

Explanatory Statement

Accounting Standard AASB 2018-4

***Amendments to Australian Accounting Standards –
Australian Implementation Guidance for Not-for-Profit Public
Sector Licensors***

September 2018



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Standards Amended by AASB 2018-4

This Standard makes amendments to AASB 15 *Revenue from Contracts with Customers* (December 2014) and AASB 16 *Leases* (February 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 2018-4

Main Requirements

AASB 2018-4 primarily amends AASB 15 to add requirements and authoritative implementation guidance for application by not-for-profit public sector licensors to transactions involving the issue of licences.

The amendments to AASB 15 include:

- (a) expanding the scope of AASB 15 to include non-contractual licences;
- (b) guidance distinguishing a licence from a tax;
- (c) guidance clarifying the types of licences issued by not-for-profit public sector licensors;
- (d) guidance clarifying the application of the principles in AASB 15 to licences that are not within the scope of other Australian Accounting Standards; and
- (e) providing recognition exemptions for short-term licences and licences issued for a low transaction price.

The amendments to AASB 16 clarify that licences that are in substance leases or contain leases, except licences of intellectual property, fall within the scope of AASB 16.

Application Date

AASB 2018-4 applies to annual reporting 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of other AASB Standards that are legislative instruments are to be construed as references to those other Standards as originally made and as amended from time to time and incorporate provisions of those Standards as in force from time to time.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 Board's proposals were exposed for a 90 day public comment period in December 2017 through Exposure Draft ED 283 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors*, with comments due 31 March 2018. In developing the proposals, the Board considered research undertaken as part of its projects that culminated in the issue of the Standards AASB 1058 *Income of Not-for-Profit Entities* and AASB 1059 *Service Concession Arrangements: Grantors*, as well as a number of public AASB meeting Agenda Papers that considered the application of existing accounting Standards. ED 283 proposed guidance that would clarify the application of AASB 15 to licences that did not fall within the scope of any other Australian Accounting Standard.

After issuing ED 283, the Board undertook targeted outreach with key stakeholders in the not-for-profit public sector, including state and national treasuries, audit offices, accounting firms, the Australian Bureau of Statistics, credit rating agencies, and representatives of the Australasian Council of Public Accounts Committees. Additionally, the ED 283 proposals were presented at various forums, workshops and discussion groups. The Board also received feedback on its proposals through receipt of 8 formal comment letters to ED 283. The respondents generally agreed the revenue from non-IP licences should be accounted for in accordance with the general principles of AASB 15, and that ED 283 would lead to increased consistency in such accounting. However, despite support in principle, numerous respondents raised concern with the outcome of applying the principles in AASB 15, in particular for high-value long-term licences such as casino licences. Some respondents also requested the Board further consider aligning its guidance to distinguish a licence from a tax more closely with the guidance provided by the Australian Bureau of Statistics.

In May, June and August 2018, the Board redeliberated its proposals based on all the feedback received on ED 283. During this time, issues papers and updated draft wording for the Standard were published publicly as AASB meeting Agenda Papers. This gave constituents the opportunity to follow the debate and to provide comments on the issues and drafting contemporaneously.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2018-4 as the amendments made apply only to not-for-profit public sector licensors, and 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

Accounting Standard AASB 2018-4 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors*

Overview of the Accounting Standard

This Standard makes amendments to AASB 15 *Revenue from Contracts with Customers* (December 2014) and AASB 16 *Leases* (February 2016).

This Standard primarily amends AASB 15 to add requirements and authoritative implementation guidance for application by not-for-profit public sector licensors to transactions involving the issue of licences.

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*.