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3. The issues are:

(a) when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an equity interest in the JCE should be recognised by the venturer in the income statement;

(b) how additional consideration should be accounted for by the venturer; and

(c) how any unrealised gain or loss should be presented in the consolidated financial statements of the venturer.

4. This interpretation deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an equity interest in the JCE that is accounted for using either the equity method or proportionate consolidation.

Consensus

5. In applying IAS 31.39 to non-monetary contributions to a JCE in exchange for an equity interest in the JCE, a venturer should recognise in the income statement for the period the portion of a gain or loss attributable to the equity interests of the other venturers except when:

(a) the significant risks and rewards of ownership of the contributed non-monetary asset(s) have not been transferred to the JCE;

(b) the gain or loss on the non-monetary contribution cannot be measured reliably; or

(c) the non-monetary assets contributed are similar to those contributed by the other venturers. Non-monetary assets are similar to those contributed by other venturers when they have a similar nature, a similar use in the same line of business and a similar fair value. A contribution meets the similarity test only if all of the significant component assets thereof are similar to those contributed by the other venturers.

Where any of the exceptions (a) through (c) applies, the gain or loss would be considered unrealised and would therefore not be recognised in the income statement unless paragraph 6 also applies.

6. If, in addition to receiving an equity interest in the JCE, a venturer receives monetary or non-monetary assets dissimilar to those it contributed, an appropriate portion of gain or loss on the transaction should be recognised by the venturer in the income statement.

7. Unrealised gains or losses on non-monetary assets contributed to JCEs should be eliminated against the underlying assets under the proportionate consolidation method or against the investment under the equity method. Such unrealised gains or losses should not be presented as deferred gains or losses in the venturer's consolidated balance sheet.

Date of consensus: June 1998.

Effective date: this interpretation becomes effective for annual financial periods beginning on or after 1 January 1999; earlier application is encouraged. Changes in accounting policies should be accounted for according to the transition requirements of IAS 8.46.

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STANDING INTERPRETATIONS COMMITTEE INTERPRETATION SIC-15

Operating leases — incentives

Paragraph 11 of IAS 1 (revised 1997), presentation of financial statements, requires that financial statements should not be described as complying with International Accounting Standards unless they comply with all the requirements of each applicable standard and each applicable interpretation issued by the Standing Interpretations Committee. SIC interpretations are not intended to apply to immaterial items.

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Reference: IAS 17, leases (revised 1997).

Issue

1. In negotiating a new or renewed operating lease, the lessor may provide incentives for the lessee to enter into the agreement. Examples of such incentives are an up-front cash payment to the lessee or the reimbursement or assumption by the lessor of costs of the lessee (such as relocation costs, leasehold improvements and costs associated with a pre-existing lease commitment of the lessee). Alternatively, initial periods of the lease term may be agreed to be rent-free or at a reduced rent.

2. The issue is how incentives in an operating lease should be recognised in the financial statements of both the lessee and the lessor.

Consensus

3. All incentives for the agreement of a new or renewed operating lease should be recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

4. The lessor should recognise the aggregate cost of incentives as a reduction of rental income over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

5. The lessee should recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

6. Costs incurred by the lessee, including costs in connection with a pre-existing lease (for example costs for termination, relocation or leasehold improvements), should be accounted for by the lessee in accordance with the International Accounting Standards applicable to those costs, including costs which are effectively reimbursed through an incentive arrangement.

   Date of consensus: June 1998.

   Effective date: this interpretation becomes effective for lease terms beginning on or after 1 January 1999.

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STANDING INTERPRETATIONS COMMITTEE INTERPRETATION SIC-21

Income taxes — recovery of revalued non-depreciable assets

Paragraph 11 of IAS 1 (revised 1997), presentation of financial statements, requires that financial statements should not be described as complying with International Accounting Standards unless they comply with all the requirements of each applicable standard and each applicable interpretation issued by the Standing Interpretations Committee. SIC interpretations are not intended to apply to immaterial items.

Draft interpretation SIC-D21, income taxes — omnibus was issued for comment in September 1999. The draft interpretation included both the issue addressed in this interpretation and the issue included in interpretation SIC-25, income taxes — changes in the tax status of an enterprise or its shareholders.

Reference: IAS 12, income taxes (revised 1996).

Issue

1. Under IAS 12.51, the measurement of deferred tax liabilities and assets should reflect the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of those assets and liabilities that give rise to temporary differences.