



© DRSC e.V

Zimmerstr. 30

10969 Berlin

Tel.: (030) 20 64 12 - 0

Fax: (030) 20 64 12 - 15

Internet: www.drsc.de

E-Mail: info@drsc.de

Diese Sitzungsunterlage wird der Öffentlichkeit für die FA-Sitzung zur Verfügung gestellt, so dass dem Verlauf der Sitzung gefolgt werden kann. Die Unterlage gibt keine offiziellen Standpunkte des FA wieder. Die Standpunkte des FA werden in den Deutschen Rechnungslegungs Standards sowie in seinen Stellungnahmen (Comment Letters) ausgeführt. Diese Unterlage wurde von einem Mitarbeiter des DRSC für die FA-Sitzung erstellt.

IFRS-FA – öffentliche SITZUNGSUNTERLAGE

Sitzung:	37. IFRS-FA / 10.04.2015 / 13:15 – 14:45 Uhr
TOP:	10 – Interpretationsthemen
Themen:	IFRS IC-Sitzung März 2015
Unterlage:	37_10_IFRS-FA_Interpret_CN

1 Sitzungsunterlagen für diesen TOP

- 1 Für diesen Tagesordnungspunkt (TOP) der Sitzung liegen folgende Unterlagen vor:

Nummer	Titel	Gegenstand
37_10	37_10_IFRS-FA_Interpret_CN	Cover Note
37_10a	37_10a_IFRS-FA_Interpret_Update	IFRIC Update März 2015

Stand der Informationen: 23.03.2015.

2 Ziel der Sitzung

- 2 Der IFRS-FA soll Kenntnis über die Themen und Entscheidungen der IFRS IC-Sitzung am 24. März 2015 erhalten. Das IFRS IC hatte vorgesehen, **eine vorläufige Agenda-Entscheidung (TAD)** sowie mehrere **endgültige Agenda-Entscheidungen (AD)** zu treffen. Details hierüber sind aber noch nicht bekannt, somit in dieser Unterlage **37_10** nicht enthalten, sondern werden mündlich berichtet bzw. finden sich in der später nachzureichenden Unterlage **37_10a**. Ergänzende Hintergrundinformationen zu den Themen aber finden sich in Abschnitt 3 dieser Cover Note.
- 3 Diese Sitzungsunterlage ist wie folgt gegliedert:
- Abschnitt 3.1: Detailinformationen bzgl. TAD;
 - Abschnitt 3.2. Detailinformationen bzgl. AD.
- 4 In beiden Abschnitten wird für jedes Thema dargestellt, inwieweit sich das DRSC bzw. der IFRS-FA bereits mit dem Thema befasst hat (*Outreach Request*, IFRS-FA-Sitzungen, ggf. Stellungnahmen). Somit lassen sich die Entscheidung vor dem Hintergrund der bisherigen DRSC-Sicht beurteilen. Die Entscheidungen selbst sind in dieser Unterlage **37_10** noch nicht dargestellt, da die IFRS IC-Sitzung erst kürzlich stattfand bzw. der Bericht darüber zum Redaktionsschluss dieser Unterlage noch nicht vorlag.



3 Informationen im Detail

3.1 Vorläufige Agenda-Entscheidungen (New Items)

- 5 In der IFRS IC-Sitzung im März 2015 sollte folgende weitere vorläufige Agenda-Entscheidung (TAD) getroffen werden:

IAS/IFRS	Thema	TAD
IAS 19 / IFRIC 14	<i>Limit of a DBA, Minimum Funding Requirements</i>	NIFRIC (sufficient guidance exists)

3.1.1 Zu IAS 19 / IFRIC 14 – *Limit of a DBA, Minimum Funding Requirements*

- 6 Die Anfrage an das IFRS IC betrifft die Auslegung von IFRIC 14.21 in Bezug auf die zugrundeliegende Mindestperiode. Im Februar 2015 hatte das IFRS IC einen *Outreach Requests* hierzu gestartet. Dabei wurde der Sachverhalt wie folgt übermittelt:

1. Background

In this case, a minimum funding arrangement is regularly renegotiated with the pension trustees, eg on an annual or triennial basis.

The negotiated amount must be paid for a fixed period, eg five years. There may be a notice period required before an entity can choose to cease future pension funding, however it will not be contractually required to continue with future pension contributions over the life of the plan.

If the pension plan is continued, this arrangement should be continuously renewed and the contribution rate is renegotiated between the entity and the trustees. However, if the plan is wound up, this agreement does not need to be renewed.

2. Divergent views identified by the submitter

The submitter has identified divergent views with respect to the period for which the future minimum funding requirement contributions should be included in the calculation, when these are the contractual amounts agreed with pension trustees.

View 1: Assume that the future minimum funding requirement will apply for only the minimum period agreed with the pension trustees

- Proponents of View 1 argue that paragraph 21 of IFRIC 14 only requires minimum funding requirements to be included in an asset ceiling test for the fixed period to which an entity has contractually agreed at the balance sheet date.
- For example, if the entity is only committed to make minimum contributions for five years, only five years of minimum pension contributions would be included in the asset ceiling test.

View 2: Assume that the minimum funding requirement will continue over the estimated life of the pension plan

- Proponents of View 2 argue that the requirement to use terms and conditions contractually agreed at the balance sheet date refers only to the agreed contribution rate.



- They think that paragraph 21 does not explicitly refer to the period for which minimum funding requirements should be included. They also think that this paragraph requires an entity to use the assumptions consistent with those used to determine the defined benefit obligation and with the situation that exists at the end of the reporting period as determined by IAS 19, for any factors not specified by the minimum funding basis.
- Proponents of View 2 also argue that using the consistent period for future service costs and minimum funding requirements is a better reflection of how the funding arrangements work in practice.

3. Questions

1. In your jurisdiction, is the funding arrangement which is similar to the arrangement described in the submission common?
2. If you answered 'yes' to Question 1, what is the predominant accounting treatment for this? In addition, could you please briefly describe the rationale for that accounting treatment? (If possible, please provide examples of the predominant approach that you observe. Ideally this should be an example from published financial statements but examples provided on a confidential basis will also be useful.)
3. On the basis of your response to Question 2, to what extent do you observe diversity in the accounting treatment?

7 Die DRSC-Antwort vom 18. März 2015 hierzu lautete wie folgt:

Ad 1) Similar funding arrangements are not common in our jurisdiction.

Ad 2) Since the issue is not common, we provide our view from a theoretical perspective: Mixed views were brought to our attention as to whether view 1 or view 2 is appropriate. We agree that IFRIC 14.21 is the relevant paragraph, and it seems to support either of the views. Since the appropriate "period" is not mentioned explicitly, the answer must be derived from an interpretation of the guidance available. To our view, the 2nd phrase in para. 21 would rather support view 2 as the use of assumptions is required. However, the 4th phrase in para. 21 would rather support view 1 as effects from changes (e.g. prolongation) that are not substantively enacted shall be excluded. To sum up, para. 21 in itself is unclear, if not contradictory, and warrants clarification.

Ad 3) n.a.

8 Das Thema wurde sodann wenige Tage später erstmals in öffentlicher Sitzung des IFRS IC diskutiert. Die vorläufige Entscheidung und der Wortlaut der Begründung hierzu sind aus dem IFRIC Update 3/2015 (Unterlage **37_10a**) ersichtlich.



3.2 Endgültige Agenda-Entscheidungen

- 9 Im März 2015 hat das IFRS IC folgende endgültigen Agenda-Entscheidungen vorgesehen:

IAS/IFRS	Thema	AD
IFRS 11	<i>Several issues</i>	NIFRIC (different issues with different reasons), aggregate publication of decisions on all issues --> wie TAD
IFRS 10	<i>Structured entities involving leases</i>	NIFRIC (no material uncertainty, no significant diversity) --> wie TAD
IAS 12	<i>Selection of applicable tax rate</i>	NIFRIC (no material uncertainty, no significant diversity) --> wie TAD
IAS 19	<i>Longevity swaps</i>	NIFRIC (rare circumstances, clear predominant practice, no diversity) --> wie TAD

3.2.1 Zu IFRS 11 – *Several issues*

- 10 Mehrere Anfragen betreffend IFRS 11 gingen Mitte 2013 beim IFRS IC ein. Im Juli 2013 hatte das IFRS IC einen *Outreach Request* hierzu gestartet und darin diverse Fragen aufgeworfen. Die umfassende Sachverhaltsdarstellung wurde bereits in Unterlage **33_08** (ab Rz. 6) wiedergegeben.
- 11 Die DRSC-Antwort vom 5. August 2013 hierzu lautete wie folgt:

A. Does the document sent appropriately summarise the issues and views that have been raised regarding the application of IFRS 11?

With respect to all 5 following questions, we do not know whether there are other views, which are being discussed in addition to the views described in the document you provided to us.

Classification of joint arrangements

Q1: Should the assessment of 'other facts and circumstances' be based only on contractual (and legal) enforceable terms?

Generally it appears that view 1 largely finds support, while view 2 would need to be evaluated in the context of individual facts and circumstances for each individual case (with the challenging task how to determine 'economic compulsion'). View 3 finds little or even no support.

Q2: When the parties have an obligation to purchase substantially all the output produced by the arrangement, does the fact that the output is sold at a market price prevent the arrangement from being classified as a joint operation?

Generally it appears that view 1 largely finds support, whereas there is little or no support for view 2. However, in the context of this question it has been stressed that it is important to assess all relevant facts and circumstances.

Q3: When assessing 'other facts and circumstances', does financing from a third party prevent an arrangement from being classified as a joint operation?

Overall, there was the impression that question 3 is not well drafted so that the issue in the given context and considering Example 5 to IFRS 11.B32 is not clear. Put differently: one specific aspect is the subject of this question, although the answer to the question shall be based on all pertinent facts and circumstances. This appears to be a contradiction.



Q4: When assessing 'other facts and circumstances', should the assessment be made at the level of the parties as a group or by each party in isolation?

Generally it appears that view 1 largely finds support. With respect to view 2, only two participants in the call wouldn't rule out possible circumstances, which would lead to separate assessments to be performed by each party of the joint arrangement. However, it was made clear, that such circumstances are rare.

Accounting for joint arrangements

Q5: How should the parties to a joint operation account for their share of assets and liabilities when the share of output purchased by the parties from the arrangement differs from the parties' ownership interest in the arrangement?

This subject to a large extent is still in discussion. Some support view 2 and, in exceptional cases, would consider it appropriate to follow View 1. Others see merits equally in both views. Overall and due to the significance of this issue, one audit firm strongly prefers the IASB addressing the issue by clarifying it as an amendment to the standard (ie narrow scope amendment).

B. Are there, to your knowledge, additional significant issues, that have been raised regarding the application of IFRS 11 that we should take into consideration?

With respect to Q5 above: in case the guidance to be provided follows view 1 ("the parties should account for their share of assets and liabilities based on the share of output purchased by the parties from the arrangement if this determines the rights and obligations that the parties have in respect of the assets and liabilities relating to the arrangement"), the issue should be addressed, how to account for the imbalance between the amount invested by each party and the amounts recognised by each party for the share of assets and share of liabilities.

With respect to Q5 above: For joint operations which are structured as multiple phase – arrangements (where the different phases may relate to eg R&D – Production – Distribution), it should be clarified, whether the decision as to how to account for assets and liabilities needs to be made independently for each phase of the arrangement (ie: singular or continuous assessment).

- 12 Die Themen zu IFRS 11 wurden seit September 2013 in jeder Sitzung des IFRS IC diskutiert. Zuletzt erörterte das IFRS IC die IFRS 11-Themen im September 2014 und beschloss, sämtliche Erkenntnisse bzw. Ergebnisse aus den Diskussionen zusammengefasst in einem Dokument zu veröffentlichen. Diese Entscheidung wurde wie folgt begründet (vgl. IFRIC Update 9/2014):

The IFRS IC considered its next step with regard to various issues relating to IFRS 11 that it had identified at its November 2013 meeting and had discussed at various meetings up to July 2014. The IFRS IC addressed how it can best document its conclusions and observations from the discussion of those issues. The IFRS IC noted that the most appropriate way of documenting its work is to publish it in IFRIC Update rather than develop a new form of communication.

The IFRS IC thought that a series of agenda decisions, each describing a separate aspect of its discussions and capable of standing alone, would be preferable. Consequently, the IFRS IC asked the staff to prepare separate summaries for each topic that has been discussed.

The staff will present the proposed summaries at a future meeting.



- 13 Der IFRS-FA hatte im Oktober 2014 Kenntnis von diesem Beschluss erhalten und Folgendes festgestellt, allerdings ohne formale Stellungnahme ans IFRS IC:

Die Zusammenfassung von diversen Entscheidungen seitens des IFRS IC wird begrüßt, weil dieses Vorgehen dem Bilanzierenden das Auffinden erleichtert. Dass diese "nur" im Rahmen eines IFRIC Update erfolgt, wird kritisch beurteilt. Hierdurch wird kaum der *due process* eingehalten, den eine solche Auslegung verdient, die eher eine Standardergänzung darstellt. Diese Aussagen sollen vorgemerkt werden, bis das IFRS IC den Wortlaut im IFRIC Update tatsächlich veröffentlicht, um dann Wortlaut und Form der Entscheidung in einem Zusammenhang würdigen und ggf. kommentieren zu können.

- 14 Das IFRS IC hatte im November 2014 vorläufig entschieden, dass eine Klarstellung oder Interpretation nicht erforderlich ist. Der umfassende Wortlaut der Begründung findet sich im IFRIC Update 11/2014 (vgl. Unterlage **33_08a**).

- 15 Der IFRS-FA hatte Anfang Januar 2015 Kenntnis von der vorläufigen Entscheidung des IFRS IC erhalten. Gegenüber dem IFRS IC wurde dazu wie folgt Stellung genommen (Auszug aus DRSC-Stellungnahme vom 20. Januar 2015):

We appreciate and support the substance of the IFRS IC's tentative agenda decisions and the clarifications they comprise. However, we have concerns about not developing any formal clarification of the standard, but declaring that sufficient guidance would exist and neither a clarification nor an interpretation is needed.

In our view, the IFRS IC's tentative agenda decisions are an important clarification of the underlying principles of IFRS 11 and are crucial to the application of IFRS 11. Therefore, we believe that merely publishing these clarifications as (tentative) agenda decisions would not be appropriate to the importance of these clarifications.

Thus, we urge the IFRS IC to hold onto its views, but to revise the tentative agenda decision by proposing a narrow-scope amendment which would add guidance to IFRS 11, based on the wording of the current tentative agenda decisions. Only if this is not deemed feasible, we would encourage the IFRS IC to publish the clarifications as agenda decisions, but in this case to also earmark these issues for future due process steps, i.e. the post-implementation review of IFRS 11.



3.2.2 Zu IFRS 10 – *Structured entities involving leases*

- 16 Die Anfrage an das IFRS IC betrifft zwei Sachverhalte betreffend die Beurteilung von Kontrolle nach IFRS 10 beim Leasingnehmer. Im Oktober 2014 hatte das IFRS IC zwei *Outreach Requests* hierzu gestartet. Dabei wurden die Sachverhalte wie folgt übermittelt:

Submission / Issue A

1. Summary: Submission A - Operating lessee, financed by lenders

A structured entity (the SE) is created on behalf of a manufacturer. The SE holds a single asset manufactured by the manufacturer which is subsequently leased to a single customer, the lessee. The lease to the customer is an operating lease in the terms of IAS 17. The SE is financed by a third party lender, a bank. The bank manages the credit risk on the lease receipts and makes decisions about the sale of the residual asset if the lessee does not exercise its option to purchase. The bank also holds the equity in the SE. The submitter thinks that there are two views in practice with respect to whether the following are relevant activities of the SE:

- (a) use of the asset by the lessee during the lease term; and
- (b) the option to purchase the asset at the end of the lease term.

2. Views

View A: Yes, they are the relevant activities that should be considered in an IFRS 10 analysis.

This view is based on the premise that the SE, as legal owner of the asset, is exposed to the risks and rewards incidental to owning the asset. Through the lease agreement, the lessee can significantly affect these risks and rewards because it has use of the asset during the lease period, and use of the asset is an activity that significantly affects the asset's fair value and therefore the returns of the SE. Under this view, if use of the asset and the purchase option are considered the most relevant activities of the SE, which the submitter believes would likely be the case, the lessee would consolidate the SE. Because the lessee consolidates the lessor (the SE), the IAS 17 classification is not relevant.

View B: No, they are not the relevant activities that should be considered in an IFRS 10 analysis.

This view is based on the premise that the lease agreement creates the risks which the SE is designed to be exposed to, ie credit risk of the lessee and residual value risk. These risks are managed by the SE/Bank through its actions in monitoring default, monitoring use of the asset and managing the sale of the asset in the event the purchase option is not exercised by the lessee. Under this view, use of the asset is not a relevant activity. Therefore, the lessee would not consolidate the SE and its accounting for the transaction would be determined by reference to IAS 17.

3. Questions

- (a) Are you aware of any transactions of this type that take place in your jurisdiction? If yes,
 - How common is this type of transaction?
 - How is the structured entity accounted for in your jurisdiction, ie which entity would consolidate the SE in each case?
 - Is there diversity in practice?
- (b) If you have a preferred or recommended treatment, what is it and why?
- (c) Do you have any other comments on these submissions?



Submission / Issue B

1. Summary: Submission B - Finance lessee, financed by lenders

A manufacturer sells high value, technologically-advanced PPE. A structured entity (the SE) is created on behalf of the manufacturer / its customer. The SE holds a single asset made by the manufacturer which is subsequently leased to the customer under a finance lease.

1.1. Case 1

The cost of the asset is 80 CU. The customer pays 25% of the consideration directly to the manufacturer. The remaining 75% of the asset is sold to the SE which is, itself, financed by both senior and junior lenders. The customer enters into a finance lease with the SE for the remaining 75% interest in the leased asset:

Lease financing 75%	CU
Lease payments-principal	60
Lease payments- interest	25
Total payments	85
Residual value of asset	20

If the lessee/customer defaults, the senior lender has the right to repossess the leased asset and resell it. In order to protect the junior lender from a resale by the senior lender at a reduced price, the junior lender has a right to buy the asset from the senior lender at an amount equal to the principal and interest due to the senior lender. The junior lender can then sell the asset in order to recoup as much of its unpaid principal and interest as possible. Amounts in excess of the sums due to the junior lender go to the lessee. The submitter asks whether the junior lender should consolidate the SE.

View A: The junior lender consolidates the SE.

Supporters of this view refer to IFRS 10.B53 which considers the case of an entity that has no relevant activity other than managing receivables on default. By analogy, supporters of this view think that managing the sale of the leased asset on default is the relevant activity of the SE and, consequently, the junior lender has power over the SE. Because the junior lender has power over the SE and has variable rights to be derived from the SE in terms of the proceeds of sale of the leased asset, supporters of this view think that the junior lender controls the SE.

View B: The junior lender does not consolidate the SE.

Supporters of this view think that this reflects the economics of the arrangement. At inception, it is not expected that default will occur or the lease would not be initiated. Managing the asset on default, therefore, is not the relevant activity of the SE. In addition, the junior lender has no right to variable returns in the normal course of the lease. Supporters of this view think that the junior lender's right to buy the asset is a protective right typical of any secured loan and, in accordance with IFRS 10.B28, the junior lender does not have power over the SE.

1.2. Case 2

The facts are the same except that the customer / lessee does not pay 25% of the consideration directly to the manufacturer. Instead, it pays 25% to the SE itself and consequently the customer becomes an investor in the SE. At the end of the lease, the customer/lessee has the residual interest in the leased



asset. Both sales of the asset on default and the sale of the asset at the end of the lease are considered to be the relevant activities of the SE. The junior lender controls the sales activities on lessee default, and the customer / lessee controls the sales activities at the end of the lease. Given that default is unlikely and the asset's residual value at the end of the lease is significant, selling the asset (or continue its use) at the end of the lease may prove to be the more relevant activity. In that case, the most relevant activities of the SE are controlled by the customer / lessee and consequently the lessee has power over the SE. Supporters of this view think that the lessee would consolidate the SE, not the junior lender.

The submitter notes that the way in which the asset is financed through a lease is identical in each case, but the way in which the SE itself is financed differs:

	Case 1		Case 2
Leased asset	60	Leased asset	80
Senior loan	(45)	Senior loan	(45)
Junior loan	(15)	Junior loan	(15)
		Lessee contribution	(20)

The submitter thinks that Case 1 and 2 are similar economically and is concerned that if View A above prevails the consolidation decision made in accordance with IFRS 10 differs.

2. Questions

- (a) *Are you aware of any transactions of this type that take place in your jurisdiction? If yes,*
- * *How common is this type of transaction?*
 - * *How is the structured entity accounted for in your jurisdiction, ie which entity would consolidate the SE in each case?*
 - * *Is there diversity in practice?*
- (b) *If you have a preferred or recommended treatment, what is it and why?*
- (c) *Do you have any other comments on these submissions?*

17 Die DRSC-Antworten vom 24. Oktober 2014 hierzu lauteten wie folgt:

Submission / Issue A

Ad (a) Those transaction are very common and deserve a high priority. We see diversity in practice.

Ad (b) Different preparers and auditors have expressed different preferences, so generally both views were considered acceptable. For some, it seems crucial to take a holistic view, i.e. consider all facts and circumstances. In particular, no activities should be excluded from the assessment of relevance.

Ad (c) We deem the questions of (a) which activities are relevant and (b) whether the lease agreement should be included as being crucial. As we deem IFRS 10 lacking clarity, we would welcome additional guidance.

Submission / Issue B

Ad (a)+(b) These transactions are common. We have no clear answer on how they are accounted for or about a preference. It depends on the individual facts and circumstances. We deem the balance between asset risk and credit risk being the crucial item to answer on this issue. Further, we think that the economics of the transaction are relevant only to the extent that they result in similar rights over the same entity and activities, i.e. economically similar agreements should not necessarily be accounted for similarly. **Ad (c)** n/a



- 18 Das Thema wurde im November 2014 erstmals in öffentlicher Sitzung des IFRS IC diskutiert; es wurde vorläufig beschlossen, dass mangels unterschiedlicher Bilanzierung und mangels nennenswerter Unsicherheit keine Klarstellung erforderlich ist. Der umfassende Wortlaut der Begründung findet sich im IFRIC Update 11/2014 (vgl. Unterlage **33_08a**).
- 19 Der IFRS-FA hatte Anfang Januar 2015 Kenntnis von der vorläufigen Entscheidung des IFRS IC erhalten. Gegenüber dem IFRS IC wurde wie folgt Stellung genommen (Auszug aus **DRSC-Stellungnahme** vom 20. Januar 2015):

The November 2014 *IFRIC Update* states that the IFRS IC had not received any evidence that there was diversity in the application of IFRS 10 on these issues. As communicated to the technical staff in their outreach on these issues, we observed that these transactions are common in Germany and that we see diversity in practice. As we think that IFRS 10 is lacking clarity, we would welcome additional guidance and would therefore appreciate further elaboration of these issues.

- 20 Das DRSC hat vom IASB-Staff folgende Rückmeldung per Email erhalten:

I'm sorry that we did not give sufficient prominence to the DRSC's response that these transactions are very common in Germany and give rise to diversity in practice. Of the eight national standard setters referred to in our outreach analysis, Germany was the only jurisdiction in which these transactions were reported to be common. Four had no knowledge of these transactions; one was aware of one such transaction and another stated that it was not common in their jurisdiction. The seventh other national standard setter was not aware of this specific type of transaction but thought that other types of structures could raise similar issues.

The general view of the firms was that the example in Agenda paper 12A was probably quite common but that they had not received queries on the subject because either the guidance was clear or there was no diversity in practice. The general view of the firms was that the example in Agenda Paper 12B had not been seen or was not common.

Nevertheless, we will think again about how we can better communicate individual views received in response to our outreach when those responses provide a different perspective.



3.2.3 Zu IAS 12 – *Selection of applicable tax rate*

- 21 Die Anfrage an das IFRS IC betrifft die Anwendung von IAS 12.51. Im September 2014 hatte das IFRS IC einen *Outreach Request* hierzu gestartet. Der Sachverhalt wurde wie folgt übermittelt:

1. Summary of the issue

According to IAS 12.51, the measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities. However, no specific guidance is provided in relation to the investments in associates that accounted for using the equity method.

Normally the carrying amount of an investment in associate could be recovered by (a) receiving of dividends (or other distribution of profit), (b) sale to a third party, (c) receiving of residual assets upon liquidation of the associate. Part of the temporary differences may be recovered through receipt of dividends. Other parts of the temporary differences may be recovered through sale or liquidation of the associate. The submitter also notes that an investor usually does not have enough power to control the proportion of profit that will be distributed (as dividends) or retained (as sale or liquidation).

If local tax legislation prescribes application of different tax rates for different manners of recovery (dividends, sale, liquidation), what tax rate should be used? For example, if tax legislation prescribes application of different tax rates: (a) **9%** for profit received in the form of dividends and (b) **20%** for profit received in all other forms.

2. Questions

Q1. *Are you aware of examples of circumstances in which different tax rates would be applied for the recovery of investment in associates in the following cases?*

- *receiving of dividends (or other distribution of profit);*
- *sell to third party; or*
- *receiving of residual assets upon liquidation of the associate.*

Q2. *If yes to Q1, please would you:*

- *inform us about how common this is in your jurisdiction;*
- *describe the prevalent accounting approach/basis followed in your jurisdiction; and*
- *provide us with examples that illustrate the practices that you observe and the reasons for the practice followed?*

- 22 Die DRSC-Antwort vom 6. Oktober 2014 hierzu lautete wie folgt:

The issue is not relevant in our jurisdiction since there are no different tax rates that would apply.

- 23 Das Thema wurde im November 2014 erstmals in öffentlicher Sitzung des IFRS IC diskutiert; es wurde vorläufig beschlossen, dass mangels unterschiedlicher Bilanzierung und mangels nennenswerter Unsicherheit keine Klarstellung erforderlich ist. Der umfassende Wortlaut der Begründung findet sich im IFRIC Update 11/2014 (vgl. Unterlage **33_08a**).

- 24 Der IFRS-FA hat Anfang Januar 2015 von dieser Entscheidung Kenntnis erhalten, aber **keinen weiteren Diskussionsbedarf festgestellt**.



3.2.4 Zu IAS 19 – Longevity swaps

- 25 Die Anfrage an das IFRS IC betrifft die Bilanzierung von Langlebigkeitsswaps gemäß IAS 19. Im September 2014 hatte das IFRS IC einen *Outreach Request* hierzu gestartet. Dabei wurde der Sachverhalt wie folgt übermittelt:

1. Background and issue

A longevity swap transfers the risk of pension scheme members living longer (or shorter) than expected. The swap transfers this risk from the pension scheme to an external party (usually an insurer or bank provider). If a defined benefit pension plan enters into a longevity swap, it pays fixed amounts and receives variable amounts. These amounts are settled on a net basis. The amounts under the variable leg are calculated at the amounts actually paid to beneficiaries. The question is how the longevity swap should be treated.

2. Views

View 1: The longevity swap is a plan asset that should be measured at fair value.

The supporters of this view think that the asset held is a single contract for the swap of two streams of cash flows in each period, a net cash flow takes place. This view is supported by paragraph 142 of IAS 19, which mentions longevity swaps as an example of plan assets. Assuming the swap is entered into at arm's length, the initial carrying amount of the swap would be zero as it is entered into 'at-the-money' with no premium paid. The swap should be measured at fair value as of each measurement date in IAS 19 and a change of fair value would be included as remeasurement gain or loss in other comprehensive income.

View 2: The swap should be split into a variable leg and a fixed leg.

The supporters of this view think that a longevity swap is economically identical to the purchase of a qualifying insurance policy (the variable leg); the only difference being that the premium is not paid immediately but in instalments over time. Accordingly, they think that the swap should be split into a **variable leg and a fixed leg**. In View 2, each leg is treated as follows.

- **Accounting for the variable leg:** As required by IAS 19, and as the variable leg represents a qualifying insurance policy that exactly matches the amount and timing of some or all of the benefits payable under the plan, the variable leg will be measured at the present value of the related obligation, measured according to IAS 19.
- **Accounting for the fixed leg:** The fixed leg represents either a financial liability or a component of plan assets. Either way, the initial measurement would be at fair value. The subsequent accounting would be:
 - View 2 (i):** Fair value if considered to be a component of plan assets; or
 - View 2 (ii):** Amortised cost if considered a financial liability, for the reason that if the plan had borrowed externally to pay a premium to buy the variable leg, it would naturally default to the 'normal' accounting standard for it.

The receivable under the variable leg and the liability under the fixed leg are not necessarily equal at inception, because of the premium for the risk to be transferred. As such, it raises the question of how to treat the resultant debit entry.



- **View 2A:** It should be recognised in profit or loss, because it is similar to a settlement loss in substance.
- **View 2B:** It should be remeasurement gain or loss (recognised in OCI), because the loss results from exchanging one plan asset for another. The typical bid-offer spread in quoted investments results in the same type of actuarial loss, albeit typically less significant.

3. Questions

Q1 *In your jurisdiction, is the use of longevity swaps by a defined benefit plan common?*

Q2 *If 'yes' to Q1, what is the predominant accounting treatment for longevity swaps? In addition, could you please briefly describe the rationale for that accounting treatment? (Please provide examples of the predominant approach that you observe. Ideally this should be an example from published financial statements but examples provided on a confidential basis will also be useful.)*

Q3 *On the basis of your response to Q2, to what extent do you observe diversity in the accounting treatment?*

26 Die DRSC-Antwort vom 6. Oktober 2014 hierzu lautete wie folgt:

Ad Q1: No, it is not common in our jurisdiction.

Ad Q2: However, we are aware of the discussion and see arguments for both view. Thus, we consider the issue deserving clarification. From our point of view, the issue is much broader and comprises other related circumstances, e.g. liability insurance contracts. The issue would obviously touch more general aspects, e.g. when shall a contract be split into two components (or two contracts be condensed to one item). If the issue were to be solved, it could become part of a broader project for revising IAS 19.

Ad Q3: n/a.

27 Das Thema wurde im November 2014 erstmals in öffentlicher Sitzung des IFRS IC diskutiert. Das IFRS IC stellte fest, dass der Umstand selten vorkommt und dass eine deutlich vorherrschende Bilanzierungspraxis zu erkennen ist. Folglich ist keine Klarstellung erforderlich. Der umfassende Wortlaut der Begründung findet sich im IFRIC Update 11/2014 (vgl. Unterlage **33_08a**).

28 Der IFRS-FA hat Anfang Januar 2015 von dieser Entscheidung Kenntnis erhalten und **[dieser Entscheidung ausdrücklich zugestimmt](#)**.