Chapter

Article 16 Deductions of foreseeable tax charges for the purposes of Article 36(1)(l) and Article 56(f) of Regulation (EU) No 575/2013

(1) On the condition that the institution applies accounting framework and accounting policies that provide for the full recognition of current and deferred tax liabilities related to transactions and other events recognised in the balance sheet or the profit and loss account, the institution may consider that foreseeable tax charges have been already taken into account. The competent authority shall be satisfied that all necessary deductions have been made, either under applicable accounting standards or under any other adjustments.

(2) When the institution is calculating its Common Equity Tier 1 capital on the basis of financial statements prepared in accordance with UK adopted international accounting standards, the condition of paragraph 1 is deemed to be fulfilled.

(3) Where the condition of paragraph 1 is not fulfilled, the institution shall decrease its Common Equity Tier 1 items by the estimated amount of current and deferred tax charges not yet recognised in the balance sheet and profit and loss account related to transactions and other events recognised in the balance sheet or the profit and loss account. The estimated amount of current and deferred tax charges shall be determined using an approach equivalent to the one provided by UK-adopted international accounting standards. The estimated amount of deferred tax charges may not be netted against deferred tax assets that are not recognised in the financial statements.