

Explanatory Statement

Accounting Standard AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*

July 2017



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Standards Amended by AASB 2017-4

This Standard makes amendments to AASB 1 *First-time Adoption of Australian Accounting Standards* (July 2015, as amended).

These amendments arise from the issuance of AASB Interpretation 23 *Uncertainty over Income Tax Treatments*, which incorporates IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*, issued by the International Accounting Standards Board (IASB) in June 2017.

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 2017-4

Main Requirements

This Standard amends AASB 1 to clarify that a first-time adopter whose date of transition to Australian Accounting Standards is before 1 July 2017 may elect not to reflect the application of AASB Interpretation 23, as identified in AASB 1048 *Interpretation of Standards*, in comparative information in its first financial statements prepared in accordance with Australian Accounting Standards.

Application Date

AASB 2017-4 applies to annual periods beginning on or after 1 January 2019. 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of other AASB Standards that are legislative instruments are to be construed as references to those other Standards as originally made and as amended from time to time and incorporate provisions of those Standards as in force from time to time.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 IASB issued Draft IFRIC Interpretation DI/2015/1 *Uncertainty over Income Tax Treatments* in October 2015, which the AASB then published on its website for comment. The Draft Interpretation proposed to address the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, in circumstances in which there is uncertainty over income tax treatments that affects the application of IAS 12 *Income Taxes*.

The AASB received three comment letters in relation to DI/2015/1. Generally, the comment letters expressed support for the proposals. Some constituents suggested alternative wording in respect of certain parts of DI/2015/1 in order to clarify application.

The AASB submission to the IFRS Interpretations Committee in January 2016 generally agreed with the proposals in DI/2015/1. Although the AASB submission preferred that all IAS 12 interpretative and application issues be addressed comprehensively as part of an IASB research project, it also noted that the narrow-scope nature of the proposed amendments would help reduce diversity in practice from the application of IAS 12.

The IFRS Interpretations Committee made minor changes to DI/2015/1 in response to the feedback it received. The majority of the changes clarified the requirements of DI/2015/1 and added further support in the Basis for Conclusions.

In November 2016, the IFRS Interpretations Committee decided not to re-expose DI/2015/1 on the basis that no substantial changes had been made, and re-exposure would be unlikely to reveal any new concerns. Accordingly, the IFRS Interpretations Committee finalised DI/2015/1 by issuing IFRIC Interpretation 23 in June 2017.

On 31 July 2017, the AASB adopted IFRIC Interpretation 23 through the issue of AASB Interpretation 23 and of Accounting Standard AASB 2017-4, which put in place the consequential amendments to AASB 1.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2017-4 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

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This Standard amends AASB 1 to clarify that a first-time adopter whose date of transition to Australian Accounting Standards is before 1 July 2017 may elect not to reflect the application of AASB Interpretation 23, as identified in AASB 1048 *Interpretation of Standards*, in comparative information in its first financial statements prepared in accordance with Australian Accounting Standards.

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*.