

Illustrative annex to IVASS Regulation no. 34 of 7 February 2017

(Art. 20 of the Regulation)

Example of the identification of future taxable profits

When determining future taxable profits to be used for the purposes of eligibility of deferred tax assets, undertakings could for example take as a reference, for the first three years, the profits estimated within the framework of the strategic planning. The level of reliability of these estimates may be total, if it is based on the capability of the strategic planning to capture the undertaking's actual performance in the past years.

On the contrary, with regard to the projections of future taxable profits beyond a three-year time horizon, undertakings, to take account of the increased degree of uncertainty, could apply increasing reduction parameters, equal for example to:

- a) 20 per cent of probable future taxable profits in the 4th year of projection;
- b) 40 per cent of probable future taxable profits in the 5th year of projection;
- c) 60 per cent of probable future taxable profits in the 6th year of projection;
- d) 80 per cent of probable future taxable profits in the 7th year of projection;
- e) 100 per cent of probable future taxable profits in the 8th year of projection and in any subsequent years of projection.