

## *Example 1*

### **AASB 112 *Income Tax* and *IFRS for SMEs* Section 29 *Income Tax***

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#### **1. Executive Summary**

There are some recognition and measurement differences, as the IFRS for SMEs requirements are based on the IASB's Exposure Draft ED/2009/2 *Income Tax* published in March 2009. Accordingly, unlike AASB 112, the IFRS for SMEs:

- \* assumes recovery through sale when calculating the tax basis;
- \* requires a probability weighted average for a tax provision;
- \* uses a valuation allowance such that all DTAs are recognised; and
- \* has different exceptions for deferred tax arising on initial recognition and for investments.

Overall recommendation is to exempt entities applying the reduced disclosure regime from the disclosure requirements in paragraphs 81(f), 81(h) to 81(k), paragraph 82, paragraphs 84 to 86, paragraphs 87A to 87C, and paragraph 88.

## 2. Matrix comparison: disclosure requirements

Text in AASB 112	Text in <i>IFRS for SMEs</i> Section 29	Comments/Recommendations
	29.30 An entity shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of the current and deferred tax consequences of recognised transactions and other events. (#)	Exclude from the reduced disclosure regime as this is the objective that the disclosures in AASB 112 are intended to achieve.
<p><b>79. The major components of tax expense (income) shall be disclosed separately.</b></p> <p>80. Components of tax expense (income) may include:</p> <ul style="list-style-type: none"> <li>(a) current tax expense (income);</li> <li>(b) any adjustments recognised in the period for current tax of prior periods;</li> <li>(c) the amount of deferred tax expense (income) relating to the origination and reversal of temporary differences;</li> <li>(d) the amount of deferred tax expense (income) relating to changes in tax rates or the imposition of new taxes;</li> <li>(e) the amount of the benefit arising from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce current tax expense;</li> <li>(f) the amount of the benefit from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce deferred tax expense;</li> <li>(g) deferred tax expense arising from the write-down, or reversal of a previous write-down, of a deferred tax asset in accordance with paragraph</li> </ul>	29.31 An entity shall disclose separately the major components of tax expense (income). Such components of tax expense (income) may include: <ul style="list-style-type: none"> <li>(a) current tax expense (income).</li> <li>(b) any adjustments recognised in the period for current tax of prior periods.</li> <li>(c) the amount of deferred tax expense (income) relating to the origination and reversal of temporary differences.</li> <li>(d) the amount of deferred tax expense (income) relating to changes in tax rates or the imposition of new taxes.</li> <li>(e) the effect on deferred tax expense arising from a change in the effect of the possible outcomes of a review by the tax authorities (see paragraph 29.24).</li> <li>(f) adjustments to deferred tax expense arising from a change in the tax status of the entity or its shareholders.</li> <li>(g) any change in the valuation allowance (see paragraphs 29.21 and 29.22).</li> <li>(h) the amount of tax expense relating to changes in accounting policies and errors (see Section 10</li> </ul>	<p>Paragraphs 79 and 80 should be included in the reduced disclosure regime on the basis that they relate to the recognition and measurement requirements of AASB 112. In particular, paragraph 80(e), 80(f) and 80(g) are not in the IFRS for SMEs disclosures as the recognition and measurement of these items has been changed in the IFRS for SMEs Standard.</p> <p>Disclosures from IFRS for SMEs 29.31 (e), (f) and (g) are not in full IFRS due to recognition and measurement differences. Accordingly, it would not be appropriate to include them in the reduced disclosure regime.</p>

Text in AASB 112	Text in <i>IFRS for SMEs</i> Section 29	Comments/Recommendations
<p>56; and</p> <p>(h) the amount of tax expense (income) relating to those changes in accounting policies and errors that are included in profit or loss in accordance with AASB 108, because they cannot be accounted for retrospectively.</p>	<p><i>Accounting Policies, Estimates and Errors</i>).</p>	
<p><b>81. The following shall also be disclosed separately:</b></p> <p><b>(a) the aggregate current and deferred tax relating to items that are charged or credited directly to equity (see paragraph 62A);</b></p> <p><b>(ab) the amount of income tax relating to each component of other comprehensive income (see paragraph 62 and AASB 101 (as revised in 2007));</b></p> <p>(b) [Deleted by the IASB];</p> <p><b>(c) an explanation of the relationship between tax expense (income) and accounting profit in the following forma numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate(s), disclosing also the basis on which the applicable tax rate(s) is (are) computed;</b></p> <p><b>(d) an explanation of changes in the applicable tax rate(s) compared to the previous reporting period;</b></p> <p><b>(e) the amount (and expiry date, if any) of deductible temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset is recognised in the balance sheet;</b></p> <p><b>(f) the aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have</b></p>	<p>29.32 An entity shall disclose the following separately:</p> <p>(a) the aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income.</p> <p>(b) an explanation of the significant differences in amounts presented in the statement of comprehensive income and amounts reported to tax authorities. (#)</p> <p>(c) an explanation of changes in the applicable tax rate(s) compared with the previous reporting period.</p> <p>(e) the expiry date, if any, of temporary differences, unused tax losses and unused tax credits.</p>	<p>Staff recommend that the reduced disclosure regime includes the disclosures in paragraph 81 (a) to (e) and (g). These are very similar if not the same as paragraph 29.32 (a) – (e) in the IFRS for SMEs disclosure.</p> <p>Staff recommend excluding paragraphs 81 (f) and (h) – (k) from the reduced disclosure regime as these are not included in the IFRS for SMEs disclosure.</p> <p>Detailed notes:</p> <p>81(a) and (b) same as 29.32 (a) effectively</p> <p>81 (c) and 29.32 (b) - AASB 112 reconciles between effective tax rate and tax expense, IFRS for SMEs reconciles between tax expense and tax provision for the year. Staff recommend keeping 81 (c) for simplicity.</p> <p>81 (d) and 29.32 (c) same</p> <p>81 (e) and 29.32 (e) effectively the same, slightly different wording as IFRS for SMEs would recognise all DTAs with a valuation allowance</p> <p>81 (f) no equivalent in IFRS for SMEs – recommend removing for reduced disclosure regime</p> <p>81 (g) and 29.32 (d) effectively same, 29.32 (d)</p>

Text in AASB 112	Text in <i>IFRS for SMEs</i> Section 29	Comments/Recommendations
<p><b>not been recognised (see paragraph 39);</b></p> <p><b>(g) in respect of each type of temporary difference, and in respect of each type of unused tax loss and unused tax credit:</b></p> <p><b>(i) the amount of the deferred tax assets and liabilities recognised in the balance sheet for each period presented; and</b></p> <p><b>(ii) the amount of the deferred tax income or expense recognised in the income statement, if this is not apparent from the changes in the amounts recognised in the balance sheet;</b></p> <p><b>(h) in respect of discontinued operations, the tax expense relating to:</b></p> <p><b>(i) the gain or loss on discontinuance; and</b></p> <p><b>(ii) the profit or loss from the ordinary activities of the discontinued operation for the period, together with the corresponding amounts for each prior period presented;</b></p> <p><b>(i) the amount of income tax consequences of dividends to shareholders of the entity that were proposed or declared before the financial statements were authorised for issue, but are not recognised as a liability in the financial statements;</b></p> <p><b>(j) if a business combination in which the entity is the acquirer causes a change in the amount recognised for its pre-acquisition deferred tax asset (see paragraph 67), the amount of that change; and</b></p> <p><b>(k) if the deferred tax benefits acquired in a business combination are not recognised at the acquisition date but are recognised after the acquisition date (see paragraph 68), a description of the event or change in</b></p>	<p><b>(d) for each type of temporary difference and for each type of unused tax losses and tax credits:</b></p> <p><b>(i) the amount of deferred tax liabilities, deferred tax assets and valuation allowances at the end of the reporting period, and</b></p> <p><b>(ii) an analysis of the change in deferred tax liabilities, deferred tax assets and valuation allowances during the period.</b></p>	<p>includes reference to valuation allowance due to different recognition of DTAs in IFRS for SMEs.</p> <p>81 (h) – (k) not in IFRS for SMEs but not due to R&amp;M differences, therefore staff recommend excluding from reduced disclosure regime.</p>

Text in AASB 112	Text in <i>IFRS for SMEs</i> Section 29	Comments/Recommendations
<p>circumstances that caused the deferred tax benefits to be recognised.</p>		
<p><b>82. An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:</b></p> <p>(a) <b>the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and</b></p> <p>(b) <b>the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.</b></p>		<p>Staff recommend excluding from the reduced disclosure regime as this has been removed in the disclosure requirements in IFRS for SMEs and it is not due to R&amp;M differences.</p>
<p><b>82A. In the circumstances described in paragraph 52A, an entity shall disclose the nature of the potential income tax consequences that would result from the payment of dividends to its shareholders. In addition, the entity shall disclose the amounts of the potential income tax consequences practicably determinable and whether there are any potential income tax consequences not practicably determinable.</b></p>	<p>29.32 An entity shall disclose the following separately:                  ....                  (f) in the circumstances described in paragraph 29.25, an explanation of the nature of the potential income tax consequences that would result from the payment of dividends to its shareholders.</p>	<p>Staff recommend including in the reduced disclosure regime as this has been included in the disclosure requirements in IFRS for SMEs.</p>
<p>84. The disclosure required by paragraph 81(c) enables users of financial statements to understand whether the relationship between tax expense (income) and accounting profit is unusual and to understand the significant factors that could affect that relationship in the future. The relationship between tax expense (income) and accounting profit may be affected by such factors as revenue that is exempt from taxation, expenses that are not deductible in determining taxable profit (tax loss), the effect of tax losses and the effect of foreign tax rates.</p>		<p>Staff recommend excluding from the reduced disclosure regime as this has been removed in the disclosure requirements in IFRS for SMEs and it is not due to R&amp;M differences.</p>

Text in AASB 112	Text in <i>IFRS for SMEs</i> Section 29	Comments/Recommendations
<p>85. In explaining the relationship between tax expense (income) and accounting profit, an entity uses an applicable tax rate that provides the most meaningful information to the users of its financial statements. Often, the most meaningful rate is the domestic rate of tax in the country in which the entity is domiciled, aggregating the tax rate applied for national taxes with the rates applied for any local taxes which are computed on a substantially similar level of taxable profit (tax loss). However, for an entity operating in several jurisdictions, it may be more meaningful to aggregate separate reconciliations prepared using the domestic rate in each individual jurisdiction. The following example illustrates how the selection of the applicable tax rate affects the presentation of the numerical reconciliation.</p>		<p>Staff recommend excluding from the reduced disclosure regime as this has been removed in the disclosure requirements in the IFRS for SMEs and it is not due to R&amp;M differences.</p>
<p>86. The average effective tax rate is the tax expense (income) divided by the accounting profit.</p>		<p>Staff recommend excluding from the reduced disclosure regime as this has been removed in the disclosure requirements in IFRS for SMEs and it is not due to R&amp;M differences.</p>
<p>87. It would often be impracticable to compute the amount of unrecognised deferred tax liabilities arising from investments in subsidiaries, branches and associates and interests in joint ventures (see paragraph 39). Therefore, this Standard requires an entity to disclose the aggregate amount of the underlying temporary differences but does not require disclosure of the deferred tax liabilities. Nevertheless, where practicable, entities are encouraged to disclose the amounts of the unrecognised deferred tax liabilities because financial statement users may find such information useful.</p> <p>87A. Paragraph 82A requires an entity to disclose the nature of the potential income tax consequences that would result from the payment of dividends to its shareholders. An</p>		<p>Staff recommend excluding from the reduced disclosure regime as this has been removed in the disclosure requirements in IFRS for SMEs and it is not due to R&amp;M differences.</p>

Text in AASB 112	Text in <i>IFRS for SMEs</i> Section 29	Comments/Recommendations
<p>entity discloses the important features of the income tax systems and the factors that will affect the amount of the potential income tax consequences of dividends.</p> <p>87B. It would sometimes not be practicable to compute the total amount of the potential income tax consequences that would result from the payment of dividends to shareholders. This may be the case, for example, where an entity has a large number of foreign subsidiaries. However, even in such circumstances, some portions of the total amount may be easily determinable. For example, in a consolidated group, a parent and some of its subsidiaries may have paid income taxes at a higher rate on undistributed profits and be aware of the amount that would be refunded on the payment of future dividends to shareholders from consolidated retained earnings. In this case, that refundable amount is disclosed. If applicable, the entity also discloses that there are additional potential income tax consequences not practicably determinable. In the parent's separate financial statements, if any, the disclosure of the potential income tax consequences relates to the parent's retained earnings.</p> <p>87C. An entity required to provide the disclosures in paragraph 82A may also be required to provide disclosures related to temporary differences associated with investments in subsidiaries, branches and associates or interests in joint ventures. In such cases, an entity considers this in determining the information to be disclosed under paragraph 82A. For example, an entity may be required to disclose the aggregate amount of temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognised (see paragraph 81(f)). If it is impracticable to compute</p>		

Text in AASB 112	Text in <i>IFRS for SMEs</i> Section 29	Comments/Recommendations
<p>the amounts of unrecognised deferred tax liabilities (see paragraph 87) there may be amounts of potential income tax consequences of dividends not practicably determinable related to these subsidiaries.</p>		
<p>88. An entity discloses any tax-related contingent liabilities and contingent assets in accordance with AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>. Contingent liabilities and contingent assets may arise, for example, from unresolved disputes with the taxation authorities. Similarly, where changes in tax rates or tax laws are enacted or announced after the reporting date, an entity discloses any significant effect of those changes on its current and deferred tax assets and liabilities (see AASB 110 <i>Events after the Balance Sheet Date</i>).</p>		<p>Staff recommend excluding from the reduced disclosure regime as this has been removed in the disclosure requirements in IFRS for SMEs and it is not due to R&amp;M differences.</p>

### 3. Text of AASB 112 *Income Taxes*

*(This section shows disclosures as appear in the final Pronouncement)*

The following are the disclosure requirements of AASB 112 *Income Taxes*, showing those requirements from which entities applying the reduced disclosure regime are likely to be exempt with the symbol (^).

79. The major components of tax expense (income) shall be disclosed separately.
80. Components of tax expense (income) may include:
- (a) current tax expense (income);
  - (b) any adjustments recognised in the period for current tax of prior periods;
  - (c) the amount of deferred tax expense (income) relating to the origination and reversal of temporary differences;
  - (d) the amount of deferred tax expense (income) relating to changes in tax rates or the imposition of new taxes;
  - (e) the amount of the benefit arising from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce current tax expense;
  - (f) the amount of the benefit from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce deferred tax expense;
  - (g) deferred tax expense arising from the write-down, or reversal of a previous write-down, of a deferred tax asset in accordance with paragraph 56; and
  - (h) the amount of tax expense (income) relating to those changes in accounting policies and errors that are included in profit or loss in accordance with AASB 108, because they cannot be accounted for retrospectively.
81. **The following shall also be disclosed separately:**
- (a) the aggregate current and deferred tax relating to items that are charged or credited directly to equity (see paragraph 62A);**
  - (ab) the amount of income tax relating to each component of other comprehensive income (see paragraph 62 and AASB 101 (as revised in 2007));**
  - (b) [Deleted by the IASB];
  - (c) an explanation of the relationship between tax expense (income) and accounting profit in the following form a numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate(s), disclosing also the basis on which the applicable tax rate(s) is (are) computed;**
  - (d) an explanation of changes in the applicable tax rate(s) compared to the previous reporting period;**
  - (e) the amount (and expiry date, if any) of deductible temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset is recognised in the balance sheet;**
  - (f) (^) the aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognised (see paragraph 39);**
  - (g) in respect of each type of temporary difference, and in respect of each type of unused tax loss and unused tax credit:**

- (i) the amount of the deferred tax assets and liabilities recognised in the balance sheet for each period presented; and
    - (ii) the amount of the deferred tax income or expense recognised in the income statement, if this is not apparent from the changes in the amounts recognised in the balance sheet;
  - (h) (^) in respect of discontinued operations, the tax expense relating to:
    - (i) the gain or loss on discontinuance; and
    - (ii) the profit or loss from the ordinary activities of the discontinued operation for the period, together with the corresponding amounts for each prior period presented;
  - (i) (^) the amount of income tax consequences of dividends to shareholders of the entity that were proposed or declared before the financial statements were authorised for issue, but are not recognised as a liability in the financial statements;
  - (j) (^) if a business combination in which the entity is the acquirer causes a change in the amount recognised for its pre-acquisition deferred tax asset (see paragraph 67), the amount of that change; and
  - (k) (^) if the deferred tax benefits acquired in a business combination are not recognised at the acquisition date but are recognised after the acquisition date (see paragraph 68), a description of the event or change in circumstances that caused the deferred tax benefits to be recognised.
82. (^) An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:
- (a) the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
  - (b) the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.
- 82A. In the circumstances described in paragraph 52A, an entity shall disclose the nature of the potential income tax consequences that would result from the payment of dividends to its shareholders. In addition, the entity shall disclose the amounts of the potential income tax consequences practicably determinable and whether there are any potential income tax consequences not practicably determinable.
84. (^) The disclosure required by paragraph 81(c) enables users of financial statements to understand whether the relationship between tax expense (income) and accounting profit is unusual and to understand the significant factors that could affect that relationship in the future. The relationship between tax expense (income) and accounting profit may be affected by such factors as revenue that is exempt from taxation, expenses that are not deductible in determining taxable profit (tax loss), the effect of tax losses and the effect of foreign tax rates.
85. (^) In explaining the relationship between tax expense (income) and accounting profit, an entity uses an applicable tax rate that provides the most meaningful information to the users of its financial statements. Often, the most meaningful rate is the domestic rate of tax in the country in which the entity is domiciled, aggregating the tax rate applied for national taxes with the rates applied for any local taxes which are computed on a substantially similar level of taxable profit (tax loss). However, for an entity operating in several jurisdictions, it may be more meaningful to aggregate separate reconciliations prepared using the domestic rate in each

individual jurisdiction. The following example illustrates how the selection of the applicable tax rate affects the presentation of the numerical reconciliation.

86. (^) The average effective tax rate is the tax expense (income) divided by the accounting profit.
87. (^) It would often be impracticable to compute the amount of unrecognised deferred tax liabilities arising from investments in subsidiaries, branches and associates and interests in joint ventures (see paragraph 39). Therefore, this Standard requires an entity to disclose the aggregate amount of the underlying temporary differences but does not require disclosure of the deferred tax liabilities. Nevertheless, where practicable, entities are encouraged to disclose the amounts of the unrecognised deferred tax liabilities because financial statement users may find such information useful.
- 87A. (^) Paragraph 82A requires an entity to disclose the nature of the potential income tax consequences that would result from the payment of dividends to its shareholders. An entity discloses the important features of the income tax systems and the factors that will affect the amount of the potential income tax consequences of dividends.
- 87B. (^) It would sometimes not be practicable to compute the total amount of the potential income tax consequences that would result from the payment of dividends to shareholders. This may be the case, for example, where an entity has a large number of foreign subsidiaries. However, even in such circumstances, some portions of the total amount may be easily determinable. For example, in a consolidated group, a parent and some of its subsidiaries may have paid income taxes at a higher rate on undistributed profits and be aware of the amount that would be refunded on the payment of future dividends to shareholders from consolidated retained earnings. In this case, that refundable amount is disclosed. If applicable, the entity also discloses that there are additional potential income tax consequences not practicably determinable. In the parent's separate financial statements, if any, the disclosure of the potential income tax consequences relates to the parent's retained earnings.
- 87C. (^) An entity required to provide the disclosures in paragraph 82A may also be required to provide disclosures related to temporary differences associated with investments in subsidiaries, branches and associates or interests in joint ventures. In such cases, an entity considers this in determining the information to be disclosed under paragraph 82A. For example, an entity may be required to disclose the aggregate amount of temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognised (see paragraph 81(f)). If it is impracticable to compute the amounts of unrecognised deferred tax liabilities (see paragraph 87) there may be amounts of potential income tax consequences of dividends not practicably determinable related to these subsidiaries.
88. (^) An entity discloses any tax-related contingent liabilities and contingent assets in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. Contingent liabilities and contingent assets may arise, for example, from unresolved disputes with the taxation authorities. Similarly, where changes in tax rates or tax laws are enacted or announced after the reporting date, an entity discloses any significant effect of those changes on its current and deferred tax assets and liabilities (see AASB 110 *Events after the Balance Sheet Date*).

## *Example 2*

### ***AASB 124 Related Party Disclosures and IFRS for SMEs Section 33 Related Party Disclosures***

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#### **1. Executive Summary**

No differences in recognition and measurement between the standards.

Overall recommendation is to exempt entities applying the reduced disclosure regime from the disclosure requirements in paragraphs 14, 15, 16, 20, 26 and 27.

## 2. Matrix comparison: disclosure requirements

Text in AASB 124	Text in <i>IFRS for SMEs</i> Section 33	Comment
<p>13 <b>Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been transactions between them. An entity shall disclose the name of its parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed.</b></p>	<p>33.5 Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been related party transactions. An entity shall disclose the name of its parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces financial statements available for public use, the name of the next most senior parent that does so (if any) shall also be disclosed.</p>	<p>Staff recommend including the paragraph 13 requirement in the reduced disclosure regime as it is included in the IFRS for SMEs</p>
<p>14 To enable users of financial statements to form a view about the effects of related party relationships on an entity, it is appropriate to disclose the related party relationship when control exists, irrespective of whether there have been transactions between the related parties.</p>		<p>Staff recommend excluding the paragraph 14 requirement from the reduced disclosure regime as it is not included in IFRS for SMEs</p>
<p>15 The requirement to disclose related party relationships between a parent and its subsidiaries is in addition to the disclosure requirements in IAS 27, IAS 28 <i>Investments in Associates</i> and IAS 31 <i>Interests in Joint Ventures</i>.</p>		<p>Staff recommend excluding the paragraph 15 comment from the reduced disclosure regime as it is not included in the IFRS for SMEs</p>
<p>16 Paragraph 13 refers to the next most senior parent. This is the first parent in the group above the immediate parent that produces consolidated financial statements available for public use.</p>		<p>Staff recommend excluding the paragraph 16 comment from the reduced disclosure regime as it is not included in the IFRS for SMEs</p>

Text in AASB 124	Text in <i>IFRS for SMEs</i> Section 33	Comment
<p><b>17 An entity shall disclose key management personnel compensation in total and for each of the following categories:</b></p> <ul style="list-style-type: none"> <li>(a) <b>short-term employee benefits;</b></li> <li>(b) <b>post-employment benefits;</b></li> <li>(c) <b>other long-term benefits;</b></li> <li>(d) <b>termination benefits; and</b></li> <li>(e) <b>share-based payment.</b></li> </ul>	<p>33.7 An entity shall disclose key management personnel compensation in total.</p>	<p>Staff recommend including paragraph 17 in the reduced disclosure regime. Although the IFRS for SMEs requires only total key management personnel compensation and not the five categories required by paragraph 17, an entity would need to determine the amounts in these categories in any case in order to identify the total compensation.</p>
<p><b>18 If an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. These disclosure requirements are in addition to those in paragraph 17. At a minimum, disclosures shall include:</b></p> <ul style="list-style-type: none"> <li>(a) <b>the amount of the transactions;</b></li> <li>(b) <b>the amount of outstanding balances, including commitments, and:</b> <ul style="list-style-type: none"> <li>(i) <b>their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and</b></li> <li>(ii) <b>details of any guarantees given or received;</b></li> </ul> </li> <li>(c) <b>provisions for doubtful debts related to the amount of outstanding balances; and</b></li> <li>(d) <b>the expense recognised during the period in respect of bad or doubtful debts due from</b></li> </ul>	<p>33.9 If an entity has related party transactions, it shall disclose the nature of the related party relationship as well as information about the transactions, outstanding balances and commitments necessary for an understanding of the potential effect of the relationship on the financial statements. Those disclosure requirements are in addition to the requirements in paragraph 33.7 to disclose key management personnel compensation. At a minimum, disclosures shall include:</p> <ul style="list-style-type: none"> <li>(a) the amount of the transactions.</li> <li>(b) the amount of outstanding balances and:                     <ul style="list-style-type: none"> <li>(i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement, and</li> <li>(ii) details of any guarantees given or received.</li> </ul> </li> <li>(c) provisions for uncollectible receivables related to the amount of outstanding balances.</li> <li>(d) the expense recognised during the period in respect of bad or doubtful debts due from related parties.</li> </ul> <p>Such transactions could include purchases, sales, or</p>	<p>Staff recommend including paragraph 18 from AASB 124 in the reduced disclosure regime as this has been included in the disclosure requirements in the IFRS for SMEs.</p>

Text in AASB 124	Text in <i>IFRS for SMEs</i> Section 33	Comment
related parties.	transfers of goods or services; leases; guarantees; and settlements by the entity on behalf of the related party or vice versa.	
<p><b>19</b> The disclosures required by paragraph 18 shall be made separately for each of the following categories:</p> <ul style="list-style-type: none"> <li>(a) the parent;</li> <li>(b) entities with joint control or significant influence over the entity;</li> <li>(c) subsidiaries;</li> <li>(d) associates;</li> <li>(e) joint ventures in which the entity is a venturer;</li> <li>(f) key management personnel of the entity or its parent; and</li> <li>(g) other related parties.</li> </ul>	<p>33.10 An entity shall make the disclosures required by paragraph 33.9 separately for each of the following categories:</p> <ul style="list-style-type: none"> <li>(a) entities with control, joint control or significant influence over the entity.</li> <li>(b) entities over which the entity has control, joint control or significant influence.</li> <li>(c) key management personnel of the entity or its parent (in the aggregate).</li> <li>(d) other related parties.</li> </ul>	<p>Staff recommend including paragraph 19 from AASB 124 in the reduced disclosure regime as this has been included in the disclosure requirements in the IFRS for SMEs, although using slightly different wording to achieve the same effect.</p>
<p>20 The classification of amounts payable to, and receivable from, related parties in the different categories as required in paragraph 19 is an extension of the disclosure requirement in IAS 1 <i>Presentation of Financial Statements</i> for information to be presented either in the statement of financial position or in the notes. The categories are extended to provide a more comprehensive analysis of related party balances and apply to related party transactions.</p>		<p>Staff recommend excluding paragraph 20 of AASB 124 from the reduced disclosure regime as this is not included in the disclosure requirements in the IFRS for SMEs and it is not related to recognition and measurement differences</p>
<p>21 The following are examples of transactions that are disclosed if they are with a related party:</p> <ul style="list-style-type: none"> <li>(a) purchases or sales of goods (finished or unfinished);</li> <li>(b) purchases or sales of property and other assets;</li> <li>(c) rendering or receiving of services;</li> </ul>	<p>33.12 The following are examples of transactions that shall be disclosed if they are with a related party:</p> <ul style="list-style-type: none"> <li>(a) purchases or sales of goods (finished or unfinished).</li> <li>(b) purchases or sales of property and other assets.</li> <li>(c) rendering or receiving of services.</li> </ul>	<p>Staff recommend including paragraph 21 of AASB 124 in the reduced disclosure regime as this has been included in the disclosure requirements in the IFRS for SMEs. The content is slightly different due to the recent update of AASB 124.</p>

Text in AASB 124	Text in <i>IFRS for SMEs</i> Section 33	Comment
<ul style="list-style-type: none"> <li>(d) leases;</li> <li>(e) transfers of research and development;</li> <li>(f) transfers under licence agreements;</li> <li>(g) transfers under finance arrangements (including loans and equity contributions in cash or in kind);</li> <li>(h) provision of guarantees or collateral;</li> <li>(i) commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognised and unrecognised); and</li> <li>(j) settlement of liabilities on behalf of the entity or by the entity on behalf of that related party.</li> </ul>	<ul style="list-style-type: none"> <li>(d) leases.</li> <li>(e) transfers of research and development.</li> <li>(f) transfers under licence agreements.</li> <li>(g) transfers under finance arrangements (including loans and equity contributions in cash or in kind).</li> <li>(h) provision of guarantees or collateral.</li> <li>(i) settlement of liabilities on behalf of the entity or by the entity on behalf of another party.</li> <li>(j) participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities.</li> </ul>	
<p>22 Participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities is a transaction between related parties (see paragraph 34B of IAS 19).</p>		<p>Paragraph 22 of IFRS is just application guidance of IAS 24 and hence staff recommend including it in the reduced disclosure regime.</p>
<p>23 Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated.</p>	<p>33.13 An entity shall not state that related party transactions were made on terms equivalent to those that prevail in arm's length transactions unless such terms can be substantiated.</p>	<p>Staff recommend including paragraph 23 of AASB 124 in the reduced disclosure regime as it has been included in the disclosure requirements in the IFRS for SMEs.</p>
<p><b>24 Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.</b></p>	<p>33.14 An entity may disclose items of a similar nature in the aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.</p>	<p>Staff recommend including paragraph 25 of AASB 124 in the reduced disclosure regime as it has been included in the disclosure requirements in the IFRS for SMEs.</p>
<p><b>25 A reporting entity is exempt from the disclosure requirements of paragraph 18 in relation to related party transactions and outstanding balances, including commitments, with:</b></p> <ul style="list-style-type: none"> <li>(a) a government that has control, joint control or significant influence over the reporting entity; and</li> </ul>	<p>33.11 An entity is exempt from the disclosure requirements of paragraph 33.9 in relation to:</p> <ul style="list-style-type: none"> <li>(a) a <b>state</b> (a national, regional or local government) that has control, joint control or significant influence over the reporting entity, and</li> <li>(b) another entity that is a related party because the same state has control, joint control or significant</li> </ul>	<p>Staff recommend including paragraph 25 of AASB 124 in the reduced disclosure regime as it has been included in the disclosure requirements in the IFRS for SMEs. However staff recommend that paragraphs 26 and 27 of AASB 124 not</p>

Text in AASB 124	Text in <i>IFRS for SMEs</i> Section 33	Comment
<p>(b) <b>another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.</b></p> <p>26 <b>If a reporting entity applies the exemption in paragraph 25, it shall disclose the following about the transactions and related outstanding balances referred to in paragraph 25:</b></p> <p>(a) <b>the name of the government and the nature of its relationship with the reporting entity (ie control, joint control or significant influence);</b></p> <p>(b) <b>the following information in sufficient detail to enable users of the entity’s financial statements to understand the effect of related party transactions on its financial statements:</b></p> <p>(i) <b>the nature and amount of each individually significant transaction; and</b></p> <p>(ii) <b>for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent. Types of transactions include those listed in paragraph 21.</b></p> <p>27 In using its judgement to determine the level of detail to be disclosed in accordance with the requirements in paragraph 26(b), the reporting entity shall consider the closeness of the related party relationship and other factors relevant in establishing the level of significance of the transaction such as whether it is:</p> <p>(a) significant in terms of size;</p> <p>(b) carried out on non-market terms;</p>	<p>influence over both the reporting entity and the other entity.</p> <p>However, the entity must still disclose a parent-subsidiary relationship as required by paragraph 33.5.</p>	<p>be included in the reduced disclosure regime as they have been excluded from the IFRS for SMEs.</p>

<b>Text in AASB 124</b>	<b>Text in <i>IFRS for SMEs</i> Section 33</b>	<b>Comment</b>
(c) outside normal day-to-day business operations, such as the purchase and sale of businesses; (d) disclosed to regulatory or supervisory authorities; (e) reported to senior management; (f) subject to shareholder approval.		

### 3. Text of AASB 124 *Related Party Disclosures*

*(This section shows disclosures as appear in the final Pronouncement)*

The following are the disclosure requirements of AASB 124 *Related Party Disclosures* (issued December 2009), showing those requirements from which entities applying the reduced disclosure regime are likely to be exempt with the symbol (^).

#### All entities

- 13 **Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been transactions between them. An entity shall disclose the name of its parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed.**
- 14 (^) To enable users of financial statements to form a view about the effects of related party relationships on an entity, it is appropriate to disclose the related party relationship when control exists, irrespective of whether there have been transactions between the related parties.
- 15 (^) The requirement to disclose related party relationships between a parent and its subsidiaries is in addition to the disclosure requirements in IAS 27, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*.
- 16 (^) Paragraph 13 refers to the next most senior parent. This is the first parent in the group above the immediate parent that produces consolidated financial statements available for public use.
- 17 **An entity shall disclose key management personnel compensation in total and for each of the following categories:**
- (a) **short-term employee benefits;**
  - (b) **post-employment benefits;**
  - (c) **other long-term benefits;**
  - (d) **termination benefits; and**
  - (e) **share-based payment.**
- 18 **If an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. These disclosure requirements are in addition to those in paragraph 17. At a minimum, disclosures shall include:**
- (a) **the amount of the transactions;**
  - (b) **the amount of outstanding balances, including commitments, and:**
    - (i) **their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and**
    - (ii) **details of any guarantees given or received;**
  - (c) **provisions for doubtful debts related to the amount of outstanding balances; and**
  - (d) **the expense recognised during the period in respect of bad or doubtful debts due from related parties.**

- 19 The disclosures required by paragraph 18 shall be made separately for each of the following categories:**
- (a) **the parent;**
  - (b) **entities with joint control or significant influence over the entity;**
  - (c) **subsidiaries;**
  - (d) **associates;**
  - (e) **joint ventures in which the entity is a venturer;**
  - (f) **key management personnel of the entity or its parent; and**
  - (g) **other related parties.**
- 20 (^) The classification of amounts payable to, and receivable from, related parties in the different categories as required in paragraph 19 is an extension of the disclosure requirement in IAS 1 *Presentation of Financial Statements* for information to be presented either in the statement of financial position or in the notes. The categories are extended to provide a more comprehensive analysis of related party balances and apply to related party transactions.
- 21 The following are examples of transactions that are disclosed if they are with a related party:
- (a) purchases or sales of goods (finished or unfinished);
  - (b) purchases or sales of property and other assets;
  - (c) rendering or receiving of services;
  - (d) leases;
  - (e) transfers of research and development;
  - (f) transfers under licence agreements;
  - (g) transfers under finance arrangements (including loans and equity contributions in cash or in kind);
  - (h) provision of guarantees or collateral;
  - (i) commitments to do something if a particular event occurs or does not occur in the future, including executory contracts\* (recognised and unrecognised); and
  - (j) settlement of liabilities on behalf of the entity or by the entity on behalf of that related party.
- 22 Participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities is a transaction between related parties (see paragraph 34B of IAS 19).
- 23 Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated.
- 24 Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.**

## Government-related entities

- 25 A reporting entity is exempt from the disclosure requirements of paragraph 18 in relation to related party transactions and outstanding balances, including commitments, with:**
- (a) a government that has control, joint control or significant influence over the reporting entity; and**
  - (b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.**
- 26 (^) If a reporting entity applies the exemption in paragraph 25, it shall disclose the following about the transactions and related outstanding balances referred to in paragraph 25:**
- (a) the name of the government and the nature of its relationship with the reporting entity (ie control, joint control or significant influence);**
  - (b) the following information in sufficient detail to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements:**
    - (i) the nature and amount of each individually significant transaction; and**
    - (ii) for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent. Types of transactions include those listed in paragraph 21.**
- 27 (^) In using its judgement to determine the level of detail to be disclosed in accordance with the requirements in paragraph 26(b), the reporting entity shall consider the closeness of the related party relationship and other factors relevant in establishing the level of significance of the transaction such as whether it is:**
- (a) significant in terms of size;**
  - (b) carried out on non-market terms;**
  - (c) outside normal day-to-day business operations, such as the purchase and sale of businesses;**
  - (d) disclosed to regulatory or supervisory authorities;**
  - (e) reported to senior management;**
  - (f) subject to shareholder approval.**