norsk Regnskapsstiftelse (the Norwegian Accounting Standards Board, NASB) welcomes the opportunity to submit our views on DP 2020/1: Business combinations – Disclosures, Goodwill and Impairment.

In general, we welcome the project and support many of the DP's proposals. We believe the proposal could improve the information provided for acquisitions without undue costs on preparers. We believe that IASB has found the right level of information to be disclosed.

We support the objective of improving the financial reporting for use in monitoring the stewardship of management, one of the two key objectives of financial statements according to the framework. In order to measure stewardship, management should be held accountable for the resources they spend on acquisitions. The DP is silent on the fact that when shares are used as consideration, management make their decision based on the value of those shares on the date of agreement, whereas goodwill is measured based on the value when control passes. This is often at a date significantly later, and which may be considerably higher. Often the change in price may have little or no connection to the acquisition itself. If the Board wants to improve the accounting for stewardship purposes, this inconsistency should be remedied.

We have mixed views within NASB but lean to a view that goodwill is a wasting asset for which the current model doesn't fully reflect its consumption. We therefore challenge the Board's preliminary view that it should not reintroduce amortisation of goodwill. However, if the impairment only model is continued, we ask the Board to assess whether certain components currently included in goodwill, e.g. "technical" goodwill connected to fair value adjustments of deferred tax liabilities in acquisition, could be amortised separately. Again, if not, it should be made clearer that a component of goodwill arising due to nominal measurement of a deferred tax liability of a particular tax jurisdiction will have to be tested at the level of that entity. In general, we support the proposed modifications to the impairment model.

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We have noted that FASB's project related to ASC 350 *Intangibles – Goodwill and Other* deals with a number of the same issues. We strongly urge the IASB to ensure that two different treatments for goodwill do not develop in the global capital market.

We are available to further discuss our comments. Please do not hesitate to contact the undersigned.

Yours faithfully,

Bjørn Einar Strandberg

Bjørn Einar Strandberg
Chair of the Technical Committee on IFRS
bjorn.einar.strandberg@pwc.com

SECTION 1 INTRODUCTION

Question 1

Paragraph 1.7 summarises the objective of the Board's research project. Paragraph IN9 summarises the Board's preliminary views. Paragraphs IN50–IN53 explain that these preliminary views are a package and those paragraphs identify some of the links between the individual preliminary views.

The Board has concluded that this package of preliminary views would, if implemented, meet the objective of the project. Companies would be required to provide investors with more useful information about the businesses those companies acquire. The aim is to help investors to assess performance and more effectively hold management to account for its decisions to acquire those businesses. The Board is of the view that the benefits of providing that information would exceed the costs of providing it.

(a) Do you agree with the Board's conclusion? Why or why not? If not, what package of decisions would you propose and how would that package meet the project's objective?

(b) Do any of your answers depend on answers to other questions? For example, does your answer on relief from a mandatory quantitative impairment test for goodwill depend on whether the Board reintroduces amortisation of goodwill?
Which of your answers depend on other answers and why?

We agree with the overall objective to provide investors with more useful information about acquisitions. We believe that the objective may be fulfilled by the proposed disclosures.

The disclosures proposed for an acquisition would result in information that is relevant and at a reasonable cost. We welcome that the information required is not rigid or pre-defined, but reflects the acquirer's situation, management's monitoring of the acquisition and changes in metrics over time, as there are major differences in for example the complexity, size and industries affecting what is deemed useful information about an acquisition.

SECTION 2 IMPROVING DISCLOSURES ABOUT ACQUISITIONS

Question 2

Paragraphs 2.4–2.44 discuss the Board's preliminary view that it should add new disclosure requirements about the subsequent performance of an acquisition.

(a) Do you think those disclosure requirements would resolve the issue identified in paragraph 2.4—investors' need for better information on the subsequent performance of an acquisition? Why or why not?

(b) Do you agree with the disclosure proposals set out in (i)–(vi) below? Why or why not?

(i) A company should be required to disclose information about the strategic rationale and management's (the chief operating decision maker's (CODM's)) objectives for an acquisition as at the acquisition date (see paragraphs 2.8–2.12). Paragraph 7 of IFRS 8 *Operating Segments* discusses the term 'chief operating decision maker'.

(ii) A company should be required to disclose information about whether it is meeting those objectives. That information should be based on how management (CODM) monitors and measures whether the acquisition is meeting its objectives (see paragraphs 2.13–2.40), rather than on metrics prescribed by the Board.

(iii) If management (CODM) does not monitor an acquisition, the company should be required to disclose that fact and explain why it does not do so. The Board should not require a company to disclose any metrics in such cases (see paragraphs 2.19–2.20).

(iv) A company should be required to disclose the information in (ii) for as long as its management (CODM) continues to monitor the acquisition to see whether it is meeting its objectives (see paragraphs 2.41–2.44).

(v) If management (CODM) stops monitoring whether those objectives are being met before the end of the second full year after the year of acquisition, the company should be required to disclose that fact and the reasons why it has done so (see paragraphs 2.41–2.44).

(vi) If management (CODM) changes the metrics it uses to monitor whether the objectives of the acquisition are being met, the company should be required to disclose the new metrics and the reasons for the change (see paragraph 2.21)

(c) Do you agree that the information provided should be based on the information and the acquisitions a company's CODM reviews (see paragraphs 2.33–2.40)? Why or why not? Are you concerned that companies may not provide material information about acquisitions to investors if their disclosures are based on what the CODM reviews? Are you concerned that the volume of disclosures would be onerous if companies' disclosures are not based on the acquisitions the CODM reviews?

(d) Could concerns about commercial sensitivity (see paragraphs 2.27–2.28) inhibit companies from disclosing information about management's (CODM's) objectives for an acquisition and about the metrics used to monitor whether those objectives are being met? Why or why not? Could commercial sensitivity be a valid reason for companies not to disclose some of that information when investors need it? Why or why not?

(e) Paragraphs 2.29–2.32 explain the Board's view that the information setting out management's (CODM's) objectives for the acquisition and the metrics used to monitor progress in meeting those objectives is not forward-looking information. Instead, the Board considers the information would reflect management's (CODM's) targets at the time of the acquisition. Are there any constraints in your jurisdiction that could affect a company's ability to disclose this information? What are those constraints and what effect could they have?

We agree that the disclosure requirements will give better information about acquisitions, focusing on management strategies and the rationale for the acquisition. In practice this is also communicated when the acquisition is published in the market through press releases and other means of communication. Nevertheless, we support that business rationale for significant acquisitions should be disclosed in the financial statements to ensure the completeness of relevant information in the financial reporting.

We agree with the proposal in (b)(i) to replace the current requirements to disclose "the primary reasons for an acquisition" with a requirement to disclose information about the strategic rationale and objectives for an acquisition at the acquisition date.

We also support the proposal in (b)(ii) that how management (CODM) monitors and measures the acquisition is at an appropriate level of details. The metrics disclosed will give investors relevant information about how management monitors and follows up an acquisition and about how well a company is managed. For quantitative disclosure requirements, the Board should be clear that only metrics that can be measured (and audited) with sufficient reliability should be within the scope for quantitative disclosures. This would limit the disclosures with regard to metrics related to e.g. future cost savings or improvements for which limited reliable audit evidence is available.

Even though we support the inclusion of the above disclosure requirements, we notice that two different growth strategies (organic growth versus growth via acquisitions) will lead to distinct differences in the level of information provided in the financial statements. For a company with a mixed growth strategy, users will get significantly more information about acquired businesses than about businesses developed internally, even though the resources used may be of similar magnitude. We acknowledge that organic and acquired growth is different, but we are not convinced that such asymmetry is in the interest of the users of the financial statements.

We support proposal b(iii) as we see value in informing investors about whether an acquisition is followed up directly by the CODM or by a lower level of management either as a stand-alone entity or through integration with existing business. We do however ask the Board to be careful with regards to the use of negative statements in the disclosure as this can take attention away from the information management has considered useful and included in the disclosures

We support the proposal in (b)(v). Since the acquired business will change over time and often will be integrated in the total business, we find the two-year period appropriate.

Based on the fast-changing environment, integration of the acquired company into the existing business and the fact that all acquisitions are different, we support the requirement in (b)(vi) to disclose any change in the metrics used and the reason for the changes.

Regarding the question about commercial sensitivities in (d), we generally think the information can be disclosed without affecting the commercial situation. We have also listened to the producers with regards to this question. Based on their experiences it is often possible to give relevant information to the market without harming the company. But it depends on the level of details and timing. Information about how the company will achieve the synergies, information about price expectations, specification of cost reductions and information affecting employees will often be sensitive after an acquisition.

Question 3

Paragraphs 2.53–2.60 explain the Board's preliminary view that it should develop, in addition to proposed new disclosure requirements, proposals to add disclosure objectives to provide information to help investors to understand:

- the benefits that a company's management expected from an acquisition when agreeing the price to acquire a business; and
- the extent to which an acquisition is meeting management's (CODM's) objectives for the acquisition.

Do you agree with the Board's preliminary view? Why or why not?

We support the Board's preliminary view to describe the disclosure objectives in the standard, and that these should focus on benefits the company's management expects from the acquisition and subsequent measurement of whether those expectations were fulfilled. The proposed disclosure objectives related to the expected benefits from the acquisition place strong stewardship on management and will strengthen corporate governance.

Question 4

Paragraphs 2.62–2.68 and paragraphs 2.69–2.71 explain the Board's preliminary view that it should develop proposals:

- to require a company to disclose:
  - a description of the synergies expected from combining the operations of the acquired business with the company's business;
  - when the synergies are expected to be realised;
  - the estimated amount or range of amounts of the synergies; and
  - the expected cost or range of costs to achieve those synergies; and

- to specify that liabilities arising from financing activities and defined benefit pension liabilities are major classes of liabilities.

Do you agree with the Board's preliminary view? Why or why not?

We agree that the Board should develop proposals that require companies to disclose expected synergies and when the synergies are expected to be realized. However, we do not believe the disclosure should always require detailed requirements about estimated amount or range of amounts of the synergies, and the expected cost or range of costs to achieve those synergies. There should be a reliability threshold, as included in other standards, before quantitative information is mandated. Mandating such a disclosure in all instances seem to conflict with the overall direction of the DP, which is to report on metrics that are reported to the CODM. The disclosure requirements should be useful and flexible, and based on the company's governance and monitoring of the acquisitions. Further, as synergies are not well defined, there are complexities around the audit of such concrete measures.

We oppose requirements for companies to separate liabilities arising from financing activities from defined pension liabilities. In our jurisdiction, defined benefit plans are being phased out, and liabilities are normally settled as part of the acquisition. IAS 7.44B already requires disclosure of changes in liabilities from financing activities arising from obtaining control of a business and IAS 19.141(h) requires the disclosure of the effect of business combinations as part of the reconciliation of the net defined benefit liability (asset). We do not support duplicating those disclosure requirements.

Question 5

IFRS 3 *Business Combinations* requires companies to provide, in the year of acquisition, pro forma information that shows the revenue and profit or loss of the combined business for the current reporting period as though the acquisition date had been at the beginning of the annual reporting period.

Paragraphs 2.82–2.87 explain the Board's preliminary view that it should retain the requirement for companies to prepare this pro forma information.

(a) Do you agree with the Board's preliminary view? Why or why not?

(b) Should the Board develop guidance for companies on how to prepare the pro forma information? Why or why not? If not, should the Board require companies to disclose how they prepared the pro forma information? Why or why not?

IFRS 3 also requires companies to disclose the revenue and profit or loss of the acquired business after the acquisition date, for each acquisition that occurred during the reporting period.

Paragraphs 2.78–2.81 explain the Board's preliminary view that it should develop proposals:

• to replace the term 'profit or loss' with the term 'operating profit before acquisition-related transaction and integration costs' for both the pro forma information and information about the acquired business after the acquisition date.
Operating profit or loss would be defined as in the Exposure Draft *General Presentation and Disclosures*.
• to add a requirement that companies should disclose the cash flows from operating activities of the acquired business after the acquisition date, and of the combined business on a pro forma basis for the current reporting period.

(c) Do you agree with the Board's preliminary view? Why or why not?

We support the Board's preliminary view to retain the requirement for companies to prepare the pro forma information for the combined business as though the acquisition had taken place at the beginning of the annual reporting period.

It should not be a priority of the Board to develop guidance on how to prepare the pro forma information. We believe such guidance could be more misleading than clarifying, and that it will be challenging to address specificities of all industries. We believe it is appropriate for entities to establish relevant accounting policies on how to prepare the pro forma information and disclose those in the financial statements taking into consideration the views of the regulators.

We support the proposal to replace the term "profit or loss" with the term "operating profit" (as would be defined in the Exposure Draft General Presentation and Disclosures) for both the pro forma information and information about the acquired business after the acquisition date.

SECTION 3 GOODWILL AND AMORTISATION

Question 6

As discussed in paragraphs 3.2–3.52, the Board investigated whether it is feasible to make the impairment test for cash-generating units containing goodwill significantly more effective at recognising impairment losses on goodwill on a timely basis than the impairment test set out in IAS 36 *Impairment of Assets*. The Board's preliminary view is that this is not feasible.

(a) Do you agree that it is not feasible to design an impairment test that is significantly more effective at the timely recognition of impairment losses on goodwill at a reasonable cost? Why or why not?

(b) If you do not agree, how should the Board change the impairment test? How would those changes make the test significantly more effective? What cost would be required to implement those changes?

(c) Paragraph 3.20 discusses two reasons for the concerns that impairment losses on goodwill are not recognised on a timely basis: estimates that are too optimistic; and shielding. In your view, are these the main reasons for those concerns? Are there other main reasons for those concerns?

(d) Should the Board consider any other aspects of IAS 36 in this project as a result of concerns raised in the Post-implementation Review (PIR) of IFRS 3?

We appreciate the thorough work and assessment done by the Board in investigation if it is feasible to make the impairment test for cash-generating units containing goodwill more effective, including the discussions of shielding effects and other complex methods. We believe it is challenging to find more effective methods for the impairment test and support the Board's overall preliminary view.

We agree that management's optimism and shielding are the main sources for delayed impairment. As for shielding, this is an inevitable effect of combining and integrating businesses, however it could be clarified that components of goodwill that relates to a particular legal entity, such as deferred-tax-goodwill ("Technical goodwill") and employees should be kept at that entity level for impairment testing purposes.

The Board recognises in 3.105-106 that goodwill comprises various components but rejected to develop an approach where some components may be amortised or written off immediately. We believe this conclusion should be revisited. We suggest introducing a narrow scope exemption for components of goodwill related to nominal measurement of deferred tax liabilities which may amount to large amounts and give these a separate treatment. Amortisation of such components over the expected reversal period of those temporary differences is one reasonable approach. However, if amortisation of such a component is deemed to create too much complexity, we recommend that such a component should be tested for impairment at the level of the tax entity that creates the component, and not at any higher level. IAS 36 already requires goodwill to be allocated to the units that benefit from the synergies of the combination, and IAS 21 requires goodwill to be retranslated at the level of the different currencies, so guidance to require testing at the tax entity level would be aligned with the current concepts.

Question 7

Paragraphs 3.86–3.94 summarise the reasons for the Board's preliminary view that it should not reintroduce amortisation of goodwill and instead should retain the impairment-only model for the subsequent accounting for goodwill.

(a) Do you agree that the Board should not reintroduce amortisation of goodwill? Why or why not? (If the Board were to reintroduce amortisation, companies would still need to test whether goodwill is impaired.)

(b) Has your view on amortisation of goodwill changed since 2004? What new evidence or arguments have emerged since 2004 to make you change your view, or to confirm the view you already had?

(c) Would reintroducing amortisation resolve the main reasons for the concerns that companies do not recognise impairment losses on goodwill on a timely basis (see Question 6(c))? Why or why not?

(d) Do you view acquired goodwill as distinct from goodwill subsequently generated internally in the same cash-generating units? Why or why not?

(e) If amortisation were to be reintroduced, do you think companies would adjust or create new management performance measures to add back the amortization expense? (Management performance measures are defined in the Exposure Draft
General Presentation and Disclosures.) Why or why not? Under the impairment-only model, are companies adding back impairment losses in their management performance measures? Why or why not?

(f) If you favour reintroducing amortisation of goodwill, how should the useful life of goodwill and its amortisation pattern be determined? In your view how would this contribute to making the information more useful to investors?

There is no firm consensus in NASB on whether to keep the impairment only model or reintroduce amortisation of goodwill. The majority views goodwill as a wasting asset for which the current model doesn't fully reflect its consumption and hence support a reintroduction of amortisation of goodwill.

The amortisation pattern to be applied should be based on a judgment by the companies and one could also assess whether goodwill can be split into different components with different useful lives. Even though goodwill is a residual, the companies will often be able to assess how long they will benefit from the goodwill. As for other items in the financial statements, the accounting policy, if material, should be disclosed.

If amortisation of goodwill is reintroduced, we have no firm indication whether this amortisation will be adjusted out in management performance measures. Although it is rather arbitrary, we assume that the amortisation expense will be considered as a periodic expense connected to a wasting assets (goodwill), and therefore not adjusted out to the same extent as the current "too much too late" impairment charge.

If an impairment only model is continued, we are of the opinion that certain items currently included in goodwill should be separated out of goodwill and allocated to profit and loss when appropriate. For instance, technical goodwill related to the nominal deferred tax liabilities incurred in acquisitions should be separated out of goodwill and allocated to profit or loss in the same period as the tax is settled. If such an approach is not feasible, a more prescriptive guidance on how such a component of goodwill should be tested for impairment is warranted. It should be made clear that a component of goodwill arising due to nominal measurement of a deferred tax liability of a particular tax jurisdiction will have to be tested at the level of that entity.

Question 8

Paragraphs 3.107–3.114 explain the Board's preliminary view that it should develop a proposal to require companies to present on their balance sheets the amount of total equity excluding goodwill. The Board would be likely to require companies to present this amount as a free-standing item, not as a subtotal within the structure of the balance sheet (see the Appendix to this Discussion Paper).

(a) Should the Board develop such a proposal? Why or why not?

(b) Do you have any comments on how a company should present such an amount?

We oppose the proposal to present Total equity excluding goodwill. We believe this subtotal can easily be calculated by the users of the financial statements, and the information is readily available. If the Board has any rationale for why goodwill should be treated differently from other assets, this issue needs to be discussed further.

SECTION 4 SIMPLIFYING THE IMPAIRMENT TEST

Question 9

Paragraphs 4.32–4.34 summarise the Board's preliminary view that it should develop proposals to remove the requirement to perform a quantitative impairment test every year. A quantitative impairment test would not be required unless there is an indication of impairment. The same proposal would also be developed for intangible assets with indefinite useful lives and intangible assets not yet available for use.

(a) Should the Board develop such proposals? Why or why not?

(b) Would such proposals reduce costs significantly (see paragraphs 4.14–4.21)? If so, please provide examples of the nature and extent of any cost reduction. If the proposals would not reduce costs significantly, please explain why not.

(c) In your view, would the proposals make the impairment test significantly less robust (see paragraphs 4.22–4.23)? Why or why not?

There were mixed views within the NASB on this issue but the majority, supported by the local outreach event, support the Board's view that an annual test is not required but should be based on whether an impairment indicator exists or not, similar as for other types of asset in accordance with IAS 36.

Question 10

The Board's preliminary view is that it should develop proposals:

• to remove the restriction in IAS 36 that prohibits companies from including some cash flows in estimating value in use—cash flows arising from a future uncommitted restructuring, or from improving or enhancing the asset's performance (see paragraphs 4.35–4.42); and

• to allow companies to use post-tax cash flows and post-tax discount rates in estimating value in use (see paragraphs 4.46–4.52).

The Board expects that these changes would reduce the cost and complexity of impairment tests and provide more useful and understandable information.

(a) Should the Board develop such proposals? Why or why not?

(b) Should the Board propose requiring discipline, in addition to the discipline already required by IAS 36, in estimating the cash flows that are the subject of this question? Why or why not? If so, please describe how this should be done and state whether this should apply to all cash flows included in estimates of value in use, and why.

We support the proposal also to use post-tax cashflows and post-tax discount rates in estimating value in use. We have experiences that this already has been a practical approach in determining the cash flows used to calculate value in use.

We support the Board in removing the restriction in IAS 36 that prohibits companies from including cash flows in estimating value-in-use arising from a future planned, but uncommitted, restructuring, or from planned improvement or enhancement of the asset's performance. Uncertain estimates are not unique for impairment assessments and should be treated in the same way as for other estimates.

Question 11

Paragraph 4.56 summarises the Board's preliminary view that it should not further simplify the impairment test.

(a) Should the Board develop any of the simplifications summarised in paragraph 4.55? If so, which simplifications and why? If not, why not?

(c) Can you suggest other ways of reducing the cost and complexity of performing the impairment test for goodwill, without making the information provided less useful to investors?

We support the Board in not pursing the above mentioned simplifications, but ask the Board to assess whether certain items currently included in goodwill, i.e. "technical" goodwill connected to deferred tax liabilities in acquisition could be separated out of goodwill, as the "use" of this goodwill is directly related to the settlement of the related deferred liability and should not be shielded by other assets.

We also propose that the Board assess whether the after-tax value-in-use may allow for the use of the actual tax cash flows due to unrecognized carry forward losses. Utilisation may be expected through the profit from the CGU, even though convincing evidence does not support recognition of a deferred tax assets. Such unrecognised carry forward losses acquired as part of an acquisition are included in goodwill recognised as part of the purchase price allocation, and the testing should reflect this fact.

SECTION 5 INTANGIBLE ASSETS

Question 12

Paragraphs 5.4–5.27 explain the Board's preliminary view that it should not develop a proposal to allow some intangible assets to be included in goodwill.

(a) Do you agree that the Board should not develop such a proposal? Why or why not?

(b) If you do not agree, which of the approaches discussed in paragraph 5.18 should the Board pursue, and why? Would such a change mean that investors would no longer receive useful information? Why or why not? How would this reduce complexity and reduce costs? Which costs would be reduced?

(d) Would your view change if amortisation of goodwill were to be reintroduced? Why or why not?

Based on the Board's arguments and discussions, we do agree with the Board's view not to develop a proposal to allow some intangible assets to be included in goodwill. Reducing the proportion of intangible assets recognised separately, would not respond to frequent calls to improve financial reporting by providing more information about intangible assets that are increasing in modern economies. We can't see that another conclusion will support the project objectives. This would be our view even if the Board reintroduces amortisation of goodwill.

SECTION 6 OTHER QUESTIONS

Question 13

IFRS 3 is converged in many respects with US generally accepted accounting principles (US GAAP). For example, in accordance with both IFRS 3 and US GAAP for public companies, companies do not amortise goodwill. Paragraphs 6.2–6.13 summarise an Invitation to Comment issued by the US Financial Accounting Standards Board (FASB). Do your answers to any of the questions in this Discussion Paper depend on whether the outcome is consistent with US GAAP as it exists today, or as it may be after the FASB's current work? If so, which answers would change and why?

We encourage the harmonisation of IFRS and US GAAP, and we strongly urge the IASB to avoid a situation where two different treatments of subsequent measurement of goodwill develops in the international capital market. Apart from goodwill amortisation, our views in this comment letter would not be influenced by the FASB's decisions as these are regarded as less fundamental.

Question 14

Do you have any other comments on the Board's preliminary views presented in this Discussion Paper? Should the Board consider any other topics in response to the PIR of IFRS 3?

We refer to our reply on question 11 with regards to separating out technical goodwill from goodwill into a separate intangible asset, or a separate component of goodwill, that may be subject to amortisation, or at least tested at the same level as the deferred tax.