Opening Remarks and Updates

Extract, IFRS Discussion Group Report on Meeting – June 12, 2014

IFRIC 21: Levies – Property Taxes in Canada

At its February 2014 meeting, the Group had a follow-up discussion to its initial discussion of December 2, 2013, on the potential implications of applying IFRIC 21 Levies. Financial statement preparers and auditors are reminded that the facts and circumstances deliberated at those meetings, as related to property taxes, are specific to Canadian jurisdictions. The Group's analyses of those facts and circumstances will not necessarily be applicable to other jurisdictions, including the US. Property tax legislation in other jurisdictions, including many municipalities in the US, may not have the same characteristics, terms and features deliberated by the Group that led to the views it has expressed thus far on this topic. Those views generally supported a ratable, rather than point-in-time, recognition of a liability to pay property taxes in Canadian jurisdictions. Preparers are encouraged to examine the details of the legislation in place in municipalities in which they own property, especially in locations outside Canada, because conclusions on the appropriate accounting treatment for property tax liabilities may differ according to the terms.

In addition, the Group reminds preparers that, as also discussed at its February 2014 meeting, IFRIC 21 applies to more than property taxes. As a result, there could be other non-reciprocal payments enforced by government requiring consideration under IFRIC 21.

IFRS 11: Application Issues

At its September 2013 meeting, the Group discussed a number of application issues relating to IFRS 11 *Joint Arrangements*. At the Group's December 2013 meeting, the AcSB staff reported that the IFRS Interpretations Committee considered a summary of the results of the outreach that was conducted on implementation issues arising from IFRS 11.

The Group observes the existence of some very significant joint arrangement structures in Canada, across a range of industries. The Group notes that there are ongoing discussions at the IFRS Interpretations Committee around a number of IFRS 11 implementation issues relating specifically to the determination of whether, based on the facts and circumstances, an arrangement is a joint operation or a joint venture. Entities that have previously made judgment calls in reaching a conclusion about whether a joint arrangement is a joint venture or a joint operation when structured through a separate entity are encouraged to monitor those discussions. The Group will also raise awareness, at future meetings, of any significant conclusions reached by the IFRS Interpretations Committee on matters that appear to be relevant in Canada.

Adoption of IFRSs by Investment Funds

At its December 2, 2013 meeting, the Group considered some of the transition concerns of investment entities that would be applying IFRSs for the first time. The mandatory IFRS changeover date for entities in this sector was January 1, 2014. As a result, many investment funds are currently preparing to issue, or have issued, their first interim financial reports under IFRSs. Entities are alerted to the fact that the IFRS Interpretations Committee has recently deliberated issues relating to the application of the consolidation exemption for investment entities. The IASB's June 2014 Exposure Draft, "Investment Entities: Applying the Consolidation Exception (Proposed amendments to IFRS 10 and IAS 28)," addresses several of those issues. The IFRS Interpretations Committee has issued a rejection notice regarding controlled investment entity subsidiaries established solely as tax advantageous structures. The Committee concluded that tax optimization on its own is not an investment-related service. Therefore, such subsidiaries are not consolidated.

Investment entities are advised to monitor follow-on discussions by both the IASB and the IFRS Interpretations Committee for further developments.