

NZ SIC-25 (Diff Rep)



NZ SIC Interpretation 25 (Diff Rep)

**Income Taxes—Changes in the Tax Status of an Entity
or its Shareholders (NZ SIC-25 (Diff Rep))**

Issued November 2012

This Interpretation was issued by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 24(1)(a) of the Financial Reporting Act 1993.

This Interpretation is a Regulation for the purposes of the Regulations (Disallowance) Act 1989.

As at 1 December 2012, the requirements in this Interpretation are identical to the requirements in NZ SIC-25 *Income Taxes—Changes in the Tax Status of an Entity or its Shareholders* as applied by qualifying entities. Versions of NZ SIC-25 applied by qualifying entities prior to adoption of this Interpretation are available in the Archived Standards page of the External Reporting Board (XRB) website at xrb.govt.nz

NZ SIC-25 (Diff Rep)

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NZ SIC-25 (Diff Rep)

NZ SIC Interpretation 25 (Diff Rep) *Income Taxes—Changes in the Tax Status of an Entity of its Shareholders* (NZ SIC-25 (Diff Rep)) is set out in paragraph 4.

NZ SIC-25 (Diff Rep) should be read in the context of the Basis for Conclusions on SIC-25.

Differential Reporting

Qualifying entities must comply with all the provisions in NZ SIC-25 (Diff Rep).

NZ SIC-25 (Diff Rep)

HISTORY OF AMENDMENTS

Table of Pronouncements – NZ SIC-25 (Diff Rep) *Income Taxes—Changes in the Tax Status of an Entity or its Shareholders*

This table lists the pronouncement establishing NZ SIC-25 (Diff Rep).

| Pronouncements | Date approved | Early operative date | Effective date (annual reporting periods... on or after ...) |
|---|----------------------|-----------------------------|---|
| NZ SIC-25 (Diff Rep) <i>Income Taxes—Changes in the Tax Status of an Entity or its Shareholders</i> | Nov 2012 | Early application permitted | 1 Dec 2012 |

The following tables list the pronouncements establishing and substantially amending NZ SIC-25 as applied by qualifying entities prior to the issue of this Interpretation as NZ SIC-25 (Diff Rep).

| Pronouncements | Date approved | Early operative date | Effective date (annual reporting periods... on or after ...) |
|--|----------------------|-----------------------------|---|
| NZ SIC-25 <i>Income Taxes—Changes in the Tax Status of an Entity or its Shareholders</i> | Nov 2004 | 1 Jan 2005 | 1 Jan 2007 |
| NZ IAS 1 <i>Presentation of Financial Statements</i> (revised 2007) | Nov 2007 | Early application permitted | 1 Jan 2009 |

| Table of Amended Paragraphs in NZ SIC-25 | | |
|---|---------------------|----------------------|
| Paragraph affected | How affected | By ... [date] |
| Paragraph 4 | Amended | NZ IAS 1 [Nov 2007] |
| Effective date | Amended | NZ IAS 1 [Nov 2007] |

NZ SIC Interpretation 25 (Diff Rep)

Income Taxes—Changes in the Tax Status of an Entity or its Shareholders

(NZ SIC-25 (Diff Rep))

References

- NZ IAS 1 (Diff Rep) *Presentation of Financial Statements*
- NZ IAS 8 (Diff Rep) *Accounting Policies, Changes in Accounting Estimates and Errors*
- NZ IAS 12 (Diff Rep) *Income Taxes*

NZ SIC-25 (Diff Rep) is identical to NZ SIC-25 applied by qualifying entities prior to the issuance of NZ SIC-25 (Diff Rep). That is, there is no change to the recognition, measurement, presentation and disclosure requirements of NZ SIC-25 on adoption of this Interpretation.

Issue

- 1 A change in the tax status of an entity or of its shareholders may have consequences for an entity by increasing or decreasing its tax liabilities or assets. This may, for example, occur upon the public listing of an entity's equity instruments or upon the restructuring of an entity's equity. It may also occur upon a controlling shareholder's move to a foreign country. As a result of such an event, an entity 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 entity or its shareholders may have an immediate effect on the entity's current tax liabilities or assets. The change may also increase or decrease the deferred tax liabilities and assets recognised by the entity, 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 entity's assets and liabilities.
- 3 The issue is how an entity should account for the tax consequences of a change in its tax status or that of its shareholders.

NZ SIC-25 (Diff Rep)

Consensus

- 4 A change in the tax status of an entity or its shareholders does not give rise to increases or decreases in amounts recognised outside profit or loss. The current and deferred tax consequences of a change in tax status shall be included in 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 or in amounts recognised in other comprehensive income. Those tax consequences that relate to changes in the recognised amount of equity, in the same or a different period (not included in profit or loss), shall be charged or credited directly to equity. Those tax consequences that relate to amounts recognised in other comprehensive income shall be recognised in other comprehensive income.

Basis for Conclusions on SIC-25

- 5–8 [Paragraphs 5–8 do not form part of NZ SIC-25 (Diff Rep).]

Effective Date

A Tier 3 for-profit entity shall apply this Interpretation for annual periods beginning on or after 1 December 2012. Early application is permitted. This Interpretation replaces NZ SIC-25 as applied by qualifying entities prior to the issuance of this Interpretation. There are no changes to the requirements of NZ SIC-25 as it applied to qualifying entities.