▼B

2. IAS 12.20 notes that the revaluation of an asset does not always affect taxable profit (tax loss) in the period of the revaluation and that the tax base of the asset may not be adjusted as a result of the revaluation. If the future recovery of the carrying amount will be taxable, any difference between the carrying amount of the revalued asset and its tax base is a temporary difference and gives rise to a deferred tax liability or asset.

3. The issue is how to interpret the term 'recovery' in relation to an asset that is not depreciated (non-depreciable asset) and is revalued under paragraph 29 of IAS 16 (revised 1998).

4. This interpretation also applies to investment properties which are carried at revalued amounts under IAS 25.23(b) but would be considered non-depreciable if IAS 16 were to be applied.

Consensus

5. The deferred tax liability or asset that arises from the revaluation of a non-depreciable asset under IAS 16.29 should be measured based on the tax consequences that would follow from recovery of the carrying amount of that asset through sale, regardless of the basis of measuring the carrying amount of that asset. Accordingly, if the tax law specifies a tax rate applicable to the taxable amount derived from the sale of an asset that differs from the tax rate applicable to the taxable amount derived from using an asset, the former rate is applied in measuring the deferred tax liability or asset related to a non-depreciable asset.

   Date of consensus: August 1999.

   Effective date: This consensus becomes effective on 15 July 2000. Changes in accounting policies should be accounted for according to the transition requirements of IAS 8.46.

▼M5

▼B

STANDING INTERPRETATIONS COMMITTEE INTERPRETATION SIC-25

Income taxes — changes in the tax status of an enterprise or its shareholders

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-21, income taxes — recovery of revalued non-depreciable assets.

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

Issue

1. A change in the tax status of an enterprise or of its shareholders may have consequences for an enterprise by increasing or decreasing its tax liabilities or assets. This may, for example, occur upon the public listing of an enterprise's equity instruments or upon the restructuring of an enterprise's equity. It may also occur upon a controlling shareholder's move to a foreign country. As a result of such an event, an enterprise may be taxed differently; it may for example gain or lose tax incentives or become subject to a different rate of tax in the future.

2. A change in the tax status of an enterprise or its shareholders may have an immediate effect on the enterprise's current tax liabilities or assets. The change may also increase or decrease the deferred tax liabilities and assets recognised by the enterprise, depending on the effect the change in tax status has on the tax consequences that will arise from recovering or settling the carrying amount of the enterprise's assets and liabilities.

▼B

3. The issue is how an enterprise should account for the tax consequences of a change in its tax status or that of its shareholders.

Consensus

4. A change in the tax status of an enterprise or its shareholders does not give rise to increases or decreases in amounts recognised directly in equity. The current and deferred tax consequences of a change in tax status should be included in net profit or loss for the period, unless those consequences relate to transactions and events that result, in the same or a different period, in a direct credit or charge to the recognised amount of equity. Those tax consequences that relate to changes in the recognised amount of equity, in the same or a different period (not included in net profit or loss), should be charged or credited directly to equity.

Date of consensus: August 1999.

Effective date: this consensus becomes effective on 15 July 2000. Changes in accounting policies should be accounted for according to the transition requirements of IAS 8.46.

STANDING INTERPRETATIONS COMMITTEE INTERPRETATION SIC-27

Evaluating the substance of transactions involving the legal form of a lease

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 expected to apply to immaterial items.

References: IAS 1, presentation of financial statements (revised 1997), IAS 17, leases (revised 1997), IAS 18, revenue (revised 1993).

Issue

1. An enterprise may enter into a transaction or a series of structured transactions (an arrangement) with an unrelated party or parties (an investor) that involves the legal form of a lease. For example, an enterprise may lease assets to an investor and lease the same assets back, or alternatively, legally sell assets and lease the same assets back. The form of each arrangement and its terms and conditions can vary significantly. In the lease and leaseback example, it may be that the arrangement is designed to achieve a tax advantage for the investor that is shared with the enterprise in the form of a fee, and not to convey the right to use an asset.

2. When an arrangement with an investor involves the legal form of a lease, the issues are:

(a) how to determine whether a series of transactions is linked and should be accounted for as one transaction;

(b) whether the arrangement meets the definition of a lease under IAS 17; and, if not,

(i) whether a separate investment account and lease payment obligations that might exist represent assets and liabilities of the enterprise (e.g. consider the example described in paragraph 2 (a) of Appendix A);

(ii) how the enterprise should account for other obligations resulting from the arrangement; and

(iii) how the enterprise should account for a fee it might receive from an investor.

Consensus

3. A series of transactions that involve the legal form of a lease is linked and should be accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. This is the case, for example, when the