

Question ID	2013_258
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Own funds
Article	36
Paragraph	1
Subparagraph	c
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	n.a.
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Disclose name of institution / entity	No
Type of submitter	Accounting firm
Subject matter	Applicable basis for determining deferred tax assets to be deducted from CET1
Question	Is the amount of deferred tax assets and liabilities relevant for the calculation of the amount to be deducted from Common Equity Tier 1 (CET1) according to Article 36(1)(c) of Regulation (EU) No. 575/2013 (CRR) to be determined based on the accounting values of deferred tax assets and liabilities as disclosed in the balance sheet?
Background on the question	According to Article 36(1)(c) of the CRR, deferred tax assets that rely on future profitability have to be deducted from CET1. According to Article 4(1)(106) and (108) of the CRR, deferred tax assets (DTA) and deferred tax liabilities (DTL) have the same meaning as under the applicable accounting framework; in Germany the German GAAP, Handelsgesetzbuch (HGB). With regard to the disclosure of deferred taxes on the balance sheet, institutions have - according to German GAAP - the discretion to apply two alternative approaches: 1. obligatory disclosure of a net surplus of DTL after netting gross DTA and gross DTL; optional disclosure of a net surplus of DTA after netting gross DTA and gross DTL, or 2. showing both the gross DTA and gross DTL on their balance sheet.

Final answer	<p>The amount of Deferred Tax Assets (DTA) to be deducted from Common Equity Tier 1 according to Article 36(1)(c) of Regulation (EU) No. 575/2013 (CRR) is the amount before any accounting netting (see Article 38(2) of the CRR). The only applicable netting rules for the purposes of this deduction are laid down in Article 38 of the CRR, in particular paragraphs 3, 4 and 5. The amount of net DTA calculated under the conditions of Article 38 of the CRR is independent of the relevant accounting framework (IFRS or national GAAP).</p>
Link	<p>https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_258</p>

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