

October 2013

Exposure Draft ED/2013/9

# IFRS for SMEs<sup>®</sup>

Proposed amendments to the International Financial  
Reporting Standard for Small and Medium-sized Entities

Comments to be received by 3 March 2014

IASB<sup>®</sup>

 IFRS<sup>™</sup>  
for SMEs

**EXPOSURE DRAFT**  
**Proposed amendments to the**  
**International Financial Reporting**  
**Standard for Small and Medium-sized**  
**Entities (IFRS for SMEs)**

*Comments to be received by 3 March 2014*

Exposure Draft ED/2013/9 *Proposed amendments to the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)* is published by the International Accounting Standards Board (IASB) for comment only. The proposals may be modified in the light of the comments received before being issued in final form. Comments need to be received by **3 March 2014** and should be submitted in writing to the address below or electronically via our website [www.ifrs.org](http://www.ifrs.org) using the 'Comment on a proposal' page.

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## Introduction

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### Background

The International Accounting Standards Board (IASB) issued the *International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)* in July 2009. At that time the IASB stated its plan to undertake an initial comprehensive review of the *IFRS for SMEs* to assess the first two years' experience that entities would have had in implementing it and to consider whether there is a need for any amendments. In many jurisdictions companies started using the *IFRS for SMEs* in 2010. Consequently, the IASB commenced its initial comprehensive review in 2012.

In order to assist in the process of identifying which items to consider for amendment the IASB issued a Request for Information (RFI) in June 2012 to seek public views and consulted with the SME Implementation Group, an advisory body to the IASB. After considering the feedback it received, and taking into account the fact that the *IFRS for SMEs* is still a new Standard, the IASB proposes to make limited amendments to the *IFRS for SMEs*. The Basis for Conclusions provides further information on the review process and also provides the IASB's reasoning for the proposed amendments.

### Structure of this Exposure Draft

This Exposure Draft contains the IASB's proposals for amendments to the *IFRS for SMEs* that have resulted from the initial comprehensive review of this Standard. The proposed amendments are listed in a table following this Introduction. With the exception of the proposed amendment to align the main principles of Section 29 *Income Tax* with IAS 12 *Income Taxes* for recognition and measurement of deferred tax (amendment number 44 in the table), each individual amendment only affects a few paragraphs and in many cases only a few words in the Standard. To assist respondents with their review of the changes to Section 29 the IASB has provided a 'clean' version of Section 29 (revised) in the appendix at the end of this Exposure Draft (ie a version with the proposed amendments already incorporated).

For most of the proposed amendments the IASB has only included those paragraphs/subparagraphs of the *IFRS for SMEs* that would be affected. However, in a few cases additional paragraphs/subparagraphs have been provided for reference to give more context to the proposed amendments. To further assist respondents with their review of the amendments, a full mark-up of the *IFRS for SMEs*, which includes all paragraphs of the Standard, has been posted to the SME webpages on the IASB website: <http://go.ifrs.org/smereview>.

During the comprehensive review of the *IFRS for SMEs*, the IASB staff identified a number of editorial amendments that affect paragraphs that would not otherwise be exposed for comment in this Exposure Draft. Those editorial amendments are minor, and have been made largely to ensure consistency of terminology and wording throughout the *IFRS for SMEs*, and will not have any effect on the requirements in the *IFRS for SMEs*. To make it easier for respondents to review the substantive amendments to the *IFRS for SMEs*, paragraphs containing only editorial amendments have not been included in this Exposure Draft. However, all of the editorial amendments are available on the IASB website and are also included in the full mark-up of the *IFRS for SMEs* that is available on the IASB website.

## IFRS FOR SMES

Respondents may wish to raise further editorial amendments or comment on the proposed editorial amendments in their responses to this Exposure Draft.

In line with the IFRS Foundation's due process, and to remain consistent with the current practice of the IFRS Foundation, the editorial amendments have been prepared by the staff, and do not require formal approval by the IASB.

## List of proposed amendments

The following table lists the proposed amendments by section of the *IFRS for SMEs*:

| Section   | Subject of proposed amendment  |
|---|--|
| Section 1 <i>Small and Medium-sized Entities</i>  | <p>1      Rewording of the clarification that the types of entities listed in paragraph 1.3(b) are not automatically publicly accountable (see paragraph 1.3(b)).</p> <p>2      Clarification of the use of the <i>IFRS for SMEs</i> in the parent's separate financial statements—based on Q&amp;A 2011/01 <i>Use of the IFRS for SMEs in a parent's separate financial statements</i> (see paragraph 1.7).</p> <p>(Q&amp;As are non-mandatory guidance issued by the SME Implementation Group.)</p>  |
| Section 2 <i>Concepts and Pervasive Principles</i>  | <p>3      Guidance on the 'undue cost or effort' exemption that is used in several sections of the <i>IFRS for SMEs</i>—based on Q&amp;A 2012/01 <i>Application of 'undue cost or effort'</i> (see paragraphs 2.14A–2.14C).</p> <p>(There are also consequential changes to paragraph 2.47 relating to amendments 12 and 17 below.)</p>  |
| Section 4 <i>Statement of Financial Position</i>  | <p>4      Relief from the requirement to disclose comparative information for the reconciliation of the opening and closing number of shares outstanding (see paragraph 4.12(a)(iv)).</p>  |
| Section 5 <i>Statement of Comprehensive Income and Income Statement</i>                       | <p>5      Clarification that the single amount presented for discontinued operations includes any impairment of the discontinued operation measured in accordance with Section 27 (see paragraph 5.5(e)(ii)).</p> <p>6      Incorporation of the main change under IAS 1 (2011 amendment) <i>Presentation of Items of Other Comprehensive Income</i>, which requires entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss (see paragraph 5.5(g)).</p> |
| Section 6 <i>Statement of Changes in Equity and Statement of Income and Retained Earnings</i> | <p>7      Incorporation of <i>Clarification of statement of changes in equity</i> (IAS 1) from <i>Improvements to IFRSs</i>, issued in May 2010, which clarifies that an entity may present the required analysis for each component of OCI either in the statement of changes in equity or in the notes (see paragraphs 6.2–6.3A).</p>  |

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| <p>Section 9<br/><i>Consolidated and Separate Financial Statements</i></p> | <p>8 Clarification that all subsidiaries acquired with the intention of sale or disposal within one year should be excluded from consolidation (see paragraphs 9.3–9.3A).</p> <p>9 Additional guidance on the preparation of consolidated financial statements if group entities have different reporting dates (see paragraph 9.16).</p> <p>10 Clarification that all cumulative exchange differences that arise from the translation of a foreign subsidiary are not recognised in profit or loss on disposal of the subsidiary—based on Q&amp;A 2012/04 <i>Recycling of cumulative exchange differences on disposal of a subsidiary</i> (see paragraph 9.18).</p> <p>11 Amendment to the definition of ‘combined financial statements’ to refer to entities under common control, rather than only those under common control by a single investor (see paragraph 9.28).</p> <p>(There are also consequential changes to paragraphs 9.1–9.2 relating to amendment 2 above and to paragraphs 9.24–9.25 relating to amendment 56(b) below.)</p> |
| <p>Section 11 <i>Basic Financial Instruments</i></p>                       | <p>12 Addition of an ‘undue cost or effort’ exemption from the measurement of investments in equity instruments at fair value (see paragraphs 11.4, 11.14(c)(i), 11.27, 11.32 and 11.44).</p> <p>13 Clarification of the interaction of the scope of Section 11 with other sections of the <i>IFRS for SMEs</i> (see paragraphs 11.7(b)–(c) and (e)–(f)).</p> <p>14 Clarification that foreign currency loans and loans with standard loan covenants will usually be basic financial instruments (see paragraphs 11.9(a) and (c)).</p> <p>15 Clarification in the guidance on fair value measurement in Section 11 that the best evidence of fair value may be a price in a binding sale agreement. The wording used is consistent with paragraph 27.14 (see paragraph 11.27).</p>   |
| <p>Section 12 <i>Other Financial Instruments Issues</i></p>                | <p>16 Clarification of the interaction of the scope of Section 12 with other sections of the <i>IFRS for SMEs</i> (see paragraphs 12.3(b), (e) and (h)–(i)).</p> <p>17 Addition of an ‘undue cost or effort’ exemption from the measurement of investments in equity instruments at fair value (see paragraphs 12.8–12.9).</p>   |

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|  | <p>18 Clarification that some changes in the fair value of hedging instruments are recognised initially in other comprehensive income rather than in profit or loss (see paragraph 12.8).</p> <p>19 Clarification of the requirements for hedge accounting, including a sentence that clarifies the treatment of exchange differences relating to a net investment in a foreign operation for consistency with paragraphs 9.18 and 30.13 (see paragraphs 12.23 and 12.25).</p> <p>(There are also consequential changes to paragraph 12.3(f)(iii) relating to amendment 27 below.)</p>  |
| Section 17<br><i>Property, Plant and Equipment</i>         | 20 Incorporation of <i>Classification of servicing equipment</i> (IAS 16) from <i>Annual Improvements 2009–2011 Cycle</i> , issued in May 2012, which clarifies the classification of spare parts, stand-by equipment and servicing equipment as property, plant and equipment or inventory (see paragraph 17.5).   |
| Section 18<br><i>Intangible Assets other than Goodwill</i> | 21 Modification to require that if an entity is unable to make a reliable estimate of the useful life of an intangible asset, the useful life should not exceed 10 years, rather than be fixed at 10 years (see paragraph 18.20).   |
|  | (There are also consequential changes to paragraph 18.8 relating to amendment 24 below.)  |
| Section 19<br><i>Business Combinations and Goodwill</i>    | <p>22 Replacement of the undefined term ‘date of exchange’ with ‘date of acquisition’ (see paragraph 19.11).</p> <p>23 Clarification of the measurement requirements for employee benefit arrangements and deferred tax when allocating the cost of a business combination (see paragraph 19.14).</p> <p>24 Guidance on the calculation of non-controlling interest referred to in paragraph 9.13(d)(i) (see paragraph 19.14).</p> <p>25 Addition of an ‘undue cost or effort’ exemption to the requirement to recognise intangible assets separately in a business combination (see paragraph 19.15).</p> <p>26 Modification to require that if an entity is unable to make a reliable estimate of the useful life of goodwill, the useful life should not exceed 10 years, rather than be fixed at 10 years, and should be disclosed (see paragraph 19.23 and 19.26).</p> |

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| Section 20 <i>Leases</i>                 | <p>27 Inclusion of leases with an interest rate variation clause linked to market interest rates within the scope of Section 20, rather than Section 12 (see paragraph 20.1(e)).</p> <p>28 Clarification that not all outsourcing arrangements, telecommunication contracts that provide rights to capacity and take-or-pay contracts are, in substance, leases (see paragraph 20.3).</p>  |
| Section 22 <i>Liabilities and Equity</i> | <p>29 Additional guidance on classifying financial instruments as equity or liability (see paragraph 22.3A).</p> <p>30 Exemption from the initial measurement requirements in paragraph 22.8 for equity instruments issued as part of a business combination, including business combinations of entities or businesses under common control (see paragraph 22.8).</p> <p>31 Incorporation of the conclusions of IFRIC 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i> to provide guidance on debt for equity swaps when the financial liability is renegotiated and the debtor extinguishes the liability by issuing equity instruments (see paragraphs 22.8 and 22.15A–22.15C).</p> <p>32 Incorporation of <i>Tax effect of distributions to holders of equity instruments</i> (IAS 32) from <i>Annual Improvements 2009–2011 Cycle</i>, issued in May 2012, which clarifies that income tax relating to distributions to holders of equity instruments (owners) and to transaction costs of an equity transaction should be accounted for in accordance with Section 29 (see paragraphs 22.9 and 22.17).</p> <p>33 Amendment to require that the liability component of a compound financial instrument is accounted for in the same way as a similar standalone financial liability (see paragraph 22.15).</p> <p>34 Additional guidance on accounting for the settlement of the dividend payable for a distribution of non-cash assets (see paragraph 22.18).</p> <p>35 Exemption from the requirements in paragraph 22.18 for distributions of non-cash assets ultimately controlled by the same parties before and after the distribution (see paragraph 22.18A).</p> |

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| Section 26<br><i>Share-based Payment</i>  | <p>36 Alignment of the scope and the definitions with IFRS 2 <i>Share-based Payment</i> to clarify that share-based payment (SBP) transactions involving equity instruments of other group entities are in the scope of Section 26 (see paragraphs 26.1–26.1A and related revisions to definitions in the glossary).</p> <p>37 Clarification that Section 26 applies to all SBP transactions in which the identifiable consideration appears less than the fair value of the equity instruments granted or the liability incurred and not only when such SBP transactions are required by law (see paragraphs 26.1B and 26.17).</p> <p>38 Clarification of the accounting treatment for vesting conditions (see paragraph 26.9 and three new definitions in the glossary).</p> <p>39 Clarification that the requirements for modifications to grants of equity instruments apply to all SBP transactions measured by reference to the fair value of equity instruments granted, not just SBP transactions made to employees, and also that modifications may or may not be beneficial to the counterparty (see paragraph 26.12).</p> <p>40 Clarification that the simplification provided for group plans is for the measurement of the SBP expense only and does not provide relief from its recognition (see paragraph 26.16).</p> |
| Section 27<br><i>Impairment of Assets</i> | <p>41 Clarification that Section 27 does not apply to assets arising from construction contracts (see paragraphs 27.1(f)).</p>   |
| Section 28<br><i>Employee Benefits</i>    | <p>42 Clarification that only some of the accounting requirements in paragraph 28.23 are relevant to other long-term employee benefits (see paragraph 28.30).</p> <p>43 Removal of the requirement to disclose the accounting policy for termination benefits (see paragraph 28.43).</p>   |
| Section 29<br><i>Income Tax</i>           | <p>44 Alignment of the main principles of Section 29 with IAS 12 <i>Income Taxes</i> for the recognition and measurement of deferred tax, modified to be consistent with the other requirements in the <i>IFRS for SMEs</i> (covers all amendments to Section 29 and also adds/amends related definitions in the glossary).</p> <p>45 Addition of an ‘undue cost or effort’ exemption to the requirement to offset income tax assets and liabilities (see paragraph 29.29).</p>  |

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| Section 30<br><i>Foreign Currency Translation</i>    | 46 Clarification that financial instruments that derive their value from the change in a specified foreign exchange rate are excluded from Section 30, but not financial instruments denominated in a foreign currency (see paragraph 30.1).  |
| Section 33<br><i>Related Party Disclosures</i>       | 47 Alignment of the definition of 'related party' with IAS 24 <i>Related Party Disclosures</i> (2009) (see paragraph 33.2 and the definition in the glossary).  |
| Section 34<br><i>Specialised Activities</i>          | 48 Relief from the requirement to disclose comparative information for the reconciliation of changes in the carrying amount of biological assets (see paragraph 34.7(c)).<br>49 Clarification of the accounting requirements for extractive activities (see paragraphs 34.11–34.11A).   |
| Section 35<br><i>Transition to the IFRS for SMEs</i> | 50 Incorporation of <i>Repeated application of IFRS 1</i> (IFRS 1) from <i>Annual Improvements 2009–2011 Cycle</i> , issued in May 2012, which permits Section 35 to be used more than once (see paragraphs 35.2 and 35.12A).<br>51 Incorporation of the change under IFRS 1 (2012 amendment) <i>Government Loans</i> but to require an exception to the retrospective application of the <i>IFRS for SMEs</i> for government loans that exist at the date of transition to the <i>IFRS for SMEs</i> (see paragraph 35.9(f)).<br>52 Incorporation of <i>Revaluation basis as deemed cost</i> (IFRS 1) from <i>Improvements to IFRSs</i> , issued in May 2010, which permits first-time adopters to use an event-driven fair value measurement as 'deemed cost' (see paragraph 35.10(da)).<br>53 Incorporation of <i>Use of deemed cost for operations subject to rate regulation</i> (IFRS 1) from <i>Improvements to IFRSs</i> , issued in May 2010, which allows an entity to use the previous GAAP carrying amount of items of property, plant and equipment, or intangible assets used in operations subject to rate regulations (see paragraph 35.10(m)).<br>54 Incorporation of the change under IFRS 1 (2010 amendment) <i>Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> to provide guidance for entities emerging from severe hyperinflation and that are applying the <i>IFRS for SMEs</i> for the first time (see paragraph 35.10(n) and two new definitions in the glossary).<br>55 Simplification of the wording used in the exemption from restatement of financial information on first-time adoption (see paragraph 35.11). |

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| Glossary (amended definitions) | <p>56 In addition to consequential amendments to glossary definitions as a result of the proposed amendments above the following existing definitions have been proposed for amendment:</p> <ul style="list-style-type: none"> <li>(a) 'financial liability'—incorporation of IAS 32 (2009 amendment) <i>Classification of Rights Issues</i>;</li> <li>(b) 'separate financial statements'—definition rewritten to make it easier to understand; and</li> <li>(c) 'substantively enacted'—definition rewritten to make it easier to understand.</li> </ul> |
| Glossary (new definitions)     | <p>57 In addition to new definitions being added to the glossary as a result of the proposed amendments above, the following new definitions have been proposed:</p> <ul style="list-style-type: none"> <li>(a) active market;</li> <li>(b) close members of the family of a person;</li> <li>(c) foreign operation;</li> <li>(d) minimum lease payments; and</li> <li>(e) transaction costs.</li> </ul>   |

## Invitation to comment

The IASB invites comments on the proposals in this Exposure Draft, particularly on the questions set out below. Comments are most helpful if they:

- (a) comment on the questions as stated;
- (b) indicate the specific paragraph or group of paragraphs to which they relate;
- (c) contain a clear rationale; and
- (d) include any alternative that the IASB should consider, if applicable.

Respondents need not comment on all of the questions asked below.

In considering the comments received, the IASB will base its conclusions on the merits of the arguments for and against each alternative, not on the number of responses supporting each alternative.

Comments should be submitted in writing so as to be received no later than **3 March 2014**.

### Question 1—Definition of ‘fiduciary capacity’

The IASB has received feedback that the meaning of ‘fiduciary capacity’ in the definition of ‘public accountability’ (see paragraph 1.3(b) of the *IFRS for SMEs*) is unclear as it is a term with different implications across jurisdictions. However, respondents generally did not suggest alternative ways of describing public accountability or indicate what guidance would help to clarify the meaning of ‘fiduciary capacity’. Based on the outreach activities to date, the IASB has determined that the use of this term does not appear to create significant uncertainty or diversity in practice.

- (a) Are you aware of circumstances where the use of the term ‘fiduciary capacity’ has created uncertainty or diversity in practice? If so, please provide details.
- (b) Does the term ‘fiduciary capacity’ need to be clarified or replaced? Why or why not? If you think it needs to be clarified or replaced, what changes do you propose and why?

### Question 2—Accounting for income tax

The proposal to align the main principles of Section 29 *Income Tax* with IAS 12 *Income Taxes* for the recognition and measurement of deferred tax (see amendment number 44 in the list of proposed amendments at the beginning of this Exposure Draft) is the most significant change being proposed to the *IFRS for SMEs*.

When the *IFRS for SMEs* was issued in 2009, Section 29 was based on the IASB’s Exposure Draft *Income Tax* (the ‘2009 ED’), which was issued in March 2009. However, the 2009 ED was never finalised by the IASB. Consequently, the IASB has concluded that it is better to base Section 29 on IAS 12. The IASB proposes to align the recognition and measurement principles in Section 29 with IAS 12 (see paragraphs BC55–BC60) whilst retaining some of the presentation and disclosure simplifications from the original version of Section 29.

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**Question 2—Accounting for income tax**

The IASB continues to support its reasoning for not permitting the ‘taxes payable’ approach as set out in paragraph BC145 of the *IFRS for SMEs* that was issued in 2009. However, while the IASB believes that the principle of recognising deferred tax assets and liabilities is appropriate for SMEs, it would like feedback on whether Section 29 (revised) can currently be applied (operationalised) by SMEs, or whether further simplifications or guidance should be considered.

A ‘clean’ version of Section 29 (revised) with the proposed changes to Section 29 already incorporated is set out in the appendix at the end of this Exposure Draft.

Are the proposed changes to Section 29 appropriate for SMEs and users of their financial statements? If not, what modifications, for example further simplifications or additional guidance, do you propose and why?

**Question 3—Other proposed amendments to the *IFRS for SMEs***

The IASB proposes to make a number of other amendments to the *IFRS for SMEs*. The proposed amendments are listed and numbered 1–43 and 45–57 in the list of proposed amendments. Most of those amendments are minor and/or clarify existing requirements.

- (a) Are there any amendments that you do not agree with or have comments on?
- (b) Do any of the amendments require additional guidance or disclosure requirements to be added to the *IFRS for SMEs*? If so, which ones and what are your suggestions?

If you disagree with an amendment please state any alternatives you propose and give your reasoning.

**Question 4—Additional issues**

In June 2012 the IASB issued a Request for Information (RfI) seeking public comment on whether there is a need to make any amendments to the *IFRS for SMEs* (see paragraphs BC2–BC15). The RfI noted a number of specific issues that had been previously identified and asked respondents whether the issues warranted changes to the *IFRS for SMEs*. Additionally, the RfI asked respondents to identify any additional issues that needed to be addressed during the review process. Any issues so identified were discussed by the IASB during its deliberations.

Do respondents have any further issues that are not addressed by the 57 amendments in the list of proposed amendments that they think the IASB should consider during this comprehensive review of the *IFRS for SMEs*? Please state these issues, if any, and give your reasoning.

**Question 5—Transition provisions**

The IASB does not expect retrospective application of any of the proposed amendments to be significantly burdensome for SMEs and has therefore proposed that the amendments to the *IFRS for SMEs* in Sections 2–34 are applied retrospectively.

Do you agree with the proposed transition provisions for the amendments to the *IFRS for SMEs*? Why or why not? If not, what alternative do you propose?

**Question 6—Effective date**

The IASB does not think that any of the proposed amendments to the *IFRS for SMEs* will result in significant changes in practice for SMEs or have a significant impact on their financial statements. It has therefore proposed that the effective date of the amendments to the *IFRS for SMEs* should be one year after the final amendments are issued. The IASB also proposes that early adoption of the amendments should be permitted.

Do you agree with the proposed effective date and the proposal to permit early adoption? Why or why not? If not, what alternative do you propose?

**Question 7—Future reviews of the *IFRS for SMEs***

When the *IFRS for SMEs* was issued in 2009 the IASB stated that after the initial comprehensive review, the IASB expects to propose amendments to the *IFRS for SMEs* by publishing an omnibus Exposure Draft approximately once every three years. The IASB further stated that it intended this three-year cycle to be a tentative plan, not a firm commitment. It also noted that, on occasion, it may identify a matter for which an amendment to the *IFRS for SMEs* may need to be considered earlier than in the normal three-year cycle; for example to address an urgent issue.

During the comprehensive review, the IASB has received feedback that amendments to the *IFRS for SMEs* once every three years (three-year cycle) may be too frequent and that a five-year cycle, with the ability for an urgent issue to be addressed earlier, may be more appropriate.

Do you agree with the current tentative three-year cycle for maintaining the *IFRS for SMEs*, with the possibility for urgent issues to be addressed more frequently? Why or why not? If not, how should this process be modified?

**Question 8—Any other comments**

Do you have any other comments on the proposals?



## **[Draft] Amendments to the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)**

### **[Draft] Amendments to Section 1 *Small and Medium-sized Entities***

Paragraph 1.3 is amended and paragraph 1.7 is added. New text is underlined and deleted text is struck through.

#### **Description of small and medium-sized entities**

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- ...
- 1.3 An entity has public accountability if:
- (a) ...
  - (b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. Most ~~This is typically the case for~~ banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks will meet this second criterion.
- ...
- 1.7 A parent entity assesses its eligibility to use the *IFRS for SMEs* in its separate financial statements on the basis of its own status without considering whether other group entities have, or the group as a whole has, public accountability. If a parent entity itself does not have public accountability, it may present its separate financial statements in accordance with the *IFRS for SMEs* even if it presents its consolidated financial statements in accordance with full IFRSs or another set of generally accepted accounting principles (GAAP), such as its national accounting standards. Any financial statements prepared in accordance with the *IFRS for SMEs* shall be clearly distinguished from financial statements prepared in accordance with other requirements.

### **[Draft] Amendments to Section 2 *Concepts and Pervasive Principles***

A new heading and paragraphs 2.14A–2.14C are added and paragraph 2.47 is amended. New text is underlined and deleted text is struck through.

#### **Undue cost or effort**

- 2.14A An undue cost or effort exemption is specifically included for some requirements in the *IFRS for SMEs* to clarify that, if obtaining or determining the information necessary to comply with the requirement would result in excessive

incremental cost or an excessive additional effort for an SME, the SME would be exempt from that specific requirement. The exemption may not be used for any other requirements in the IFRS for SMEs.

2.14B Undue cost or effort depends on the entity's specific circumstances and on management's judgement when assessing the costs and benefits. Whether the cost or effort is excessive (undue) requires consideration of how the economic decisions of the expected users of the financial statements could be affected by the availability of the information.

2.14C Assessing whether a requirement will result in undue cost or effort at the date of the transaction or event should be based on information about the costs and benefits of the requirement that is available at the time of the transaction or event. If the undue cost or effort exemption also applies to subsequent measurement of an item, for example, on the following reporting date, a new assessment of undue cost or effort should be made at that date, based on information available at that subsequent measurement date.

...

### **Financial assets and financial liabilities**

2.47 An entity measures basic **financial assets** and basic **financial liabilities**, as defined in Section 11 *Basic Financial Instruments*, at amortised cost less impairment except for investments in non-convertible ~~and non-puttable~~ preference shares and non-puttable ordinary shares or preference shares that are **publicly traded** or whose fair value can otherwise be measured reliably without undue cost or effort, which are measured at fair value with changes in fair value recognised in profit or loss.

### **[Draft] Amendments to Section 4 *Statement of Financial Position***

|  |
|--|
| Paragraph 4.12 is amended. New text is underlined. |
|--|

### **Information to be presented either in the statement of financial position or in the notes**

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...

4.12 An entity with share capital shall disclose the following, either in the statement of financial position or in the notes:

- (a) for each class of share capital:
  - (i) ...
  - (iv) a reconciliation of the number of shares outstanding at the beginning and at the end of the period. This reconciliation need not be presented for prior periods.
  - (v) ...

**[Draft] Amendments to Section 5 Statement of Comprehensive Income and Income Statement**

Paragraph 5.5 is amended. New text is underlined and deleted text is struck through.

**Single-statement approach**

...

5.5 As a minimum, an entity shall include, in the statement of comprehensive income, line items that present the following amounts for the period:

- (a) ...
- (e) a single amount comprising the total of:
  - (i) the post-tax profit or loss of a **discontinued operation**, and
  - (ii) the post-tax gain or loss ~~recognised on the measurement to fair value less costs to sell~~ attributable to the impairment of the assets in the discontinued operation (see Section 27 Impairment of Assets) or to ~~on~~ the disposal of the net assets constituting the discontinued operation.
- (f) ...
- (g) each item of other comprehensive income (see paragraph 5.4(b)) classified by nature (excluding amounts in (h)). Such items shall be grouped into those that, in accordance with this IFRS:
  - (i) will not be reclassified subsequently to profit or loss—ie those in paragraphs 5.4(b)(i)–(ii), and
  - (ii) will be reclassified subsequently to profit or loss when specific conditions are met—ie those in paragraph 5.4(b)(iii).
- (h) ...

**[Draft] Amendments to Section 6 Statement of Changes in Equity and Statement of Income and Retained Earnings**

Paragraphs 6.2–6.3 are amended and paragraph 6.3A is added. New text is underlined and deleted text is struck through.

**Purpose**

6.2 The statement of changes in equity presents an entity's profit or loss for a **reporting period**, ~~items of income and expense recognised in other comprehensive income~~ for the period, the effects of changes in **accounting policies** and corrections of errors recognised in the period, and the amounts of investments by, and dividends and other distributions to, owners equity investors during the period.

### Information to be presented in the statement of changes in equity

- 6.3 ~~An entity shall present a~~ The statement of changes in equity includes the following information showing in the statement:
- (a) ...
  - (c) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:
    - (i) profit or loss.
    - (ii) ~~each item of~~ other comprehensive income.
    - (iii) the amounts of investments by, and dividends and other distributions to, owners, showing separately issues of shares, treasury share transactions, dividends and other distributions to owners, and changes in ownership interests in subsidiaries that do not result in a loss of control.
- 6.3A For each component of equity an entity shall present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item (see paragraph 6.3(c)(ii)).

### **[Draft] Amendments to Section 9 Consolidated and Separate Financial Statements**

Paragraphs 9.1–9.3, 9.16, 9.18, 9.24–9.25 and 9.28 are amended and paragraph 9.3A is added. New text is underlined and deleted text is struck through.

#### **Scope of this section**

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- 9.1 This section defines the circumstances in which an entity applying this IFRS presents **consolidated financial statements** and the procedures for preparing those statements in accordance with this IFRS. It also includes guidance on **separate financial statements** and **combined financial statements** if they are prepared in accordance with this IFRS.

#### **Requirement to present consolidated financial statements**

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- 9.2 Except as permitted or required by paragraphs ~~9.3–9.3A~~, a **parent** entity shall present consolidated financial statements in which it consolidates its investments in **subsidiaries** ~~in accordance with this IFRS~~. Consolidated financial statements shall include all subsidiaries of the parent.
- 9.3 A parent need not present consolidated financial statements if: ~~(a)~~ both of the following conditions are met:
- (~~i~~a) the parent is itself a subsidiary, and

- (ii) its ultimate parent (or any intermediate parent) produces consolidated **general purpose financial statements** that comply with **full IFRSs** or with this IFRS; ~~or~~
- (b) ~~it has no subsidiaries other than one that was acquired with the intention of selling or disposing of it within one year. A parent shall account for such a subsidiary:~~
  - (i) ~~at fair value with changes in fair value recognised in profit or loss, if the fair value of the shares can be measured reliably, or~~
  - (ii) ~~otherwise at cost less impairment (see paragraph 11.14(c)).~~

9.3A ~~A subsidiary shall be excluded from consolidation if it was acquired with the intention of selling or disposing of it within one year. A parent shall account for such a subsidiary:~~

- (a) ~~at fair value, with changes in fair value recognised in profit or loss, if the fair value of the shares can be measured reliably (see paragraphs 11.27–11.32); or~~
- (b) ~~at cost less impairment if the fair value of the shares cannot be measured reliably (see paragraphs 11.21–11.26).~~

~~If a parent entity has no subsidiaries other than subsidiaries acquired with the intention of selling or disposing of them within one year, it does not present consolidated financial statements.~~

...

### **Uniform reporting date**

9.16 The financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements shall be prepared as of the same **reporting date** unless it is **impracticable** to do so. If it is impracticable to prepare the financial statements of a subsidiary as of the same reporting date as the parent, the parent shall consolidate the financial information of the subsidiary using the most recent financial statements of the subsidiary, adjusted for the effects of significant transactions or events that occur between the date of those financial statements and the date of the consolidated financial statements.

...

### **Acquisition and disposal of subsidiaries**

9.18 The income and expenses of a subsidiary are included in the consolidated financial statements from the acquisition date. ~~The income and expenses of a subsidiary are included in the consolidated financial statements until the date on which the parent ceases to control the subsidiary. When a parent ceases to control a subsidiary, the difference between the proceeds from the disposal of the subsidiary and its carrying amount at as of the date control is lost of disposal, excluding the cumulative amount of any exchange differences that relate to a foreign subsidiary recognised in equity in accordance with Section 30 Foreign Currency Translation, is recognised in profit or loss in the consolidated statement of comprehensive income (or the income statement, if presented) as~~

the gain or loss on the disposal of the subsidiary. The cumulative amount of any exchange differences that relate to a foreign subsidiary recognised in other comprehensive income in accordance with Section 30 Foreign Currency Translation is not reclassified to profit or loss on disposal of the subsidiary.

...

### Presentation of separate financial statements

9.24 ~~Paragraph 9.2 requires a parent to present consolidated financial statements. This IFRS does not require presentation of **separate financial statements** for the parent entity or for the individual subsidiaries.~~

9.25 Separate financial statements are financial statements presented in addition to consolidated financial statements or in addition to financial statements prepared by an entity that is not a parent but is an investor in an associate or has a venturer's interest in a joint venture. The financial statements of an entity that does not have a subsidiary are not separate financial statements. Therefore, an entity that is not a parent but is an investor in an associate or has a **venturer's** interest in a joint venture presents its financial statements in compliance with Section 14 or Section 15, as appropriate. It may also elect to present separate financial statements.

...

### Combined financial statements

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9.28 **Combined financial statements** are a single set of financial statements of two or more entities under common control ~~controlled by a single investor~~. This IFRS does not require combined financial statements to be prepared.

### [Draft] Amendments to Section 11 *Basic Financial Instruments*

Paragraphs 11.4, 11.7, 11.9, 11.14, 11.27, 11.32 and 11.44 are amended. New text is underlined and deleted text is struck through.

### Introduction to Section 11

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...

11.4 Section 11 requires an amortised cost model for all basic financial instruments except for investments in non-convertible ~~and non-puttable~~ preference shares and non-puttable ordinary or preference shares that are **publicly traded** or whose fair value can otherwise be measured reliably without undue cost or effort.

...

### Scope of Section 11

---

11.7 Section 11 applies to all financial instruments meeting the conditions of paragraph 11.8 except for the following:

- (a) ...
  - (b) financial instruments that meet the definition of an entity's own equity and the equity component of compound financial instruments issued by the entity (see Section 22 *Liabilities and Equity* ~~and Section 26 *Share-based Payment*~~).
  - (c) leases, to which Section 20 *Leases* ~~or paragraph 12.3(f)~~ applies. However, the derecognition requirements in paragraphs 11.33–11.38 apply to the derecognition of lease receivables recognised by a lessor and lease payables recognised by a lessee, and the impairment requirements in paragraphs 11.21–11.26 apply to lease receivables recognised by a lessor. ~~Also, Section 12 may apply to leases with characteristics specified in paragraph 12.3(f).~~
  - (d) ...
  - (e) financial instruments, contracts and obligations under share-based payment transactions to which Section 26 applies.
  - (f) reimbursement assets accounted for in accordance with Section 21 *Provisions and Contingencies* (see paragraph 21.9).
- ...

## Basic financial instruments

---

- ...
- 11.9 A debt instrument that satisfies all of the conditions in (a)–(d) below shall be accounted for in accordance with Section 11:
- (a) Returns to the holder (the lender) assessed in the currency in which the debt instrument is denominated are:
    - (i) a fixed amount;
    - (ii) a fixed rate of return over the life of the instrument;
    - (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate (such as LIBOR); or
    - (iv) some combination of such fixed rate and variable rates (such as LIBOR plus 200 basis points), provided that the sum of both the fixed and variable rates are positive (eg an interest rate swap with a positive fixed rate and negative variable rate would not meet this criterion). For fixed and variable rate interest returns, interest is calculated by multiplying the rate for the applicable period by the principal amount outstanding during the period.
  - (b) There is no contractual provision that could, by its terms, result in the holder (the lender) losing the principal amount or any interest attributable to the current period or prior periods. The fact that a debt instrument is subordinated to other debt instruments is not an example of such a contractual provision.

- (c) Contractual provisions that permit the issuer (the ~~borrower debtor~~) to prepay a debt instrument or permit the holder (the ~~lender creditor~~) to put it back to the issuer before maturity are not contingent on future events other than to protect:
- (i) the holder against the credit deterioration of the issuer (for example, defaults, credit downgrades or loan covenant violations), or a change in control of the issuer, or
  - (ii) the holder or issuer against changes in relevant taxation or law.
- (d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

...

## Subsequent measurement

---

11.14 At the end of each **reporting period**, an entity shall measure financial instruments as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

- (a) ...
- (c) Investments in non-convertible preference shares and non-puttable ordinary or preference shares ~~that meet the conditions in paragraph 11.8(d)~~ shall be measured as follows (paragraphs 11.27–11.32~~3~~ provide guidance on fair value):
- (i) if the shares are publicly traded or their fair value can otherwise be measured reliably without undue cost or effort, the investment shall be measured at fair value with changes in fair value recognised in profit or loss.
  - (ii) all other such investments shall be measured at cost less impairment.

Impairment or uncollectibility must be assessed for financial instruments in (a), (b) and (c)(ii) above. Paragraphs 11.21–11.26 provide guidance.

...

### Fair value

11.27 Paragraph 11.14(c)(i) requires an investment in ordinary shares or preference shares to be measured at fair value if the fair value of the shares can be measured reliably without undue cost or effort. An entity shall use the following hierarchy to estimate the fair value of the shares:

- (a) The best evidence of fair value is a price in a binding sale agreement in an arm's length transaction or a quoted price for an identical asset in an active market. ~~(the latter~~ This is usually the current bid price).



- (b) ~~If there is no binding sale agreement or active market for the asset~~ When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant period lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (eg because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.
- (c) ~~If there is no binding sale agreement or active market for the asset~~ If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a another valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Other sections of this IFRS make reference to the fair value guidance in paragraphs 11.27–11.32, including Section 9, Section 12, Section 14, Section 15, ~~and~~ Section 16 *Investment Property* and Section 28. In applying that guidance to assets covered by those sections, the reference to ordinary shares or preference shares in this paragraph should be read to include the types of assets covered by those sections.

...

### **No active market: equity instruments**

...

- 11.32 If a reliable measure of fair value is no longer available for an asset measured at fair value (or is not available without undue cost or effort when such an exemption is provided, eg for an equity instrument measured at fair value through profit or loss), its carrying amount at the last date the asset was reliably measurable becomes its new cost. The entity shall measure the asset at this cost amount less impairment until a reliable measure of fair value becomes available (or becomes available without undue cost or effort when such an exemption is provided).

...

### **Statement of financial position – categories of financial assets and financial liabilities**

...

- 11.44 If a reliable measure of fair value is not ~~longer~~ available without undue cost or effort for an equity instrument measured at fair value through profit or loss, the entity shall disclose that fact.

...

## [Draft] Amendments to Section 12 *Other Financial Instruments* *Issues*

Paragraphs 12.3, 12.8–12.9, 12.23 and 12.25 are amended. New text is underlined and deleted text is struck through.

### Scope of Section 12

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- 12.3 Section 12 applies to all financial instruments except the following:
- (a) ...
  - (b) ~~interests in subsidiaries (see Section 9 *Consolidated and Separate Financial Statements*), associates (see Section 14 *Investments in Associates*) and joint ventures (see Section 15 *Investments in Joint Ventures*)~~ investments in subsidiaries, associates and joint ventures that are accounted for in accordance with Section 9 *Consolidated and Separate Financial Statements*, Section 14 *Investments in Associates* or Section 15 *Investments in Joint Ventures*.
  - (c) ...
  - (e) financial instruments that meet the definition of an entity's own equity and the equity component of compound financial instruments issued by the entity (see Section 22 *Liabilities and Equity* ~~and Section 26 *Share-based Payment*~~).
  - (f) leases (see Section 20 *Leases*) unless the lease could result in a loss to the lessor or the lessee as a result of contractual terms that are unrelated to:
    - (i) changes in the price of the leased asset;
    - (ii) changes in foreign exchange rates; ~~or~~
    - (iii) ~~a default by one of the counterparties~~ changes in lease payments based on variable market interest rates; or
    - (iv) a default by one of the counterparties.
  - (g) ...
  - (h) financial instruments, contracts and obligations under share-based payment transactions to which Section 26 applies.
  - (i) reimbursement assets accounted for in accordance with Section 21 *Provisions and Contingencies* (see paragraph 21.9).
- ...

### Subsequent measurement

---

- 12.8 At the end of each **reporting period**, an entity shall measure all financial instruments within the scope of Section 12 at fair value and recognise changes in fair value in profit or loss, except as follows:

- (a) some changes in fair value of hedging instruments in a designated hedging relationship are required to be recognised initially in other comprehensive income in accordance with paragraph 12.23.
- (b) equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably without undue cost or effort, and contracts linked to such instruments that, if exercised, will result in delivery of such instruments, shall be measured at cost less impairment.

12.9 If a reliable measure of fair value is no longer available without undue cost or effort for an equity instrument, or a contract linked to such an instrument, that is not publicly traded but is measured at fair value through profit or loss, its fair value at the last date the instrument was reliably measurable without undue cost or effort is treated as the cost of the instrument. The entity shall measure the instrument at this cost amount less impairment until it is able to determine a reliable measure of fair value without undue cost or effort ~~becomes available~~.

...

**Hedge of variable interest rate risk of a recognised financial instrument, foreign exchange risk or commodity price risk in a firm commitment or highly probable forecast transaction, or a net investment in a foreign operation**

12.23 If the conditions in paragraph 12.16 are met and the hedged risk is

- (a) the variable interest rate risk in a debt instrument measured at amortised cost,
- (b) the foreign exchange risk in a **firm commitment** or a highly probable forecast transaction,
- (c) the commodity price risk in a firm commitment or highly probable forecast transaction, or
- (d) the foreign exchange risk in a net investment in a **foreign operation**,

the entity shall recognise in other comprehensive income the portion of the change in the fair value of the hedging instrument that was effective in offsetting the change in the fair value or expected cash flows of the hedged item. The entity shall recognise in profit or loss any excess (in absolute terms) of the cumulative change in fair value of the hedging instrument over the cumulative change in the fair value of the expected cash flows since inception of the hedge (sometimes called hedge ineffectiveness). The hedging gain or loss recognised in other comprehensive income shall be reclassified to profit or loss when the hedged item is recognised in profit or loss, ~~when the hedging relationship ends~~. subject to the requirements in paragraph 12.25. However, the cumulative amount of any exchange differences that relate to a hedge of a net investment in a foreign operation recognised in other comprehensive income shall not be reclassified to profit or loss on disposal or partial disposal of the foreign operation.

...

12.25 The entity shall discontinue prospectively the hedge accounting specified in paragraph 12.23 if:

- (a) the hedging instrument expires, or is sold or terminated;
- (b) the hedge no longer meets the criteria for hedge accounting in paragraph 12.16;
- (c) in a hedge of a forecast transaction, the forecast transaction is no longer highly probable; or
- (d) the entity revokes the designation.

If the forecast transaction is no longer expected to take place or if the hedged debt instrument measured at amortised cost is derecognised, any gain or loss on the hedging instrument that was recognised in other comprehensive income shall be reclassified from equity ~~other comprehensive income~~ to profit or loss.

### **[Draft] Amendments to Section 17 *Property, Plant and Equipment***

Paragraph 17.5 is amended. New text is underlined and deleted text is struck through.

## **Recognition**

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...

17.5 Items such as spare parts, stand-by equipment and servicing equipment are recognised in accordance with this section when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory, usually carried as inventory and recognised in profit or loss as consumed. However, major spare parts and stand-by equipment are property, plant and equipment when an entity expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are considered property, plant and equipment.

### **[Draft] Amendments to Section 18 *Intangible Assets other than Goodwill***

Paragraphs 18.8 and 18.20 are amended. New text is underlined and deleted text is struck through.

#### **Acquisition as part of a business combination**

18.8 An intangible asset acquired in a **business combination** ~~shall be~~ is normally recognised as an asset unless its fair value cannot be measured reliably without undue cost or effort at the acquisition date. ~~because its fair value can be measured with sufficient reliability.~~ However, an intangible asset acquired in a business combination is not recognised when it arises from legal or other contractual rights and its fair value cannot be measured reliably because the asset either:

- (a) ~~is not separable from goodwill, or~~

- (b) ~~is separable from goodwill but there is no history or evidence of exchange transactions for the same or similar assets, and otherwise estimating fair value would be dependent on immeasurable variables.~~

...

### **Amortisation over useful life**

---

...

- 18.20 If an entity is unable to make a reliable estimate of the useful life of an intangible asset, the life shall be determined based on management's best estimate and shall not exceed ~~presumed to be~~ ten years.

### **[Draft] Amendments to Section 19 *Business Combinations and Goodwill***

|  |
|--|
| Paragraphs 19.11, 19.14–19.15, 19.23 and 19.26 are amended. New text is underlined and deleted text is struck through. |
|--|

#### **Cost of a business combination**

- 19.11 The acquirer shall measure the cost of a business combination as the aggregate of:
- (a) the fair values, at the date of acquisition ~~exchange~~, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree, plus
  - (b) any costs directly attributable to the business combination.

...

#### **Allocating the cost of a business combination to the assets acquired and liabilities and contingent liabilities assumed**

- 19.14 The acquirer shall, at the acquisition date, allocate the cost of a business combination by recognising the acquiree's identifiable assets and liabilities and a provision for those contingent liabilities that satisfy the recognition criteria in paragraph 19.15~~20~~ at their fair values at that date except as follows:
- (a) a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination shall be recognised and measured in accordance with Section 29 *Income Tax*.
  - (b) a liability (or asset, if any) related to the acquiree's employee benefit arrangements shall be recognised and measured in accordance with Section 28 *Employee Benefits*.

Any difference between the cost of the business combination and the acquirer's interest in the net fair value of the identifiable assets, liabilities and provisions for contingent liabilities so recognised shall be accounted for in accordance with paragraphs 19.22–19.24 (as goodwill or so-called 'negative goodwill'). Any

non-controlling interest in the acquiree is measured at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

19.15 The acquirer shall recognise separately the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date only if they satisfy the following criteria at that date:

- (a) In the case of an asset other than an intangible asset, it is probable that any associated future economic benefits will flow to the acquirer, and its fair value can be measured reliably.
- (b) In the case of a liability other than a contingent liability, it is probable that an outflow of resources will be required to settle the obligation, and its fair value can be measured reliably.
- (c) In the case of an intangible asset ~~or a contingent liability~~, its fair value can be measured reliably without undue cost or effort.
- (d) In the case of a contingent liability, its fair value can be measured reliably.

...

### Goodwill

...

19.23 After initial recognition, the acquirer shall measure goodwill acquired in a business combination at cost less accumulated **amortisation** and accumulated **impairment** losses:

- (a) An entity shall follow the principles in paragraphs 18.19–18.24 for amortisation of goodwill. If an entity is unable to make a reliable estimate of the useful life of goodwill, the life shall be determined based on management's best estimate and shall not exceed ~~presumed to be~~ ten years.
- (b) An entity shall follow Section 27 *Impairment of Assets* for recognising and measuring the impairment of goodwill.

...

### For all business combinations

19.26 An acquirer shall disclose the useful lives used for goodwill and a reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period, showing separately:

- (a) ...

## **[Draft] Amendments to Section 20 Leases**

Paragraphs 20.1 and 20.3 are amended. New text is underlined and deleted text is struck through.

### **Scope of this section**

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- 20.1 This section covers accounting for all **leases** other than:
- (a) ...
  - (e) leases that could lead to a loss to the lessor or the lessee as a result of contractual terms that are unrelated to changes in the price of the leased asset, changes in foreign exchange rates, changes in lease payments based on variable market interest rates, or a default by one of the counterparties (see paragraph 12.3(f)).
  - (f) ...
- 20.3 Some arrangements, such as some outsourcing arrangements, telecommunication contracts that provide rights to capacity, and take-or-pay contracts, do not take the legal form of a lease but convey rights to use assets in return for payments. Such arrangements are in substance leases of assets, and they shall ~~should~~ be accounted for under this section.

## **[Draft] Amendments to Section 22 Liabilities and Equity**

Paragraphs 22.8–22.9, 22.15 and 22.17–22.18 are amended. Paragraphs 22.3A, 22.15A–22.15C and 22.18A are added. New text is underlined and deleted text is struck through. Paragraph 22.3 has been included for ease of reference but is not proposed for amendment.

### **Classification of an instrument as liability or equity**

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- 22.3 Equity is the residual interest in the assets of an entity after deducting all its liabilities. A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. Equity includes investments by the owners of the entity, plus additions to those investments earned through profitable operations and retained for use in the entity's operations, minus reductions to owners' investments as a result of unprofitable operations and distributions to owners.
- 22.3A An entity shall classify a financial instrument as a liability (ie a financial liability) or as equity based on its substance, rather than its legal form. If an entity does not have an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation, the obligation meets the definition of a financial liability, and is classified as such, except for those instruments classified as equity instruments in accordance with paragraph 22.4.

...

## Original issue of shares or other equity instruments

---

...

22.8 An entity shall measure ~~the equity instruments, other than those issued as part of a business combination (see Section 19) or those accounted for in accordance with paragraph 22.15A,~~ at the fair value of the cash or other resources received or receivable, net of **transaction costs** ~~direct costs of issuing the equity instruments~~. If payment is deferred and the time value of money is material, the initial measurement shall be on a **present value** basis.

22.9 An entity shall account for the transaction costs of an equity transaction as a deduction from equity, ~~net of any related income tax benefit~~. Income tax relating to the transaction costs shall be accounted for in accordance with Section 29 Income Tax.

...

## Convertible debt or similar compound financial instruments

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...

22.15 In periods after the instruments were issued, the entity shall account for the liability component as follows:

- (a) in accordance with Section 11 *Basic Financial Instruments* if the liability component meets the conditions in paragraph 11.9. In these cases, the entity shall systematically recognise any difference between the liability component and the principal amount payable at maturity as additional interest expense using the **effective interest method** (see paragraphs 11.15–11.20). The appendix to this section illustrates the issuer's accounting for convertible debt when the liability meets the conditions in paragraph 11.9.
- (b) in accordance with Section 12 *Other Financial Instruments* if the liability component does not meet the conditions in paragraph 11.9.

## Extinguishing financial liabilities with equity instruments

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22.15A An entity may renegotiate the terms of a financial liability with the result that it extinguishes the liability fully or partially by issuing equity instruments to the creditor. Issuing equity instruments constitutes consideration paid in accordance with paragraph 11.38. An entity shall measure the equity instruments issued at their fair value. However, if the fair value of the equity instruments issued cannot be measured reliably without undue cost or effort, the equity instruments shall instead be measured at the fair value of the financial liability extinguished. An entity shall derecognise the financial liability, or part of the financial liability, in accordance with paragraphs 11.36–11.38.



22.15B If part of the consideration paid relates to a modification of the terms of the remaining part of the liability, the entity shall allocate the consideration paid between the part of the liability extinguished and the part that remains outstanding on a reasonable basis. If the remaining liability has been substantially modified, the entity shall account for the modification as the extinguishment of the original liability and the recognition of a new liability as required by paragraph 11.37.

22.15C An entity shall not apply paragraphs 22.15A–22.15B to situations in which:

- (a) the creditor is also a direct or indirect shareholder and is acting in its capacity as a direct or indirect existing shareholder.
- (b) the creditor and the entity are controlled by the same party or parties before and after the transaction and the substance of the transaction includes an equity distribution by, or contribution to, the entity.
- (c) extinguishing the financial liability by issuing equity shares is in accordance with the original terms of the financial liability (see paragraphs 22.13–22.15).

...

## **Distributions to owners**

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22.17 An entity shall reduce equity for the amount of distributions to its owners (holders of its equity instruments), ~~net of any related income tax benefits. Paragraph 29.26 provides guidance on accounting for a withholding tax on dividends. Income tax relating to distributions to owners shall be accounted for in accordance with Section 29.~~

22.18 Sometimes an entity distributes assets other than cash as ~~dividends~~ to its owners ('non-cash dividends'). When an entity declares such a distribution and has an obligation to distribute non-cash assets to its owners, it shall recognise a liability. It shall measure the liability at the fair value of the assets to be distributed. At the end of each **reporting period** and at the date of settlement, the entity shall review and adjust the carrying amount of the dividend payable to reflect changes in the fair value of the assets to be distributed, with any changes recognised in equity as adjustments to the amount of the distribution. When an entity settles the dividend payable, it shall recognise any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable in profit or loss.

22.18A Paragraph 22.18 does not apply to the distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after the distribution. This exclusion applies to the separate, individual and consolidated financial statements of an entity that makes the distribution.

**[Draft] Amendments to Section 26 Share-based Payment**

Paragraphs 26.1, 26.9, 26.12 and 26.16–26.17 are amended. Paragraphs 26.1A–26.1B are added. New text is underlined and deleted text is struck through.

**Scope of this section**

26.1 This section specifies the accounting for all **share-based payment transactions** including those that are equity- or cash-settled or those when the terms of the arrangement provide a choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments.

- (a) ~~equity-settled share-based payment transactions, in which the entity acquires goods or services as consideration for equity instruments of the entity (including shares or share options);~~
- (b) ~~cash-settled share-based payment transactions, in which the entity acquires goods or services by incurring liabilities to the supplier of those goods or services for amounts that are based on the price (or value) of the entity's shares or other equity instruments of the entity; and~~
- (c) ~~transactions in which the entity receives or acquires goods or services and the terms of the arrangement provide either the entity or the supplier of those goods or services with a choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments.~~

26.1A A share-based payment transaction may be settled by another group entity (or a shareholder of any group entity) on behalf of the entity receiving the goods or services. Paragraph 26.1 also applies to an entity that:

- (a) receives goods or services when another entity in the same group (or a shareholder of any group entity) has the obligation to settle the share-based payment transaction; or
- (b) has an obligation to settle a share-based payment transaction when another entity in the same group receives the goods or services

unless the transaction is clearly for a purpose other than the payment for goods or services supplied to the entity receiving them.

26.1B In the absence of specifically identifiable goods or services, other circumstances may indicate that goods or services have been (or will be) received, in which case this section applies (see paragraph 26.17).

...

**Measurement principle**

...

26.9 A grant of equity instruments might be conditional on employees satisfying specified **vesting conditions** related to service or performance. ~~For example,~~ An example of a vesting condition relating to service is when a grant of shares or

share options to an employee is typically conditional on the employee remaining in the entity's employ for a specified period of time. ~~There might be~~ Examples of vesting conditions relating to performance conditions that must be satisfied, such as are when a grant of shares or share options is conditional on the entity achieving a specified growth in profit (a non-market vesting condition) or a specified increase in the entity's share price (a **market vesting condition**). Vesting conditions are accounted for as follows:

- (a) ~~All vesting conditions related to solely~~ employee service or to a non-market performance condition shall be taken into account when estimating the number of equity instruments expected to vest. Subsequently, the entity shall revise that estimate, ~~if necessary,~~ if new information indicates that the number of equity instruments expected to vest differs from previous estimates. On ~~the~~ vesting date, the entity shall revise the estimate to equal the number of equity instruments that ultimately vested. Vesting conditions related to employee service or to a non-market performance condition shall not be taken into account when estimating the fair value of the shares, share options or other equity instruments at the measurement date.
- (b) ~~All~~ market vesting conditions and non-vesting conditions shall be taken into account when estimating the fair value of the shares, ~~or~~ share options or other equity instruments at the measurement date, with no subsequent adjustment to the estimated fair value, irrespective of the outcome of the market or non-vesting condition, provided that all other vesting conditions are satisfied.

...

### **Modifications to the terms and conditions on which equity instruments were granted**

- 26.12 ~~If a~~An entity may modify ~~the vesting terms and conditions on which equity instruments are granted~~ in a manner that is beneficial to the employee, for example, by reducing the exercise price of an option or reducing the vesting period or by ~~modifying or~~ eliminating a performance condition. Alternatively an entity may modify the terms and conditions in a manner that is not beneficial to the employee, for example, by increasing the vesting period or adding a performance condition. The entity shall take the modified vesting conditions into account in accounting for the share-based payment transaction, as follows:

- (a) ...
- (b) If the modification reduces the total fair value of the **share-based payment arrangement**, or apparently is not otherwise beneficial to the employee, the entity shall nevertheless continue to account for the services received as consideration for the equity instruments granted as if that modification had not occurred.

The requirements in this paragraph are expressed in the context of share-based payment transactions with employees. However, the requirements shall also be

applied to share-based payment transactions with parties other than employees if these transactions are measured by reference to the fair value of the equity instruments granted.

...

## Group plans

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- 26.16 If a share-based payment award is granted by an entity to the employees of one or more group entities ~~a parent entity to the employees of one or more subsidiaries in the group~~, and the parent group ~~parent group~~ presents consolidated financial statements using either the *IFRS for SMEs* or **full IFRSs**, the group entities are permitted, as an alternative to the treatment set out in paragraphs 26.3–26.15, such subsidiaries are permitted to recognise and measure the share-based payment expense ~~(and the related capital contribution by the parent)~~ on the basis of a reasonable allocation of the expense ~~recognised~~ for the group.

## Unidentifiable goods or services Government-mandated plans

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- 26.17 If the identifiable consideration received appears to be less than the fair value of the equity instruments granted or the liability incurred, this situation typically indicates that other consideration (ie unidentifiable goods or services) has been (or will be) received. For example, some jurisdictions have programmes established under law by which owners equity investors (such as employees) are able to acquire equity without providing goods or services that can be specifically identified (or by providing goods or services that are clearly less than the fair value of the equity instruments granted). This indicates that other consideration has been or will be received (such as past or future employee services). These are equity-settled share-based payment transactions within the scope of this section. The entity shall measure the unidentifiable goods or services received (or to be received) as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received (or to be received) measured at the grant date. For cash-settled transactions, the liability shall be remeasured at the end of each reporting period until it is settled in accordance with paragraph 26.14.

## [Draft] Amendments to Section 27 *Impairment of Assets*

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|--|
| Paragraph 27.1 is amended. New text is underlined. |
|--|

## Objective and scope

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- 27.1 An **impairment loss** occurs when the **carrying amount** of an asset exceeds its **recoverable amount**. This section shall be applied in accounting for the impairment of all assets other than the following, for which other sections of this IFRS establish impairment requirements:
- (a) ...
  - (f) assets arising from construction contracts (see Section 23 *Revenue*).

## **[Draft] Amendments to Section 28 *Employee Benefits***

Paragraphs 28.30 and 28.43 are amended. New text is underlined and deleted text is struck through.

### **Other long-term employee benefits**

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...

- 28.30 An entity shall recognise a liability for other long-term employee benefits measured at the net total of the following amounts:
- (a) the present value of the benefit obligation at the reporting date, minus
  - (b) the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

An entity shall recognise the net change in the liability in accordance with paragraph 28.23 during the period, other than a change attributable to benefits paid to employees during the period or to contributions from the employer, as the cost of its other long-term employee benefits during the period. That cost is recognised entirely in profit or loss as an expense unless another section of this IFRS requires it to be recognised as part of the cost of an asset, such as inventories or property, plant and equipment.

...

#### **Disclosures about termination benefits**

- 28.43 For each category of termination benefits that an entity provides to its employees, the entity shall disclose the nature of the benefit, its accounting policy, and the amount of its obligation and the extent of funding at the reporting date.

## **[Draft] Amendments to Section 29 *Income Tax***

*[See the appendix for a 'clean' version of this section, ie a version that has the proposed amendments already incorporated.]*

Paragraph 29.3 is amended and a heading is deleted. New text is underlined and deleted text is struck through.

### **Scope of this section**

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...

#### **Steps in ~~accounting for income tax~~**

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- 29.3 This section does not deal with the methods of accounting for **government grants** (see Section 24 *Government Grants*). However, this section does deal with

~~the accounting for temporary differences that may arise from such grants. An entity shall account for income tax by following the steps (a)–(i) below:~~

- ~~(a) recognise current tax, measured at an amount that includes the effect of the possible outcomes of a review by the tax authorities (paragraphs 29.4–29.8).~~
- ~~(b) identify which assets and liabilities would be expected to affect taxable profit if they were recovered or settled for their present carrying amounts (paragraphs 29.9 and 29.10).~~
- ~~(c) determine the **tax basis** of the following at the end of the **reporting period**:
 
  - ~~(i) the assets and liabilities in (b). The tax basis of assets and liabilities is determined by the consequences of the sale of the assets or settlement of liabilities for their present carrying amounts (paragraphs 29.11 and 29.12).~~
  - ~~(ii) other items that have a tax basis although they are not recognised as assets or liabilities, ie items recognised as income or expense that will become taxable or tax-deductible in future periods (paragraph 29.13).~~~~
- ~~(d) compute any **temporary differences**, unused tax losses and unused tax credits (paragraph 29.14).~~
- ~~(e) recognise **deferred tax assets** and **deferred tax liabilities** arising from the temporary differences, unused tax losses and unused tax credits (paragraphs 29.15–29.17).~~
- ~~(f) measure deferred tax assets and liabilities at an amount that includes the effect of the possible outcomes of a review by the tax authorities using tax rates that, on the basis of enacted or substantively enacted tax law at the end of the reporting period, are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled (paragraphs 29.18–29.25).~~
- ~~(g) recognise a valuation allowance against deferred tax assets so that the net amount equals the highest amount that is more likely than not to be realised on the basis of current or future taxable profit (paragraphs 29.21 and 29.22).~~
- ~~(h) allocate current and deferred tax to the related components of **profit or loss**, **other comprehensive income** and **equity** (paragraph 29.27).~~
- ~~(i) present and disclose the required information (paragraphs 29.28–29.32).~~

Paragraph 29.6 is amended and paragraphs 29.7–29.8 are deleted. New text is underlined and deleted text is struck through.

## Recognition and measurement of current tax

...

- 29.6 An entity shall measure a current tax liability (asset) at the amounts it expects to pay (recover) using the tax rates and laws that have been enacted or **substantively enacted** by the **reporting date**. ~~An entity shall regard tax rates as substantively enacted when future events required by the enactment process historically have not affected the outcome and are unlikely to do so.~~ Paragraphs 29.23= and 29.25 provide additional measurement guidance.
- 29.7 ~~[Deleted] An entity shall recognise changes in a current tax liability or current tax asset as tax expense in profit or loss, except that a change attributable to an item of income or expense recognised under this IFRS as other comprehensive income shall also be recognised in other comprehensive income.~~
- 29.8 ~~[Deleted] An entity shall include in the amounts recognised in accordance with paragraphs 29.4 and 29.5 the effect of the possible outcomes of a review by the tax authorities, measured in accordance with paragraph 29.24.~~

Paragraph 29.8A is added, paragraph 29.9 is amended and a heading and paragraph 29.10 are deleted. New text is underlined and deleted text is struck through.

### General recognition principle

- 29.8A It is inherent in the recognition of an asset or a liability that the reporting entity expects to recover or settle the carrying amount of that asset or liability. If it is probable that recovery or settlement of that carrying amount will make future tax payments larger (smaller) than they would be if such recovery or settlement were to have no tax consequences, this section requires an entity to recognise a **deferred tax liability (deferred tax asset)** with certain limited exceptions. If the entity expects to recover the carrying amount of an asset or settle the carrying amount of a liability without affecting taxable profit, no deferred tax arises in respect of the asset or liability.
- 29.9 An entity shall recognise a deferred tax asset or liability for tax recoverable or payable in future periods as a result of past transactions or events. Such tax arises from the differences between the carrying amounts of recognised ~~for~~ the entity's assets and liabilities in the statement of financial position and the amounts attributed to recognition ~~of~~ those assets and liabilities by the tax authorities (such differences are called 'temporary differences'), and the carryforward of currently unused tax losses and tax credits.

### **Assets and liabilities whose recovery or settlement will not affect taxable profit**

- 29.10 ~~[Deleted] If the entity expects to recover the carrying amount of an asset or settle the carrying amount of a liability without affecting taxable profit, no deferred tax arises in respect of the asset or liability. Therefore, paragraphs 29.11–29.17 apply only to assets and liabilities for which the entity expects the recovery or settlement of the carrying amount to affect taxable profit and to other items that have a tax basis.~~

Paragraphs 29.11–29.17 and their related headings are amended and paragraphs 29.17A–29.17K are added. New text is underlined and deleted text is struck through.

### **Tax bases and temporary differences Tax basis**

- 29.11 ~~The tax base of an asset is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to an entity when it recovers the carrying amount of the asset. If those economic benefits will not be taxable, the tax base of the asset is equal to its carrying amount. An entity shall determine the tax base of an asset, liability or other item in accordance with enacted or substantively enacted law. If the entity files a consolidated tax return, the tax base is determined by the tax law governing the consolidated tax return. If the entity files separate tax returns for different operations, the tax base is determined by the tax laws governing each tax return.~~
- 29.12 ~~The tax base of a liability is its carrying amount less any amount that will be deductible for tax purposes in respect of that liability in future periods. In the case of revenue that is received in advance, the tax base of the resulting liability is its carrying amount less any amount of the revenue that will not be taxable in future periods. The tax base determines the amounts that will be included in taxable profit on recovery or settlement of the carrying amount of an asset or liability. Specifically:~~
- ~~(a) the tax base of an asset equals the amount that would have been deductible in arriving at taxable profit if the carrying amount of the asset had been recovered through sale at the end of the reporting period. If the recovery of the asset through sale does not increase taxable profit, the tax base shall be deemed to be equal to the carrying amount.~~
  - ~~(b) the tax base of a liability equals its carrying amount less any amounts deductible in determining taxable profit (or plus any amounts included in taxable profit) that would have arisen if the liability had been settled for its carrying amount at the end of the reporting period. In the case of deferred revenue, the tax base of the resulting liability is its carrying amount, less any amount of revenue that will not be taxable in future periods.~~
- 29.13 ~~Some items have a tax base but are not recognised as assets and liabilities in the statement of financial position. For example, research and development costs are recognised as an expense when determining accounting profit in the period in which they are incurred but may not be permitted as a deduction when~~



determining taxable profit (tax loss) until a later period. The difference between the tax base of the research and development costs, being the amount that the taxation authorities will permit as a deduction in future periods, and the carrying amount of nil is a **deductible temporary difference** that results in a deferred tax asset. Some items have a tax basis but are not recognised as assets and liabilities. For example, research costs are recognised as an expense when they are incurred but may not be permitted as a deduction in determining taxable profit until a future period. Thus, the carrying amount of the research costs is nil and the tax basis is the amount that will be deducted in future periods. An equity instrument issued by the entity may also give rise to deductions in a future period. There is no asset or liability in the statement of financial position, but the tax basis is the amount of the future deductions.

### **Temporary differences**

29.14 In consolidated financial statements, temporary differences are determined by comparing the carrying amounts of assets and liabilities in the consolidated financial statements with the appropriate tax base. The tax base is determined by reference to a consolidated tax return in those jurisdictions in which such a return is filed. In other jurisdictions, the tax base is determined by reference to the tax returns of each entity in the group. Temporary differences arise:

- (a) when there is a difference between the carrying amounts and tax bases on the initial recognition of assets and liabilities, or at the time a tax basis is created for those items that have a tax basis but are not recognised as assets and liabilities.
- (b) when a difference between the carrying amount and tax basis arises after initial recognition because income or expense is recognised in comprehensive income or equity in one reporting period but is recognised in taxable profit in a different period.
- (c) when the tax basis of an asset or liability changes and the change will not be recognised in the asset or liability's carrying amount in any period.

### **Deferred tax liabilities and assets**

29.15 Examples of situations where temporary differences arise:

- (a) the identifiable assets acquired and liabilities assumed in a business combination are recognised at their fair values in accordance with Section 19 *Business Combinations and Goodwill*, but no equivalent adjustment is made for tax purposes (for example, the tax base of an asset may remain at cost to the previous owner). The resulting deferred tax asset or liability affects the amount of goodwill that an entity recognises.
- (b) assets are remeasured, for example, investment property is measured at fair value at each reporting date in accordance with Section 16 *Investment Property*, and no equivalent adjustment is made for tax purposes.

- (c) goodwill arises in a business combination, for example, the tax base of goodwill will be nil if taxation authorities do not allow the amortisation or the impairment of goodwill as a deductible expense when taxable profit is determined and do not permit the cost of goodwill to be treated as a deductible expense on disposal of the subsidiary.
- (d) the tax base of an asset or a liability on initial recognition differs from its initial carrying amount.
- (e) the carrying amount of investments in subsidiaries, branches and associates or interests in joint ventures becomes different from the tax base of the investment or interest.

Not all the above temporary differences will give rise to deferred tax assets and liabilities (see paragraphs 29.16 and 29.17A).

Except as required by paragraph 29.16, an entity shall recognise:

- (a) a deferred tax liability for all temporary differences that are expected to increase taxable profit in the future.
- (b) a deferred tax asset for all temporary differences that are expected to reduce taxable profit in the future.
- (c) a deferred tax asset for the carryforward of unused tax losses and unused tax credits.

### **Taxable temporary differences**

29.16 A deferred tax liability shall be recognised for all **taxable temporary differences**, except to the extent that the deferred tax liability arises from:

- (a) the initial recognition of goodwill; or
- (b) the initial recognition of an asset or a liability in a transaction that:
  - (i) is not a business combination; and
  - (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

However, for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, a deferred tax liability shall be recognised in accordance with paragraph 29.17J.

The following are exceptions to the requirements of paragraph 29.15:

- (a) An entity shall not recognise a deferred tax asset or liability for temporary differences associated with unremitted earnings from foreign subsidiaries, branches, associates and joint ventures to the extent that the investment is essentially permanent in duration, unless it is apparent that the temporary difference will reverse in the foreseeable future.
- (b) An entity shall not recognise a deferred tax liability for a temporary difference associated with the initial recognition of goodwill.

29.17 Some temporary differences arise when income or expense is included in accounting profit in one period but is included in taxable profit in a different

period. Such temporary differences are often described as timing differences. The following are examples of temporary differences of this kind that are taxable temporary differences and that therefore result in deferred tax liabilities:

- (a) interest revenue is included in accounting profit on a time-proportion basis but may, in some jurisdictions, be included in taxable profit when cash is collected. The tax base of any receivable with respect to such revenues is nil because the revenues do not affect taxable profit until cash is collected; and
- (b) depreciation used when determining taxable profit (tax loss) may differ from that used when determining accounting profit. The temporary difference is the difference between the carrying amount of the asset and its tax base, which is the original cost of the asset less all deductions in respect of that asset permitted by the taxation authorities when determining taxable profit of the current and prior periods. A taxable temporary difference arises, and results in a deferred tax liability, when tax depreciation is accelerated. If the tax depreciation is less rapid than the accounting depreciation, a deductible temporary difference arises resulting in a deferred tax asset (see paragraph 29.17A).

An entity shall recognise changes in a deferred tax liability or deferred tax asset as tax expense in profit or loss, except that a change attributable to an item of income or expense recognised under this IFRS as other comprehensive income shall also be recognised in other comprehensive income.

### **Deductible temporary differences**

29.17A A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or a liability in a transaction that:

- (a) is not a business combination; and
- (b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

However, for deductible temporary differences associated with investments in subsidiaries, branches and associates, and for interests in joint ventures, a deferred tax asset shall be recognised in accordance with paragraph 29.17K.

29.17B The following are examples of deductible temporary differences that result in deferred tax assets:

- (a) retirement benefit costs may be deducted when determining accounting profit at the time that the service is provided by the employee, but deducted when determining taxable profit either when contributions are paid to a fund by the entity or when retirement benefits are paid by the entity. A temporary difference exists between the carrying amount of the liability and its tax base; the tax base of the liability is usually nil. Such a deductible temporary difference results in a deferred tax asset

because economic benefits will flow to the entity in the form of a deduction from taxable profits when contributions or retirement benefits are paid; and

- (b) certain assets may be carried at fair value, without an equivalent adjustment being made for tax purposes. A deductible temporary difference arises if the tax base of the asset exceeds its carrying amount.

29.17C The reversal of deductible temporary differences results in deductions when taxable profits of future periods are determined. It is probable that taxable profit will be available against which a deductible temporary difference can be utilised when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity that are expected to reverse:

- (a) in the same period as the expected reversal of the deductible temporary difference; or  
 (b) in periods into which a tax loss arising from the deferred tax asset can be carried back or forward.

In such circumstances, the deferred tax asset is recognised in the period in which the deductible temporary differences arise.

29.17D When there are insufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, the deferred tax asset is recognised to the extent that:

- (a) it is probable that the entity will have sufficient taxable profit relating to the same taxation authority and the same taxable entity in the same period as the reversal of the deductible temporary difference (or in the periods into which a tax loss arising from the deferred tax asset can be carried back or forward). When evaluating whether it will have sufficient taxable profit in future periods, an entity ignores taxable amounts arising from deductible temporary differences that are expected to originate in future periods, because the deferred tax asset arising from those deductible temporary differences will itself require future taxable profit in order to be utilised; or  
 (b) tax planning opportunities are available to the entity that will create taxable profit in appropriate periods.

29.17E When an entity has a history of recent losses, the entity considers the guidance in paragraphs 29.17F–29.17G.

### **Unused tax losses and unused tax credits**

29.17F A deferred tax asset shall be recognised for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. When assessing the probability that taxable profit will be available, an entity considers the following criteria:

- (a) whether the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses or unused tax credits can be utilised before they expire;
- (b) whether it is probable that the entity will have taxable profits before the unused tax losses or unused tax credits expire; and
- (c) whether tax planning opportunities are available to the entity that will create taxable profit in the period in which the unused tax losses or unused tax credits can be utilised.

To the extent that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credits can be utilised, the deferred tax asset is not recognised.

29.17G The existence of unused tax losses is strong evidence that future taxable profit may not be available. Consequently, when an entity has a history of recent losses, the entity recognises a deferred tax asset arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or to the extent that there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the entity.

### **Reassessment of unrecognised deferred tax assets**

29.17H At the end of each reporting period, an entity reassesses any unrecognised deferred tax assets. The entity recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

### **Investments in subsidiaries, branches and associates and interests in joint ventures**

29.17I Temporary differences arise when the carrying amount of investments in subsidiaries, branches and associates and interests in joint ventures (for example, for a subsidiary this is the parent's share of the net assets of that subsidiary, including the carrying amount of goodwill) becomes different from the tax base (which is often cost) of the investment or interest. Such differences may arise in a number of different circumstances, for example:

- (a) the existence of undistributed profits of subsidiaries, branches, associates and joint ventures;
- (b) changes in foreign exchange rates when a parent and its subsidiary are based in different countries; and
- (c) a reduction in the carrying amount of an investment in an associate to its recoverable amount.

Investments may be accounted for differently in the parent's separate financial statements compared to the consolidated financial statements, in which case the temporary difference associated with that investment may also differ.

- 29.17J An entity shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:
- (a) the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
  - (b) it is probable that the temporary difference will not reverse in the foreseeable future.
- 29.17K An entity shall recognise a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, only to the extent that it is probable that:
- (a) the temporary difference will reverse in the foreseeable future; and
  - (b) taxable profit will be available against which the temporary difference can be utilised.

Paragraphs 29.18 and 29.20–29.22 are amended. Two of the headings are deleted. New text is underlined and deleted text is struck through.

## Measurement of deferred tax

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### **Tax rates**

- 29.18 An entity shall measure a deferred tax liability (asset) using the tax rates and laws that have been enacted or substantively enacted by the reporting date. ~~An entity shall regard tax rates as substantively enacted when future events required by the enactment process historically have not affected the outcome and are unlikely to do so.~~

...

- 29.20 The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of the related assets and liabilities. Consequently, an entity measures deferred tax liabilities and deferred tax assets using the tax rate and the tax base that are consistent with the expected manner of recovery or settlement. For example, if the temporary difference arises from an item of income that is expected to be taxable as a capital gain in a future period, the deferred tax expense is measured using the capital gain tax rate and the tax basis that is consistent with recovering the carrying amount through sale.

### **Valuation allowance**

- 29.21 If a deferred tax liability or asset arises from investment property that is measured at fair value, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale. Accordingly, unless that presumption is rebutted, the measurement of the deferred tax liability or the deferred tax asset shall reflect the tax consequences of recovering

~~the carrying amount of the investment property entirely through sale. If the presumption is rebutted, the requirements of paragraph 29.20 shall be followed. An entity shall recognise a valuation allowance against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.~~

- 29.22 The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that recognised deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available. An entity shall review the net carrying amount of a deferred tax asset at each reporting date and shall adjust the valuation allowance to reflect the current assessment of future taxable profits. Such adjustment shall be recognised in profit or loss, except that an adjustment attributable to an item of income or expense recognised in accordance with this IFRS as other comprehensive income shall also be recognised in other comprehensive income.

Paragraph 29.24 is deleted. New text is underlined and deleted text is struck through.

## Measurement of both current and deferred tax

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...

- 29.24 [Deleted] Uncertainty about whether the tax authorities will accept the amounts reported to them by the entity affects the amount of current tax and deferred tax. An entity shall measure current and deferred tax assets and liabilities using the probability-weighted average amount of all the possible outcomes, assuming that the tax authorities will review the amounts reported and have full knowledge of all relevant information. Changes in the probability-weighted average amount of all possible outcomes shall be based on new information, not a new interpretation by the entity of previously available information.

Paragraph 29.29 is amended. New text is underlined.

### Offsetting

- 29.29 An entity shall offset current tax assets and current tax liabilities, or offset deferred tax assets and deferred tax liabilities, only when it has a legally enforceable right to set off the amounts and it is evident without undue cost or effort that it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Paragraphs 29.31–29.32 are amended. New text is underlined and deleted text is struck through. Paragraph 29.30 has been included for ease of reference but is not proposed for amendment.

## Disclosures

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- 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.
- 29.31 An entity shall disclose separately the major components of tax expense (income). Such 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 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)~~ 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 tax expense.
  - (f) adjustments to deferred tax expense (income) arising from a change in the tax status of the entity or its shareholders.
  - (g) ~~any change in the valuation allowance (see paragraphs 29.21 and 29.22)~~ deferred tax expense (income) arising from the write-down, or reversal of a previous write-down, of a deferred tax asset in accordance with paragraph 29.22.
  - (h) the amount of tax expense (income) relating to changes in accounting policies and errors (see Section 10 *Accounting Policies, Estimates and Errors*).
- 29.32 An entity shall disclose the following separately:
- (a) the aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income.
  - (aa) the aggregate current and deferred tax relating to items that are charged or credited directly to equity.
  - (b) an explanation of the significant differences in amounts presented in the statement of comprehensive income and amounts reported to tax authorities.
  - (c) an explanation of changes in the applicable tax rate(s) compared with the previous reporting period.



- (d) for each type of temporary difference and for each type of unused tax losses and tax credits:
  - (i) the amount of deferred tax liabilities and, deferred tax assets ~~and valuation allowances~~ at the end of the reporting period, and
  - (ii) an analysis of the change in deferred tax liabilities and, deferred tax assets ~~and valuation allowances~~ during the period.
- (e) the 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 statement of financial position.
- (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.

### **[Draft] Amendments to Section 30 Foreign Currency Translation**

Paragraph 30.1 is amended. New text is underlined and deleted text is struck through.

#### **Scope of this section**

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- 30.1 An entity can conduct foreign activities in two ways. It may have transactions in foreign currencies or it may have **foreign operations**. In addition, an entity may present its financial statements in a foreign currency. This section prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a **presentation currency**. Accounting for **financial instruments** that derive their value from the change in a specified foreign exchange rate (for example, foreign currency forward exchange contracts) ~~denominated in a foreign currency~~ and hedge accounting of foreign currency items are dealt with in ~~Section 11 Basic Financial Instruments and Section 12 Other Financial Instruments Issues~~.

### **[Draft] Amendments to Section 33 Related Party Disclosures**

Paragraph 33.2 is amended. New text is underlined and deleted text is struck through.

#### **Related party defined**

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- 33.2 A related party is a person or entity that is related to the entity that is preparing its financial statements (the reporting entity).
- (a) A person or a **close member of that person's family** is related to a reporting entity if that person:
    - (i) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;
    - (ii) has control or joint control over the reporting entity; or

- (iii) ~~has joint control or~~ significant influence over the reporting entity ~~or has significant voting power in it.~~
- (b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) the entity and the reporting entity are members of the same **group** (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) ~~either one~~ entity is an associate or joint venture of the other entity (or ~~an associate or joint venture~~ of a member of a group of which the other entity is a member).
  - (iii) both entities are joint ventures of the same a third entity.
  - (iv) ~~either one~~ entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity plan.
  - (vi) the entity is controlled or jointly controlled by a person identified in (a).
  - (vii) ~~[deleted] a person identified in (a)(i) has significant voting power in the entity.~~
  - (viii) a person identified in (a)(ii) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity). ~~significant voting power in it.~~
  - (ix) ~~[deleted] a person or a close member of that person's family has both significant influence over the entity or significant voting power in it and joint control over the reporting entity.~~
  - (x) ~~[deleted] a member of the key management personnel of the entity or of a parent of the entity, or a close member of that member's family, has control or joint control over the reporting entity or has significant voting power in it.~~

### **[Draft] Amendments to Section 34 *Specialised Activities***

Paragraphs 34.7, 34.11 and a heading are amended and paragraph 34.11A is added.  
New text is underlined and deleted text is struck through.

#### **Disclosures – fair value model**

- 34.7 An entity shall disclose the following with respect to its biological assets measured at fair value:
- (a) ...

- (c) a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period. The reconciliation shall include:
- (i) the gain or loss arising from changes in fair value less costs to sell.
  - (ii) increases resulting from purchases.
  - (iii) decreases resulting from harvest.
  - (iv) increases resulting from business combinations.
  - (v) net exchange differences arising on the translation of financial statements into a different presentation currency, and on the translation of a **foreign operation** into the presentation currency of the reporting entity.
  - (vi) other changes.

This reconciliation need not be presented for prior periods.

...

## **Exploration for, and evaluation of, mineral resources Extractive activities**

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34.11 An entity using this IFRS that is engaged in the exploration for, ~~and~~ evaluation ~~or extraction~~ of, mineral resources (~~extractive activities~~) shall ~~determine an accounting policy that specifies which expenditures are recognised as exploration and evaluation assets in accordance with paragraphs 10.4–10.6 in Section 10 Accounting Policies, Estimates and Errors and shall apply the policy consistently. Expenditures related to the development of mineral resources shall not be recognised as exploration and evaluation assets. account for expenditure on the acquisition or development of tangible or intangible assets for use in extractive activities by applying Section 17 Property, Plant and Equipment and Section 18 Intangible Assets other than Goodwill, respectively. When an entity has an obligation to dismantle or remove an item, or to restore the site, such obligations and costs are accounted for in accordance with Section 17 and Section 21 Provisions and Contingencies.~~

34.11A Exploration and evaluation assets shall be measured on initial recognition at cost. After recognition, an entity shall apply Section 17 Property, Plant and Equipment and Section 18 Intangible Assets to the exploration and evaluation assets according to the nature of the assets acquired. If an entity has an obligation to dismantle or remove an item, or to restore the site, such obligations and costs are accounted for in accordance with Section 17 and Section 21 Provisions and Contingencies.

## [Draft] Amendments to Section 35 *Transition to the IFRS for SMEs*

Paragraphs 35.2 and 35.9–35.11 are amended and paragraph 35.12A is added. New text is underlined and deleted text is struck through. Paragraph 35.12 is included for ease of reference but is not proposed for amendment.

### Scope of this section

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- ...
- 35.2 An entity that has applied the IFRS for SMEs in a previous reporting period, but whose most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with the IFRS for SMEs, must either apply this section or apply the IFRS for SMEs retrospectively in accordance with Section 10 *Accounting Policies, Estimates and Errors* as if the entity had never stopped applying the IFRS for SMEs. When such an entity does not elect to apply this section, it is still required to apply the disclosure requirements in paragraph 35.12A in addition to the disclosure requirements in Section 10. ~~can be a first-time adopter of the IFRS for SMEs only once. If an entity using the IFRS for SMEs stops using it for one or more reporting periods and then is required, or chooses, to adopt it again later, the special exemptions, simplifications and other requirements in this section do not apply to the re-adoption.~~
- ...

### Procedures for preparing financial statements at the date of transition

---

- ...
- 35.9 On first-time adoption of this IFRS, an entity shall not retrospectively change the accounting that it followed under its previous financial reporting framework for any of the following transactions:
- (a) ...
- (f) government loans. A first-time adopter shall apply the requirements in Section 11 *Basic Financial Instruments*, Section 12 and Section 24 *Government Grants* prospectively to government loans existing at the date of transition to this IFRS. Consequently, if a first-time adopter did not, under its previous GAAP, recognise and measure a government loan on a basis that is consistent with this IFRS, it shall use its previous GAAP carrying amount of the loan at the date of transition to this IFRS as the carrying amount of the loan at that date and shall not recognise the benefit of any government loan at a below-market rate of interest as a government grant.
- 35.10 An entity may use one or more of the following exemptions in preparing its first financial statements that conform to this IFRS:
- (a) ...

- (da) **Event-driven fair value measurement as deemed cost.** A first-time adopter may have established a deemed cost in accordance with its previous GAAP for some or all of its assets and liabilities by measuring them at their fair value at one particular date because of an event, for example, a valuation of the business, or parts of the business, for the purposes of a planned sale. If the measurement date:
- (i) is at or before the date of transition to this IFRS, the entity may use such event-driven fair value measurements as deemed cost at the date of that measurement.
  - (ii) is after the date of transition to this IFRS, but during the periods covered by the first financial statements that conform to this IFRS, the event-driven fair value measurements may be used as deemed cost when the event occurs. An entity shall recognise the resulting adjustments directly in retained earnings (or, if appropriate, another category of equity) at the measurement date. At the date of transition to this IFRS, the entity shall either establish the deemed cost by applying the criteria in paragraphs 35.10(c)–(d) or measure those assets and liabilities in accordance with the other requirements in this section.
- (e) ...
- (m) **Operations subject to rate regulation.** If a first-time adopter holds items of property, plant and equipment or intangible assets that are used, or were previously used, in operations subject to rate regulation (ie to provide goods or services to customers at prices/rates established by an authorised body) it may elect to use the previous GAAP carrying amount of those items at the date of transition to this IFRS as their deemed cost. If an entity applies this exemption to an item, it need not apply it to all items. The entity shall test those assets for impairment at the date of transition to this IFRS in accordance with Section 27.
- (n) **Severe hyperinflation.** If a first-time adopter has a functional currency that was subject to severe hyperinflation:
- (i) if its date of transition to this IFRS is on, or after, the **functional currency normalisation date**, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date at fair value on the date of transition to this IFRS and use that fair value as the deemed cost of those assets and liabilities at that date; and
  - (ii) if the functional currency normalisation date falls within a 12-month comparative period, an entity may use a comparative period of less than 12 months, provided that a complete set of financial statements (as required by paragraph 3.17) is provided for that shorter period.

35.11 If it is **impracticable** for an entity to restate the opening statement of financial position at the date of transition for one or more of the adjustments required by paragraph 35.7, the entity shall apply paragraphs 35.7–35.10 for such adjustments in the earliest period for which it is practicable to do so, and shall

~~disclose which amounts in the financial statements have not been restated identify the data presented for prior periods that are not comparable with data for the period period in which it prepares its first financial statements that conform to this IFRS. If it is impracticable for an entity to provide any of the disclosures required by this IFRS, including those for comparative periods for any period before the period in which it prepares its first financial statements that conform to this IFRS, the omission shall be disclosed.~~

## Disclosures

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### Explanation of transition to the *IFRS for SMEs*

- 35.12 An entity shall explain how the transition from its previous financial reporting framework to this IFRS affected its reported **financial position**, financial **performance** and **cash flows**.
- 35.12A An entity that has applied the *IFRS for SMEs* in a previous period, as described in paragraph 35.2, shall disclose:
- (a) the reason it stopped applying the *IFRS for SMEs*;
  - (b) the reason it is resuming the application of the *IFRS for SMEs*; and
  - (c) whether it has applied this section or has applied the *IFRS for SMEs* retrospectively in accordance with Section 10.

### [Draft] Effective date and transition

|                                       |
|---------------------------------------|
| A heading and paragraph A1 are added. |
|---------------------------------------|

### Effective date and transition

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- A1 Amendments to the *IFRS for SMEs*, issued in [date],<sup>0</sup> amended paragraphs 1.3, 2.47, 4.12, 5.5, 6.2–6.3, 9.1–9.3, 9.16, 9.18, 9.24–9.25, 9.28, 11.4, 11.7, 11.9, 11.14, 11.27, 11.32, 11.44, 12.3, 12.8–12.9, 12.23, 12.25, 17.5, 18.8, 18.20, 19.11, 19.14–19.15, 19.23, 19.26, 20.1, 20.3, 22.8–22.9, 22.15, 22.17–22.18, 26.1, 26.9, 26.12, 26.16–26.17, 27.1, 28.30, 28.43, 29.3, 29.6, 29.9, 29.11–29.18, 29.20–29.22, 29.29, 29.31–29.32, 30.1, 33.2, 34.7, 34.11, 35.2, 35.9–35.11 and the glossary of terms; added paragraphs 1.7, 2.14A–2.14C, 6.3A, 9.3A, 22.3A, 22.15A–22.15C, 22.18A, 26.1A–26.1B, 29.8A, 29.17A–29.17K, 34.11A, 35.12A and A1; and deleted paragraphs 29.7–29.8, 29.10 and 29.24. An entity shall apply those paragraphs for annual periods beginning on or after [date]. Amendments to Sections 2–34 shall be applied retrospectively in accordance with Section 10 *Accounting Policies, Estimates and Errors*. Earlier application is permitted. If an entity applies those amendments for an earlier period it shall disclose that fact.

## [Draft] Amendments to the glossary of terms

Only those definitions amended, added or deleted are shown. New text is underlined and deleted text is struck through.

|   |   |
|---|---|
| ...   |   |
| <b>accounting profit</b>                            | <u>The profit or loss for a period before deducting tax expense.</u>  |
| ...   |   |
| <b>active market</b>                                | <u>A market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.</u>  |
| ...   |   |
| <b>cash-settled share-based payment transaction</b> | A share-based payment transaction in which the entity acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of <del>the entity's shares or other equity instruments</del> <u>(including shares or share options)</u> of the entity <u>or another group entity.</u>   |
| ...   |   |
| <b>close members of the family of a person</b>      | <u>Those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity, including:</u> <ul style="list-style-type: none"> <li>(a) <u>that person's children and spouse or domestic partner;</u></li> <li>(b) <u>children of that person's spouse or domestic partner; and</u></li> <li>(c) <u>dependants of that person or that person's spouse or domestic partner.</u></li> </ul> |
| <b>combined financial statements</b>                | <del>The financial statements of two or more entities controlled by a single investor.</del>  |
| ...   |   |
| <b>deductible temporary differences</b>             | <u>Temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.</u>   |
| ...   |   |

*continued...*

...continued

**deferred tax assets**

The amounts of income tax recoverable in future reporting periods in respect of:

- (a) deductible temporary differences;
- (b) the carryforward of unused tax losses; and
- (c) the carryforward of unused tax credits.

**deferred tax liabilities**

The amounts of income tax payable in future reporting periods in respect of taxable temporary differences.

...

**equity-settled share-based payment transaction**

A share-based payment transaction in which the entity:

- (a) receives goods or services as consideration for its own equity instruments ~~of the entity~~ (including shares or share options); or
- (b) receives goods or services but has no obligation to settle the transaction with the supplier.

...

**financial liability**

Any liability that is:

- (a) a contractual obligation:
  - (i) to deliver cash or another financial asset to another entity; or
  - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity, or
- (b) a contract that will or may be settled in the entity's own equity instruments and:
  - (i) under which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments, or

**continued...**



...continued

- (ii) will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own equity instruments. Also for these purposes the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

...

**foreign operation** An entity that is a subsidiary, associate, joint venture or branch of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity.

...

**functional currency normalisation date** The date when an entity's functional currency no longer has either, or both, of the two characteristics of severe hyperinflation, or when there is a change in the entity's functional currency to a currency that is not subject to severe hyperinflation.

...

**market vesting condition** A condition upon which the exercise price, vesting or exercisability of an equity instrument depends that is related to the market price of the entity's equity instruments, such as attaining a specified share price or a specified amount of intrinsic value of a share option, or achieving a specified target that is based on the market price of the entity's equity instruments relative to an index of market prices of equity instruments of other entities.

...

**continued...**

...continued

**minimum lease payments**

The payments over the lease term that the lessee is or can be required to make, excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor, together with:

- (a) for a lessee, any amounts guaranteed by the lessee or by a party related to the lessee; or
- (b) for a lessor, any residual value guaranteed to the lessor by:
  - (i) the lessee;
  - (ii) a party related to the lessee; or
  - (iii) a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.

However, if the lessee has an option to purchase the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised, the minimum lease payments comprise the minimum payments payable over the lease term to the expected date of exercise of this purchase option and the payment required to exercise it.

...

**related party**

A related party is a person or entity that is related to the entity that is preparing its financial statements (the reporting entity).

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
  - (i) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;
  - (ii) has control or joint control over the reporting entity; or
  - (iii) has ~~joint control or~~ significant influence over the reporting entity ~~or has significant voting power in it.~~
- (b) An entity is related to a reporting entity if any of the following conditions applies:
  - (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

continued...

...continued

- (ii) ~~either one~~ entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same a third entity.
- (iv) ~~either one~~ entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity plan.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) ~~[deleted] a person identified in (a)(i) has significant voting power in the entity.~~
- (viii) a person identified in (a)(ii) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity) significant voting power in it.
- (ix) ~~[deleted] a person or a close member of that person's family has both significant influence over the entity or significant voting power in it and joint control over the reporting entity.~~
- (x) ~~[deleted] a member of the key management personnel of the entity or of a parent of the entity, or a close member of that member's family, has control or joint control over the reporting entity or has significant voting power in it.~~

...

continued...

...continued

**separate  
financial  
statements**

Those presented by a parent (ie an investor with control of a subsidiary), or by an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for at cost less impairment or at fair value with changes in fair value recognised in profit or loss in accordance with paragraph 9.26. Separate financial statements are presented in addition to consolidated financial statements or in addition to financial statements prepared by an entity that is not a parent but is an investor in an associate or has a venturer's interest in a joint venture, on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

...

**severe  
hyperinflation**

The currency of a hyperinflationary economy is subject to severe hyperinflation if it has both of the following characteristics:

- (a) a reliable general price index is not available to all entities with transactions and balances in the currency.
- (b) exchangeability between the currency and a relatively stable foreign currency does not exist.

**share-based  
payment  
arrangement**

An agreement between the entity (or another group entity or any shareholder of any group entity) and another party (including an employee) that entitles the other party to receive:

- (a) cash or other assets of the entity for amounts that are based on the price (or value) of equity instruments (including shares or share options) of the entity or another group entity;  
or
- (b) equity instruments (including shares or share options) of the entity or another group entity

provided the specified vesting conditions, if any, are met.

**share-based  
payment  
transaction**

A transaction in which the entity:

- (a) receives goods or services from the supplier of those goods or services (including an employee services) in a share-based payment arrangement; or
- (b) incurs an obligation to settle the transaction with the supplier in a share-based payment arrangement when another group entity receives those goods or services, as consideration for equity instruments of the entity (including shares or share options), or acquires goods or services by incurring liabilities to the supplier of those goods or services for amounts that are based on the price of the entity's shares or other equity instruments of the entity.

continued...

...continued

...

**substantively enacted** Tax rates and tax laws shall be regarded as substantively enacted when the remaining steps in future events required by the enactment process have not affected the outcome in the past and are unlikely to do so will not change the outcome.

**tax base basis** The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. The measurement, under applicable substantively enacted tax law, of an asset, liability or equity instrument.

...

**taxable temporary differences** Temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.

**temporary differences** Differences between the carrying amount of an asset or, liability or other item in the statement of financial position financial statements and its tax base, basis that the entity expects will affect taxable profit when the carrying amount of the asset or liability is recovered or settled (or, in the case of items other than assets and liabilities, will affect taxable profit in the future).

...

**transaction costs (financial instruments)** Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

...

**vesting conditions** The conditions that determine whether the entity receives the services that entitle the counterparty to receive cash, other assets or equity instruments of the entity, under a share-based payment arrangement. Vesting conditions are either service conditions or performance conditions. Service conditions require the counterparty to complete a specified period of service. Performance conditions require the counterparty to complete a specified period of service and specified performance targets to be met (such as a specified increase in the entity's profit over a specified period of time). A performance condition might include a market vesting condition.

**vesting period** The period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied.

**Approval by the Board of *Proposed amendments to the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)* published in October 2013**

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The Exposure Draft *Proposed amendments to the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)* was approved for publication by all sixteen members of the International Accounting Standards Board (IASB).

Hans Hoogervorst

Chairman

Ian Mackintosh

Vice-Chairman

Stephen Cooper

Philippe Danjou

Martin Edelmann

Jan Engström

Patrick Finnegan

Amaro Luiz de Oliveira Gomes

Gary Kabureck

Prabhakar Kalavacherla

Patricia McConnell

Takatsugu Ochi

Darrel Scott

Chungwoo Suh

Mary Tokar

Wei-Guo Zhang

## Appendix

### Section 29 (revised) *Income Tax*

To assist respondents with their review of the amendments to Section 29 the IASB has provided a ‘clean’ version of Section 29 (revised) in this appendix (ie a version with the proposed amendments already incorporated). This version also includes all minor editorial amendments referred to in the introduction to this Exposure Draft.

#### Section 29 *Income Tax*

##### Scope of this section

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- 29.1 For the purpose of this IFRS, **income tax** includes all domestic and foreign taxes that are based on **taxable profit**. Income tax also includes taxes, such as withholding taxes, that are payable by a subsidiary, associate or joint venture on distributions to the reporting entity.
- 29.2 This section covers accounting for income tax. It requires an entity to recognise the current and future tax consequences of transactions and other events that have been recognised in the financial statements. These recognised tax amounts comprise **current tax** and **deferred tax**. Current tax is income tax payable (recoverable) in respect of the taxable profit (tax loss) for the current period or past periods. Deferred tax is income tax payable or recoverable in future periods, generally as a result of the entity recovering or settling its **assets** and **liabilities** for their current carrying amount, and the tax effect of the carryforward of currently unused tax losses and tax credits.
- 29.3 This section does not deal with the methods of accounting for **government grants** (see Section 24 *Government Grants*). However, this section does deal with the accounting for temporary differences that may arise from such grants.

##### Recognition and measurement of current tax

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- 29.4 An entity shall recognise a current tax liability for tax payable on taxable profit for the current and past periods. If the amount paid for the current and past periods exceeds the amount payable for those periods, the entity shall recognise the excess as a current tax asset.
- 29.5 An entity shall recognise a current tax asset for the benefit of a tax loss that can be carried back to recover tax paid in a previous period.
- 29.6 An entity shall measure a current tax liability (asset) at the amounts it expects to pay (recover) using the tax rates and laws that have been enacted or **substantively enacted** by the **reporting date**. Paragraphs 29.23 and 29.25 provide additional measurement guidance.
- 29.7–  
29.8 [Deleted]

## Recognition of deferred tax

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### General recognition principle

- 29.8A It is inherent in the recognition of an asset or a liability that the reporting entity expects to recover or settle the carrying amount of that asset or liability. If it is probable that recovery or settlement of that carrying amount will make future tax payments larger (smaller) than they would be if such recovery or settlement were to have no tax consequences, this section requires an entity to recognise a **deferred tax liability (deferred tax asset)** with certain limited exceptions. If the entity expects to recover the carrying amount of an asset or settle the carrying amount of a liability without affecting taxable profit, no deferred tax arises in respect of the asset or liability.
- 29.9 An entity shall recognise a deferred tax asset or liability for tax recoverable or payable in future periods as a result of past transactions or events. Such tax arises from the differences between the carrying amounts of the entity's assets and liabilities in the statement of financial position and the amounts attributed to those assets and liabilities by the tax authorities (such differences are called '**temporary differences**'), and the carryforward of currently unused tax losses and tax credits.
- 29.10 [Deleted]

### Tax bases and temporary differences

- 29.11 The **tax base** of an asset is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to an entity when it recovers the carrying amount of the asset. If those economic benefits will not be taxable, the tax base of the asset is equal to its carrying amount.
- 29.12 The tax base of a liability is its carrying amount less any amount that will be deductible for tax purposes in respect of that liability in future periods. In the case of revenue that is received in advance, the tax base of the resulting liability is its carrying amount less any amount of the revenue that will not be taxable in future periods.
- 29.13 Some items have a tax base but are not recognised as assets and liabilities in the statement of financial position. For example, research and development costs are recognised as an expense when determining **accounting profit** in the period in which they are incurred but may not be permitted as a deduction when determining taxable profit (tax loss) until a later period. The difference between the tax base of the research and development costs, being the amount that the taxation authorities will permit as a deduction in future periods, and the carrying amount of nil is a **deductible temporary difference** that results in a deferred tax asset.
- 29.14 In consolidated financial statements, temporary differences are determined by comparing the carrying amounts of assets and liabilities in the consolidated financial statements with the appropriate tax base. The tax base is determined by reference to a consolidated tax return in those jurisdictions in which such a



return is filed. In other jurisdictions, the tax base is determined by reference to the tax returns of each entity in the group.

29.15 Examples of situations where temporary differences arise:

- (a) the identifiable assets acquired and liabilities assumed in a business combination are recognised at their fair values in accordance with Section 19 *Business Combinations and Goodwill*, but no equivalent adjustment is made for tax purposes (for example, the tax base of an asset may remain at cost to the previous owner). The resulting deferred tax asset or liability affects the amount of goodwill that an entity recognises.
- (b) assets are remeasured, for example, investment property is measured at fair value at each reporting date in accordance with Section 16 *Investment Property*, and no equivalent adjustment is made for tax purposes.
- (c) goodwill arises in a business combination, for example, the tax base of goodwill will be nil if taxation authorities do not allow the amortisation or the impairment of goodwill as a deductible expense when taxable profit is determined and do not permit the cost of goodwill to be treated as a deductible expense on disposal of the subsidiary.
- (d) the tax base of an asset or a liability on initial recognition differs from its initial carrying amount.
- (e) the carrying amount of investments in subsidiaries, branches and associates or interests in joint ventures becomes different from the tax base of the investment or interest.

Not all the above temporary differences will give rise to deferred tax assets and liabilities (see paragraphs 29.16 and 29.17A).

### **Taxable temporary differences**

29.16 A deferred tax liability shall be recognised for all **taxable temporary differences**, except to the extent that the deferred tax liability arises from:

- (a) the initial recognition of goodwill; or
- (b) the initial recognition of an asset or a liability in a transaction that:
  - (i) is not a business combination; and
  - (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

However, for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, a deferred tax liability shall be recognised in accordance with paragraph 29.17J.

29.17 Some temporary differences arise when income or expense is included in accounting profit in one period but is included in taxable profit in a different period. Such temporary differences are often described as timing differences. The following are examples of temporary differences of this kind that are taxable temporary differences and that therefore result in deferred tax liabilities:

- (a) interest revenue is included in accounting profit on a time-proportion basis but may, in some jurisdictions, be included in taxable profit when cash is collected. The tax base of any receivable with respect to such revenues is nil because the revenues do not affect taxable profit until cash is collected; and
- (b) depreciation used when determining taxable profit (tax loss) may differ from that used when determining accounting profit. The temporary difference is the difference between the carrying amount of the asset and its tax base, which is the original cost of the asset less all deductions in respect of that asset permitted by the taxation authorities when determining taxable profit of the current and prior periods. A taxable temporary difference arises, and results in a deferred tax liability, when tax depreciation is accelerated. If the tax depreciation is less rapid than the accounting depreciation, a deductible temporary difference arises resulting in a deferred tax asset (see paragraph 29.17A).

### **Deductible temporary differences**

29.17A A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or a liability in a transaction that:

- (a) is not a business combination; and
- (b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

However, for deductible temporary differences associated with investments in subsidiaries, branches and associates, and for interests in joint ventures, a deferred tax asset shall be recognised in accordance with paragraph 29.17K.

29.17B The following are examples of deductible temporary differences that result in deferred tax assets:

- (a) retirement benefit costs may be deducted when determining accounting profit at the time that the service is provided by the employee, but deducted when determining taxable profit either when contributions are paid to a fund by the entity or when retirement benefits are paid by the entity. A temporary difference exists between the carrying amount of the liability and its tax base; the tax base of the liability is usually nil. Such a deductible temporary difference results in a deferred tax asset because economic benefits will flow to the entity in the form of a deduction from taxable profits when contributions or retirement benefits are paid; and
- (b) certain assets may be carried at fair value, without an equivalent adjustment being made for tax purposes. A deductible temporary difference arises if the tax base of the asset exceeds its carrying amount.

29.17C The reversal of deductible temporary differences results in deductions when taxable profits of future periods are determined. It is probable that taxable

profit will be available against which a deductible temporary difference can be utilised when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity that are expected to reverse:

- (a) in the same period as the expected reversal of the deductible temporary difference; or
- (b) in periods into which a tax loss arising from the deferred tax asset can be carried back or forward.

In such circumstances, the deferred tax asset is recognised in the period in which the deductible temporary differences arise.

29.17D When there are insufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, the deferred tax asset is recognised to the extent that:

- (a) it is probable that the entity will have sufficient taxable profit relating to the same taxation authority and the same taxable entity in the same period as the reversal of the deductible temporary difference (or in the periods into which a tax loss arising from the deferred tax asset can be carried back or forward). When evaluating whether it will have sufficient taxable profit in future periods, an entity ignores taxable amounts arising from deductible temporary differences that are expected to originate in future periods, because the deferred tax asset arising from those deductible temporary differences will itself require future taxable profit in order to be utilised; or
- (b) tax planning opportunities are available to the entity that will create taxable profit in appropriate periods.

29.17E When an entity has a history of recent losses, the entity considers the guidance in paragraphs 29.17F–29.17G.

### **Unused tax losses and unused tax credits**

29.17F A deferred tax asset shall be recognised for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. When assessing the probability that taxable profit will be available, an entity considers the following criteria:

- (a) whether the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses or unused tax credits can be utilised before they expire;
- (b) whether it is probable that the entity will have taxable profits before the unused tax losses or unused tax credits expire; and
- (c) whether tax planning opportunities are available to the entity that will create taxable profit in the period in which the unused tax losses or unused tax credits can be utilised.

To the extent that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credits can be utilised, the deferred tax asset is not recognised.

- 29.17G The existence of unused tax losses is strong evidence that future taxable profit may not be available. Consequently, when an entity has a history of recent losses, the entity recognises a deferred tax asset arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or to the extent that there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the entity.

### **Reassessment of unrecognised deferred tax assets**

- 29.17H At the end of each reporting period, an entity reassesses any unrecognised deferred tax assets. The entity recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

### **Investments in subsidiaries, branches and associates and interests in joint ventures**

- 29.17I Temporary differences arise when the carrying amount of investments in subsidiaries, branches and associates and interests in joint ventures (for example, for a subsidiary this is the parent's share of the net assets of that subsidiary, including the carrying amount of goodwill) becomes different from the tax base (which is often cost) of the investment or interest. Such differences may arise in a number of different circumstances, for example:

- (a) the existence of undistributed profits of subsidiaries, branches, associates and joint ventures;
- (b) changes in foreign exchange rates when a parent and its subsidiary are based in different countries; and
- (c) a reduction in the carrying amount of an investment in an associate to its recoverable amount.

Investments may be accounted for differently in the parent's separate financial statements compared to the consolidated financial statements, in which case the temporary difference associated with that investment may also differ.

- 29.17J An entity shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- (a) the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- (b) it is probable that the temporary difference will not reverse in the foreseeable future.

- 29.17K An entity shall recognise a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, only to the extent that it is probable that:

- (a) the temporary difference will reverse in the foreseeable future; and
- (b) taxable profit will be available against which the temporary difference can be utilised.

### **Measurement of deferred tax**

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- 29.18 An entity shall measure a deferred tax liability (asset) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.
- 29.19 When different tax rates apply to different levels of taxable profit, an entity shall measure deferred tax liabilities (assets) using the average enacted or substantively enacted rates that it expects to be applicable to the taxable profit (tax loss) of the periods in which it expects the deferred tax liability to be settled (deferred tax asset to be realised).
- 29.20 The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of the related assets and liabilities. Consequently, an entity measures deferred tax liabilities and deferred tax assets using the tax rate and the tax base that are consistent with the expected manner of recovery or settlement. For example, if the temporary difference arises from an item of income that is expected to be taxable as a capital gain in a future period, the deferred tax expense is measured using the capital gain tax rate and the tax basis that is consistent with recovering the carrying amount through sale.
- 29.21 If a deferred tax liability or asset arises from investment property that is measured at fair value, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale. Accordingly, unless that presumption is rebutted, the measurement of the deferred tax liability or the deferred tax asset shall reflect the tax consequences of recovering the carrying amount of the investment property entirely through sale. If the presumption is rebutted, the requirements of paragraph 29.20 shall be followed.
- 29.22 The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that recognised deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

### **Measurement of both current and deferred tax**

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- 29.23 An entity shall not discount current or deferred tax assets and liabilities.
- 29.24 [Deleted]
- 29.25 In some jurisdictions, income tax is payable at a higher or lower rate if part or all of the profit or retained earnings is paid out as a dividend to shareholders of the entity. In other jurisdictions, income tax may be refundable or payable if part or all of the profit or retained earnings is paid out as a dividend to shareholders of the entity. In both of those circumstances, an entity shall

measure current and deferred tax at the tax rate applicable to undistributed profits until the entity recognises a liability to pay a dividend. When the entity recognises a liability to pay a dividend, it shall recognise the resulting adjustment to current or deferred tax liability (asset), and the related **tax expense** (income).

### Withholding tax on dividends

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- 29.26 When an entity pays dividends to its shareholders, it may be required to pay a portion of the dividends to taxation authorities on behalf of shareholders. Such an amount paid or payable to taxation authorities is charged to equity as a part of the dividends.

### Presentation

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#### Allocation in comprehensive income and equity

- 29.27 An entity shall recognise tax expense in the same component of total comprehensive income (ie continuing operations, **discontinued operations**, or **other comprehensive income**) or equity as the transaction or other event that resulted in the tax expense.

#### Current/non-current distinction

- 29.28 When an entity presents current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position, it shall not classify any deferred tax assets (liabilities) as current assets (liabilities).

#### Offsetting

- 29.29 An entity shall offset current tax assets and current tax liabilities, or offset deferred tax assets and deferred tax liabilities, only when it has a legally enforceable right to set off the amounts and it is evident without undue cost or effort that it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### Disclosures

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- 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.
- 29.31 An entity shall disclose separately the major components of tax expense (income). Such 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 tax expense.
- (f) adjustments to deferred tax expense (income) arising from a change in the tax status of the entity or its shareholders.
- (g) deferred tax expense (income) arising from the write-down, or reversal of a previous write-down, of a deferred tax asset in accordance with paragraph 29.22.
- (h) the amount of tax expense (income) relating to changes in accounting policies and errors (see Section 10 *Accounting Policies, Estimates and Errors*).

29.32 An entity shall disclose the following separately:

- (a) the aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income.
- (aa) the aggregate current and deferred tax relating to items that are charged or credited directly to equity.
- (b) an explanation of the significant differences in amounts presented in the statement of comprehensive income and amounts reported to tax authorities.
- (c) an explanation of changes in the applicable tax rate(s) compared with the previous reporting period.
- (d) for each type of temporary difference and for each type of unused tax losses and tax credits:
  - (i) the amount of deferred tax liabilities and deferred tax assets at the end of the reporting period, and
  - (ii) an analysis of the change in deferred tax liabilities and deferred tax assets during the period.
- (e) the 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 statement of financial position.
- (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.