
A thesis presented in partial fulfilment of the requirements for the Master of Business Studies (Accountancy) At Massey University, Albany, New Zealand

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ABSTRACT

Purpose: The purpose of this thesis is to document the changes to income tax and deferred tax due to the implementation of New Zealand International Financial Reporting Standards (NZ IFRS), particularly New Zealand International Accounting Standard 12: Income Taxes (NZ IAS 12).

Motivation: Stent, Bradbury and Hooks (2010) investigate the effect of the implementation of NZ IFRS on assets and liabilities generally. The results indicate that tax assets and tax liabilities increase but an in-depth analysis of income tax and deferred tax changes and the reason for these changes is not provided.

Research Question: What was the impact of changing from Standard Statement of Accounting Practice 12: Accounting for Income Tax (SSAP 12) under NZ FRS to NZ IAS 12: Income Taxes under NZ IFRS on income tax and deferred tax as recorded in the statement of financial position and notes to the financial statements?

Design/Methodology: Using a sample of entities listed on the New Zealand Stock Exchange (NZX), I analyse the dollar effect, percentage change and direction of change to income tax, deferred tax and net tax assets (liabilities) due to the mandatory change to NZ IAS 12 for the period 2005 to 2008. I analyse the variables that influence the change in income tax and deferred tax due to the implementation of NZ IFRS including users of the partial and comprehensive basis, asset revaluation reserves, unrecognised deferred tax assets, early and late adopters and small and large entities.

Findings: The results indicate that partial basis deferred tax users and those with asset revaluation reserves have larger decreases (increases) in net tax assets (liabilities). Late adopters and smaller companies are also less affected by the implementation of NZ IAS 12 than their counterparts.

Research Limitations: Small sample

Practical Implications: I provide an extensive comparison between SSAP 12 pre NZ IFRS and NZ IAS 12 post NZ IFRS and highlight the differences between the partial basis and comprehensive basis. My results also provide information to the International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) who are currently working towards convergence of United States Generally Accepted Accounting Policies (US GAAP) and IFRS.
PREFACE AND/OR ACKNOWLEDGEMENTS

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# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Introduction</td>
<td>1</td>
</tr>
<tr>
<td>2. Literature review</td>
<td>5</td>
</tr>
<tr>
<td>3. Background on the adoption of NZ IFRS and the change from SSAP 12 to NZ IAS 12</td>
<td>11</td>
</tr>
<tr>
<td>4. Hypothesis development</td>
<td>18</td>
</tr>
<tr>
<td>5. Background on income tax legislation</td>
<td>26</td>
</tr>
<tr>
<td>6. Sample selection and data</td>
<td>28</td>
</tr>
<tr>
<td>7. Results</td>
<td>32</td>
</tr>
<tr>
<td>8. Conclusions and limitations</td>
<td>65</td>
</tr>
<tr>
<td>9. References</td>
<td>68</td>
</tr>
<tr>
<td>10. Appendices</td>
<td>70</td>
</tr>
</tbody>
</table>
LIST OF ILLUSTRATIONS AND TABLES

Appendices
Appendix A: Example of NZ FRS income tax and deferred tax 70
Appendix B: Example of NZ IFRS income tax and deferred tax 72
Appendix C: Tax terminology 75
Appendix D: Example of reported year 77
Appendix E: Example of restated year 78
Appendix F: Example of NZ IFRS reconciliation 79
Appendix G: Example of reclassification 80
Appendix H: Example of other variances 83

Tables
Table 6.1: Selection criteria 28
Table 6.2: Population and sample 29
Table 7.1: Descriptive statistics of income tax and deferred tax in the reported year under NZ FRS 33
Table 7.2: Descriptive statistics of income tax and deferred tax in the restated year under NZ IFRS 36
Table 7.3: Descriptive statistics of income tax and deferred tax for the change from the reported year to the restated year 38
Table 7.4: Descriptive statistics of income tax and deferred tax for the change from NZ FRS to NZ IFRS recorded in the IFRS reconciliation in the notes to the financial statements 40
Table 7.5: Descriptive statistics of income tax and deferred tax for the change from NZ FRS to NZ IFRS deflated by total assets recorded in the IFRS reconciliation in the notes to the financial statements 44
Table 7.6: Descriptive statistics of income tax and deferred tax for the change from the reported year to the restated year not recorded as being due to the implementation of NZ IFRS 46
Table 7.7: Descriptive statistics of income tax and deferred tax for the change from the reported year to the restated year deflated by total assets not recorded as being due to the implementation of NZ IFRS

Table 7.8: Descriptive statistics of net tax assets for the change from NZ FRS to NZ IFRS deflated by total assets for the observations using the partial basis and comprehensive basis for deferred tax

Table 7.9: Descriptive statistics of net tax assets for the change from NZ FRS to NZ IFRS deflated by total assets for the observations with and without an asset revaluation reserve

Table 7.10: Descriptive statistics of net tax assets for the change from NZ FRS to NZ IFRS deflated by total assets for the observations with and without unrecognised deferred tax assets

Table 7.11: Descriptive statistics of net tax assets for the change from NZ FRS to NZ IFRS deflated by total assets for early and late adopters

Table 7.12: Descriptive statistics of net tax assets for the change from NZ FRS to NZ IFRS deflated by total assets for smaller and larger entities

Table 7.13: Correlation matrix

Table 7.14: Results of regression model 1: \( \text{NTA}_{(t)} = \alpha + \text{NTA}_{(t-1)} + \epsilon_{(t)} \)

Table 7.15: Results of regression model 2: \( \text{NTA}_{(t)} = \alpha + \text{NTA}_{(t-1)} + \text{P}_{(t-1)} + \text{ARR}_{(t-1)} + \text{UDTA}_{(t-1)} + \text{E}_{(t-1)} + \text{L}_{(t-1)} + \epsilon_{(t)} \)