Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

2024 Omnibus Amendments to PBE Standards

Amendments to PBE IPSAS 1 and PBE IAS 12

Issued October 2024

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This amending Standard has been issued to amend the relevant Tier 1 and Tier 2 PBE Standards as a result of:

(a) amendments arising from *Improvements to IPSAS, 2023*; and

(b) amendments arising from *International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)*.

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

Legal status of amending Standard

This amending Standard was issued on 24 October 2024 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This amending Standard is secondary legislation for the purposes of the Legislation Act 2019.

The amending Standard, pursuant to section 27(1) of the Financial Reporting Act 2013, takes effect on the 28th day after the date of its publication. The amending Standard was published under the Legislation Act 2019 on 24 October 2024 and takes effect on 21 November 2024

Commencement and application

The amendments to PBE IPSAS 1 *Presentation of Financial Reports* introduced by this amending Standard have a mandatory date of 1 January 2026, meaning they must be applied by Tier 1 and Tier 2 public benefit entities (PBEs) for accounting periods that begin on or after this date.

Application of amendments to PBE IPSAS 1 to an earlier accounting period is permitted for accounting periods that end after this amending Standard takes effect – refer to paragraphs 154.21 – 154.23 of this amending Standard.

The amendments to paragraphs 4A and 88A of PBE IAS 12 *Income Taxes* introduced by this amending Standard must be applied by Tier 1 and Tier 2 PBEs for accounting periods that end on or after the date that this amending Standard takes effect (see paragraph 98.16).

Except for paragraphs 4A and 88A, the amendments to PBE IAS 12 introduced by this amending Standard has a mandatory date of 1 January 2024, meaning they must be applied by Tier 1 and Tier 2 public benefit entities (PBEs) for accounting periods that begin on or after this date (see paragraph 98.15(b)).

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ISBN: 978-1-99-100558-8

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Part A – Introduction

This Standard includes amendments for the following.

(a) Amendments arising from *Improvements to IPSAS, 2023*. The amendments relate to PBE IPSAS 1 *Presentation of Financial Reports*, and

(b) Amendments arising from *International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)*. The amendments relate to PBE IAS 12 *Income Taxes*.

Part B – Scope

This Standard applies to Tier 1 and Tier 2 public benefit entities.

Tier 2 public benefit entities are required to comply with all the requirements in this Standard.

Part C – Amendments arising from *Improvements to IPSAS, 2023*

PBE IPSAS 1 *Presentation of Financial Reports*

Paragraphs 83A, 83B, 86A, 87A, 87B, 87C, and 154.20 – 154.23 are added. Paragraphs 70, 80, 82, 84, 85, and 87 are amended. New headings are inserted before paragraphs 81, 82, 83A, and 87A. New text is underlined and deleted text is struck through. Paragraphs 81, 83, and 86 are not amended but have been included for ease of reference.

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Structure and Content

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Statement of Financial Position

Current/Non-current Distinction

70. **An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its statement of financial position in accordance with paragraphs 76–87C, except when a presentation based on liquidity provides information that is faithfully representative and is more relevant. When that exception applies, all assets and liabilities shall be presented broadly in order of liquidity.**

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Current Liabilities

80. **A liability shall be classified as current when it satisfies any of the following criteria:**

(a) **It is expected to be settled in the entity's normal operating cycle;**

(b) **It is held primarily for the purpose of being traded;**

(c) **It is due to be settled within twelve months after the reporting date; or**

(d) **The entity does not have ~~an unconditional~~ the right at the reporting date to defer settlement of the liability for at least twelve months after the reporting date ~~(see paragraph 84). Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.~~**

All other liabilities shall be classified as non-current.

Normal Operating Cycle (paragraph 80(a))

81. Some current liabilities, such as government transfers payable and some accruals for employee and other operating costs, are part of the working capital used in the entity's normal operating cycle. Such operating items are classified as current liabilities even if they are due to be settled more than twelve months after the reporting date. The same normal operating cycle applies to the classification of an entity's assets and liabilities. When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.

Held Primarily for the Purpose of Trading (paragraph 80(b) or Due to be Settled within Twelve Months (paragraph 80(c))

82. Other current liabilities are not settled as part of the normal operating cycle, but are due for settlement within twelve months after the reporting date or held primarily for the purpose of being traded. Examples are some financial liabilities classified as held for trading in accordance with PBE IPSAS 29, bank overdrafts, and the current portion of non-current financial liabilities, dividends or similar distributions payable, income taxes and other non-trade payables. Financial liabilities that provide financing on a long-term basis (i.e., are not part of the working capital used in the entity's normal operating cycle) and are not due for settlement within twelve months after the reporting date are non-current liabilities, subject to paragraphs ~~85 and 86~~ 83A–86.

83. An entity classifies its financial liabilities as current when they are due to be settled within twelve months after the reporting date, even if:

    (a) The original term was for a period longer than twelve months; and

    (b) An agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue.

Right to Defer Settlement for at Least Twelve Months (paragraph 80(d))

83A. An entity's right to defer settlement of a liability for at least twelve months after the reporting date must have substance and, as illustrated in paragraphs 83B–86, must exist at the reporting date.

83B. An entity's right to defer settlement of a liability arising from a loan arrangement for at least twelve months after the reporting date may be subject to the entity complying with conditions specified in that loan arrangement (hereafter referred to as 'covenants'). For the purposes of applying paragraph 80(d), such covenants:

    (a) Affect whether that right exists at the reporting date—as illustrated in paragraphs 85–86—if an entity is required to comply with the covenant on or before the reporting date. Such a covenant affects whether the right exists at the reporting date even if compliance with the covenant is assessed only after the reporting date (for example, a covenant based on the entity's financial position at the reporting date but assessed for compliance only after the reporting date).

    (b) Do not affect whether that right exists at the reporting date if an entity is required to comply with the covenant only after the reporting date (for example, a covenant based on the entity's financial position six months after the reporting date).

84. If an entity ~~expects, and~~ has the ~~discretion,~~ right, at the reporting date to ~~refinance or~~ roll over an obligation for at least twelve months after the reporting date under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. ~~However, when refinancing or rolling over the obligation is not at the discretion of the entity (for example, there is no agreement to refinance),~~ If the entity has no such right, the entity does not consider the potential to refinance ~~is not considered~~ and classifies the obligation ~~is classified~~ as current.

85. When an entity breaches ~~an undertaking~~ a covenant ~~under~~ of a long-term loan agreement on or before the reporting date, with the effect that the liability becomes payable on demand, the liability is classified as current, even if the lender has agreed, after the reporting date and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach. The liability is classified as current because, at the reporting date, the entity does not have ~~an unconditional~~ the right to defer its settlement for at least twelve months after that date.

86. However, the liability is classified as non-current if the lender agreed by the reporting date to provide a period of grace ending at least twelve months after the reporting date, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.

86A. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting date. If a liability meets the criteria in paragraph 80 for classification as non-current, it is classified as non-current even if management intends or expects the entity to settle the liability within twelve months after the reporting date, or even if the entity settles the liability between the reporting date and the date the financial statements are authorised for issue. However, in either of those circumstances, the entity may need to disclose information about the timing of settlement to enable users of its financial statements to understand the impact of the liability on the entity's financial position (see paragraphs 29(c) and 87(d)).

87. ~~In respect of loans classified as current liabilities, if~~ If the following events occur between the reporting date and the date the financial statements are authorised for issue, those events qualify for disclosure as non-adjusting events in accordance with PBE IPSAS 14 *Events After the Reporting Date*:

(a) Refinancing on a long-term basis of a liability classified as current (see paragraph 83);

(b) Rectification of a breach of a long-term loan agreement classified as current (see paragraph 85); ~~and~~

(c) The receipt from the lender of a period of grace to rectify a breach of a long-term loan agreement ~~ending at least twelve months after the reporting date.~~ classified as current (see paragraph 86); and

(d) Settlement of a liability classified as non-current (see paragraph 86A).

87A. In applying paragraphs 80–86, an entity might classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting date (see paragraph 83B(b)). In such situations, the entity shall disclose information in the notes that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting date, including:

(a) Information about the covenants (including the nature of the covenants and when the entity is required to comply with them) and the carrying amount of related liabilities.

(b) Facts and circumstances, if any, that indicate the entity may have difficulty complying with the covenants—for example, the entity having acted during or after the reporting date to avoid or mitigate a potential breach. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants if they were to be assessed for compliance based on the entity's circumstances at the reporting date.

Settlement (paragraphs 80(a), 80(c) and 80(d))

87B. For the purpose of classifying a liability as current or non-current, settlement refers to a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of:

(a) Cash or other resources—for example, goods or services; or

(b) The entity's own equity instruments, unless paragraph 87C applies.

87C. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments do not affect its classification as current or non-current if, applying PBE IPSAS 28 *Financial Instruments: Presentation*, the entity classifies the option as an equity instrument, recognising it separately from the liability as an equity component of a compound financial instrument.

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~~Effective Date~~ Commencement and Application

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2024 Omnibus Amendments to PBE Standards

154.20 The amending Standard *2024 Omnibus Amendments to PBE Standards*, issued in October 2024 added paragraphs 83A, 83B, 86A, 87A, 87B, and 87C and amended paragraphs 70, 80, 82, 84, 85, and 87. An entity shall apply those amendments as if they have always been applied, in accordance with PBE IPSAS 3, in accordance with the commencement and application date provisions in paragraphs

154.21-154.23. An entity that applies these amendments to an ‘early adoption accounting period’ shall disclose that fact.

When the amending Standard takes effect (section 27 Financial Reporting Act 2013)

154.21 The amending Standard takes effect on the 28th day after the date of its publication under the Legislation Act 2019. The amending Standard was published on 24 October 2024 and takes effect on 21 November 2024.

Accounting period in relation to which the amending Standard commences to apply (section 28 Financial Reporting Act 2013)

154.22 The accounting periods in relation to which this amending Standard commences to apply are:

(a) For an **early adopter**, those accounting periods following, and including, the **early adoption accounting period**.

(b) For any other reporting entity, those accounting periods following, and including, the first accounting period for the entity that begins on or after the **mandatory date**.

154.23 In paragraph 154.22:

Early adopter means a reporting entity that applies this amending Standard for an early adoption accounting period.

Early adoption accounting period means an accounting period of the early adopter:

(a) That begins before the mandatory date but has not ended or does not end before this amending Standard takes effect (and to avoid doubt, that period may have begun before this amending Standard takes effect); and

(b) For which the early adopter:

(i) First applies this amending Standard in preparing its financial report; and

(ii) Discloses in its financial report for that accounting period that this amending Standard has been applied for that period.

Mandatory date means 1 January 2026.

Paragraph BC43 and the related heading are added. New text is underlined.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, PBE IPSAS 1.

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2024 Omnibus Amendments to PBE Standards

BC43. *Classification of Liabilities as Current and Non-current* and *Non-current Liabilities with Covenants*, issued by the IASB in January 2020 and October 2022 respectively, amended IAS 1 *Presentation of Financial Statements*. The amendments clarify the principles related to the right to defer settlement for at least twelve months (with or without covenants), and the meaning of ‘settlement’ when a liability is rolled over under an existing loan facility, for the purpose of classifying liabilities as current or non-current. The IPSASB subsequently made equivalent amendments to IPSAS 1 *Presentation of Financial Statements*, by issuing *Improvements to IPSAS, 2023* in April 2024. The NZASB amended PBE IPSAS 1 in October 2024, by issuing *2024 Omnibus Amendments to PBE Standards*.

Part D – Amendments arising from *International Tax Reform—Pillar Two Model Rules*

PBE IAS 12 *Income Taxes*

Paragraphs 4A, 88A – 88D and 98.14 – 98.16 are added including their related heading and the box after paragraph 88D. For ease of reading, new text is not underlined.

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Scope

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4A. This Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes described in those rules. Such tax law, and the income taxes arising from it, are hereafter referred to as 'Pillar Two legislation' and 'Pillar Two income taxes'. As an exception to the requirements in this Standard, an entity shall neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

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Disclosure

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International tax reform—Pillar Two model rules

88A An entity shall disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes (see paragraph 4A).

88B An entity shall disclose separately its current tax expense (income) related to Pillar Two income taxes.

88C In periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, an entity shall disclose known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar Two income taxes arising from that legislation.

88D To meet the disclosure objective in paragraph 88C, an entity shall disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. This information does not have to reflect all the specific requirements of the Pillar Two legislation and can be provided in the form of an indicative range. To the extent information is not known or reasonably estimable, an entity shall instead disclose a statement to that effect and disclose information about the entity's progress in assessing its exposure.

Examples illustrating paragraphs 88C–88D

Examples of information an entity could disclose to meet the objective and requirements in paragraphs 88C–88D include:

(a) qualitative information such as information about how an entity is affected by Pillar Two legislation and the main jurisdictions in which exposures to Pillar Two income taxes might exist; and

(b) quantitative information such as:

 (i) an indication of the proportion of an entity's profits that might be subject to Pillar Two income taxes and the average effective tax rate applicable to those profits; or

 (ii) an indication of how the entity's average effective tax rate would have changed if Pillar Two legislation had been in effect.

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~~Effective Date~~ <u>Commencement and application</u>

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2024 Omnibus Amendments to PBE Standards

98.14 The amending Standard *2024 Omnibus Amendments to PBE Standards*, issued in October 2024 added paragraphs 4A and 88A–88D.

98.15 An entity shall:

(a) apply paragraphs 4A and 88A on the date that this amending Standard takes effect (see paragraph 98.16) and for annual reporting periods that have not ended or do not end before that date. An entity shall apply those paragraphs as if they had always been applied, in accordance with PBE IPSAS 3; and

(b) apply paragraphs 88B–88D for annual reporting periods beginning on or after 1 January 2024 but have not ended or do not end before this amending Standard takes effect (see paragraph 98.16). An entity is not required to disclose the information required by these paragraphs for any interim period ending on or before 31 December 2024.

When the amending Standard takes effect (section 27 Financial Reporting Act 2013)

98.16 The amending Standard takes effect on the 28th day after the date of its publication under the Legislation Act 2019. The amending Standard was published on 24 October 2024 and takes effect on 21 November 2024.

Paragraph BC11 and the related heading are added. For ease of reading, new text is not underlined.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, PBE IAS 12

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2024 Omnibus Amendments to PBE Standards

BC11. *International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)* issued by IASB in May 2023 gave entities temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The NZASB subsequently amended NZ IAS 12 *Income Taxes* by issuing *International Tax Reform—Pillar Two Model Rules* in July 2023. PBE IAS 12 is based on NZ IAS 12. The NZASB therefore made equivalent amendments to PBE IAS 12, by issuing *2024 Omnibus Amendments to PBE Standards* in October 2024.