



iGAAP in Focus

Financial reporting

IASB proposes amendments to IFRS 19

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This *iGAAP in Focus* outlines exposure draft (ED) *Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures*, published by the International Accounting Standards Board (IASB) on 30 July 2024.

- The IASB published an exposure draft that proposes amendments to IFRS 19 that would provide reduced disclosure requirements for new or recently amended IFRS Accounting Standards
- The proposed amendments concern the following new standards and recent amendments:
 - IFRS 18 *Presentation and Disclosure in Financial Statements*
 - Supplier finance arrangements (amendments to IAS 7 *Statement of Cash Flows*)
 - International tax reform—Pillar Two model rules (amendments to IAS 12 *Income Taxes*)
 - Lack of exchangeability (amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*)
- No reduced disclosure requirements are proposed for:
 - the recent amendments to the classification and measurement of financial instruments (amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*)
 - the forthcoming IFRS Accounting Standard *Regulatory Assets and Regulatory Liabilities*
- No effective date or transition requirements are being proposed
- The comment period ends on 27 November 2024.

For more information please see the following websites:

www.iasplus.com
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Background

In May 2024, the IASB issued **IFRS 19**. An eligible subsidiary that chooses to apply IFRS 19 applies the requirements in other IFRS Accounting Standards except for the disclosure requirements, and instead applies the disclosure requirements in IFRS 19.

The disclosure requirements in IFRS 19 come from other IFRS Accounting Standards. IFRS 19 includes reduced disclosure requirements from IFRS Accounting Standards issued before 28 February 2021. Disclosure requirements in new or amended IFRS Accounting Standards issued between 28 February 2021 and 1 May 2024 are currently included in IFRS 19 without reductions because the IASB had not consulted on reducing those requirements.

The IASB proposes updating the disclosure requirements in IFRS 19 from these new or amended standards so that IFRS 19 will only include disclosure requirements that reflect the IASB's principles for developing reduced disclosure requirements. In addition, the IASB is asking for views on whether to reduce the disclosure requirements from the forthcoming IFRS Accounting Standard *Regulatory Assets and Regulatory Liabilities*.

Observation

IFRS 19 will continue to be amended as necessary to ensure it remains up to date and consistent with any new or amended disclosure requirements in the other IFRS Accounting Standards. When developing a new standard or amendments to a standard, the IASB will apply the principles for reducing disclosure requirements and assess costs and benefits for eligible subsidiaries. The IASB will then obtain feedback on the reduced disclosure requirements and will publish them as consequential amendments to IFRS 19, which will be included in an appendix to the new standard or the amendments.

The proposed amendments

Presentation and disclosure in financial statements

The IASB proposes to retain most of the disclosure requirements in IFRS 19 relating to IFRS 18. The only substantial change proposed is to remove from IFRS 19 the requirements relating to management-defined performance measures (MPMs). Instead, an eligible subsidiary that uses MPMs as defined in IFRS 18 would be required to apply the related (full) disclosure requirements in IFRS 18.

The IASB also proposes to remove the disclosure objective in IFRS 19 relating to non-current liabilities with covenants.

Supplier finance arrangements

The IASB proposes to retain the disclosure requirements in IFRS 19 relating to supplier finance arrangements, with some amendments. The IASB proposes to delete the disclosure objective previously included in IFRS 19, consistent with its decision not to include disclosure objectives in IFRS 19. It also proposes:

- to add a new paragraph which would include the description of supplier finance arrangements from IAS 7
- to remove a reference in IFRS 19 to the disclosure objective that is proposed to be deleted.

International tax reform—Pillar Two model rules

The IASB proposes to retain the disclosure requirements in IFRS 19 relating to the amendments to IAS 12 that introduced:

- a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes
- targeted disclosure requirements for affected entities.

The only proposed change is to remove from IFRS 19 the disclosure objective introduced by these amendments and a reference to that objective.

Lack of exchangeability

The IASB proposes to retain the disclosure requirements in IFRS 19 relating to the amendments for lack of exchangeability issued in August 2023. The IASB amended IAS 21 to require an entity to apply a consistent approach:

- to assessing whether a currency is exchangeable into another currency
- to determining the exchange rate to use and the disclosures to provide if a currency is not exchangeable.

The only proposed change is to remove from IFRS 19 the disclosure objective introduced by these amendments and the reference to the amount of detail necessary to satisfy that objective.

Classification and measurement of financial instruments

In May 2024, the IASB added disclosure requirements to IFRS 19 as consequential amendments to *Amendments to the Classification and Measurement of Financial Instruments*. The requirements relate to the effect of contractual terms that could change the amount of contractual cash flows as a result of a contingent event that does not directly relate to basic lending risks and costs (such as the time value of money or credit risk).

These requirements have not been reduced by the IASB. The IASB proposes to retain this decision because the resulting disclosures provide users of eligible subsidiaries' financial statements with information about short-term cash flows and obligations, as well as solvency and liquidity.

Regulatory assets and regulatory liabilities

The IASB expects to publish a new standard titled *Regulatory Assets and Regulatory Liabilities* in 2025. An entity that applies IFRS 19 and the new standard will be required to apply the disclosure requirements in the new standard. The IASB is proposing to remove the existing disclosure requirements in IFRS 19 relating to IFRS 14 *Regulatory Deferral Accounts* when the new standard is issued and to add in IFRS 19 that the disclosure requirements in the new standard remain applicable.

The ED does not propose any reductions in disclosure requirements relating to regulatory assets and regulatory liabilities.

Effective date, transition and comment period

No effective date or transition requirements are being proposed. The effective date will be set during the redeliberation of the proposals.

The comment period for the ED ends on 27 November 2024.

Further information

If you have any questions about the proposed amendments, please speak to your usual Deloitte contact or get in touch with a contact identified in this *iGAAP in Focus*.

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