



NZ ACCOUNTING
STANDARDS
BOARD

Annual Improvements to NZ IFRSs 2015–2017 Cycle

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This Standard is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on 15 March 2018.

For-profit reporting entities that are subject to this Standard are required to apply it in accordance with the effective date, which is set out in Part C.

In finalising this Standard, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This Standard is based on *Annual Improvements to IFRS[®] Standards 2015–2017 Cycle* issued by the International Accounting Standards Board (IASB).

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The following is available within New Zealand on the XRB website as additional material

APPROVAL BY THE IASB OF *ANNUAL IMPROVEMENTS TO IFRS® STANDARDS 2015–2017 CYCLE* ISSUED IN DECEMBER 2017

THE IASB'S BASIS FOR CONCLUSIONS ON THE AMENDMENTS TO:

IFRS 3 *BUSINESS COMBINATIONS*

IFRS 11 *JOINT ARRANGEMENTS*

IAS 12 *INCOME TAXES*

IAS 23 *BORROWING COSTS*

Introduction

This document sets out amendments made to NZ IFRSs as a consequence of *Annual Improvements to IFRS® Standards 2015–2017 Cycle*.

The following table shows the standards amended and the subject of the amendments.

Standard	Subject of amendment
NZ IFRS 3 <i>Business Combinations</i>	Previously held interest in a joint operation
NZ IFRS 11 <i>Joint Arrangements</i>	
NZ IAS 12 <i>Income Taxes</i>	Income tax consequences of payments on financial instruments classified as equity
NZ IAS 23 <i>Borrowing Costs</i>	Borrowing costs eligible for capitalisation

An entity shall apply each of the amendments for annual reporting periods beginning on or after 1 January 2019, with earlier application permitted.

Part B – Annual Improvements to NZ IFRSs 2015–2017 Cycle

Scope

This Standard applies to Tier 1 and Tier 2 for-profit entities.

Amendments to NZ IFRS 3 *Business Combinations*

Paragraphs 42A and 64O are added.

Additional guidance for applying the acquisition method to particular types of business combinations

A business combination achieved in stages

...

- 42A When a party to a joint arrangement (as defined in NZ IFRS 11 *Joint Arrangements*) obtains control of a business that is a joint operation (as defined in NZ IFRS 11), and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation in the manner described in paragraph 42. In doing so, the acquirer shall remeasure its entire previously held interest in the joint operation.

Effective date and transition

Effective date

...

- 64O *Annual Improvements to NZ IFRSs 2015–2017 Cycle*, issued in February 2018, added paragraph 42A. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies those amendments earlier, it shall disclose that fact.

Amendments to NZ IFRS 11 *Joint Arrangements*

Paragraph B33CA and paragraph C1AB are added.

Accounting for acquisitions of interests in joint operations

...

B33CA A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in NZ IFRS 3. In such cases, previously held interests in the joint operation are not remeasured.

...

Effective date

...

C1AB *Annual Improvements to NZ IFRSs 2015–2017 Cycle*, issued in February 2018, added paragraph B33CA. An entity shall apply those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies those amendments earlier, it shall disclose that fact.

Amendments to NZ IAS 12 *Income Taxes*

Paragraphs 57A and 98I are added, the heading of the example below paragraph 52B is amended and paragraph 52B is deleted. New text is underlined and deleted text is struck through.

Measurement

- ...
- 52B ~~[Deleted by IASB] In the circumstances described in paragraph 52A, the income tax consequences of dividends are recognised when a liability to pay the dividend is recognised. The income tax consequences of dividends are more directly linked to past transactions or events than to distributions to owners. Therefore, the income tax consequences of dividends are recognised in profit or loss for the period as required by paragraph 58 except to the extent that the income tax consequences of dividends arise from the circumstances described in paragraph 58(a) and (b).~~

Example illustrating paragraphs 52A and ~~52B~~57A

...

...

Recognition of current and deferred tax

- ...
- 57A An entity shall recognise the income tax consequences of dividends as defined in NZ IFRS 9 when it recognises a liability to pay a dividend. The income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Effective date

- ...
- 98I Annual Improvements to NZ IFRSs 2015–2017 Cycle, issued in February 2018, added paragraph 57A and deleted paragraph 52B. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies those amendments earlier, it shall disclose that fact. When an entity first applies those amendments, it shall apply them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Amendments to NZ IAS 23 *Borrowing Costs*

Paragraph 14 is amended, and paragraphs 28A and 29D are added. Deleted text is struck through and new text is underlined.

Recognition

...

Borrowing costs eligible for capitalisation

...

- 14 To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to ~~the~~ all borrowings of the entity that are outstanding during the period, ~~other than borrowings~~ However, an entity shall exclude from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

...

Transitional provisions

...

- 28A Annual Improvements to NZ IFRSs 2015–2017 Cycle, issued in February 2018, amended paragraph 14. An entity shall apply those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

Effective date

...

- 29D Annual Improvements to NZ IFRSs 2015–2017 Cycle, issued in February 2018, amended paragraph 14 and added paragraph 28A. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies those amendments earlier, it shall disclose that fact.

Part C – Effective Date

This Standard is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted.