

Explanatory Statement

Accounting Standard AASB 2016-5 ***Amendments to Australian Accounting Standards –*** ***Classification and Measurement of Share-based Payment*** ***Transactions***

July 2016



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Standard Amended by AASB 2016-5

This Standard makes amendments to Accounting Standard AASB 2 *Share-based Payment*. These amendments arise from the issuance of International Financial Reporting Standard *Classification and Measurement of Share-based Payment Transactions* (Amendments to IFRS 2) by the International Accounting Standards Board (IASB) in June 2016.

Power to Make Amendments

Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws), the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such instrument. Accordingly, the AASB has the power to amend the Accounting Standards that are made by the AASB as legislative instruments under the *Corporations Act 2001*.

Main Features of AASB 2016-5

Main Requirements

This Standard amends AASB 2 *Share-based Payment* to address:

- (a) the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- (b) the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and
- (c) the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Application Date

AASB 2016-5 applies to annual periods beginning on or after 1 January 2018. Earlier application is permitted.

References to Other AASB Standards

References in this Standard to the titles of other AASB Standards that are legislative instruments are to be construed as references to those other Standards as originally made and as amended from time to time and incorporate provisions of those Standards as in force from time to time.

Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 257 *Classification and Measurement of Share-based Payment Transactions* in November 2014 for comment by 25 February 2015. ED 257 incorporated IASB Exposure Draft ED/2014/5 *Classification and Measurement of Share-based Payment Transactions (Proposed amendments to IFRS 2)*. Three submissions were received by the AASB in respect of the proposals in ED 257. There was general support from constituents for adopting the proposals, which would ensure that general purpose financial statements prepared by for-profit entities in accordance with AASB Standards would also comply with International Financial Reporting Standards. However, some concerns were raised regarding the scope of the amendments and transition requirements. The AASB considered the comments it received in finalising AASB 2016-5.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2016-5 as the amendments made do not have a substantial direct or indirect impact on business or competition.

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the
Human Rights (Parliamentary Scrutiny) Act 2011

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Overview of the Accounting Standard

This Standard amends AASB 2 *Share-based Payment* to address:

- (a) the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- (b) the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and
- (c) the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Human Rights Implications

This Standard is issued by the AASB in furtherance of the objective of facilitating the Australian economy. It does not diminish or limit any of the applicable human rights or freedoms, and thus does not raise any human rights issues.

Conclusion

This Standard is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.