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## IFRS-FA – öffentliche SITZUNGSUNTERLAGE

<b>Sitzung:</b>	<b>44. IFRS-FA / 09.12.2015 / 14:15 – 14:45 Uhr</b>
<b>TOP:</b>	<b>06 – IASB-ED/2015/9 Transfers of Investment Property</b>
<b>Thema:</b>	<b>Vorstellung/Diskussion des IASB-Entwurfs</b>
<b>Unterlage:</b>	<b>44_06_IFRS-FA_InvProp_CoverNote</b>

### 1 Sitzungsunterlagen für diesen TOP

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

Nummer	Titel	Gegenstand
44_06	44_06_IFRS-FA_InvProp_CoverNote	Cover Note
44_06a	44_06a_IFRS-FA_InvProp_ED	IASB-ED/2015/9
44_06b	44_06b_IFRS-FA_InvProp_Diskussionsgrundlage	Präsentation zum ED

Stand der Informationen: 20.11.2015.

### 2 Ziel der Sitzung

- 2 Dem IFRS-FA wird der IASB-Änderungsentwurf ED/2015/9 *Transfers of Investment Property* (im Folgenden „Entwurf“) vorgestellt. Die Erörterung des Entwurfs im IFRS-FA dient der Vorbereitung einer DRSC-Stellungnahme an den IASB. Dazu sollen auch Antworten zu den im Entwurf gestellten Fragen festgelegt werden.
- 3 Wegen der Begrenztheit der Änderung von IAS 40 und wegen des früheren positiven Votums im IFRS-FA kann der IASB-Entwurf ggf. in dieser FA-Sitzung abschließend erörtert werden.

### 3 Historie des Projekts

- 4 Im Jahr 2014 erhielt das IFRS IC eine Anfrage zur Anwendbarkeit von IAS 40.57 im Falle von als Finanzinvestition gehaltenen Immobilien (im Folgenden "Anlageimmobilie"), die noch in der Entstehung/Entwicklung sind.
- 5 Im Dezember 2014 hatte das IFRS IC einen *Outreach Request* hierzu gestartet, an dem sich das DRSC allerdings nicht beteiligt hatte. Dabei wurde der Sachverhalt wie folgt übermittelt:



## **1. Submission received**

Investment properties under construction were brought into the scope of IAS 40 in 2008. The amendment extended the scope of the standard but seems to have at least one unintended consequence. The guidance in IAS 40.57 does not seem to allow a property under construction to be transferred from inventory to investment property even when there is an evident planned change in use. Measurement guidance is provided for this eventuality. We wonder if the lack of modifications to para. 57 was an oversight rather than an intention to prohibit transfers of investment property under construction.

### **The issue**

*IAS 40.57: Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:*

- a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;*
- b) commencement of development with a view to sale, for a transfer from investment property to inventories;*
- c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or*
- d) commencement of an operating lease to another party, for a transfer from inventories to investment property.*

IAS 40.57, as drafted, restricts transfers to or from investment property. It appears to contemplate transfers of completed properties only from inventory to investment property. It does not seem to provide for a transfer of an incomplete property from inventory (being constructed for sale) to investment property (being constructed for rental income).

The 2008 AIP extended the application of IAS 40 to investment properties under construction with no conforming changes made to the guidance on transfers into, or from, investment properties. We believe that this is an oversight with unintended consequences as illustrated below. A property developer has two properties under construction. The original plan was to have Property A for sale (as inventory at cost) and Property B for rental (as investment property at fair value). The property developer changes their plan during construction to keep Property A for earning rentals rather than selling it and obtains approval from the Land Officer for the change in use. It undertakes initial leasing activities to attract tenants. Both properties will be held for rental upon completion. However, as no lease has commenced, Property A is measured at cost within inventory until the commencement of a lease which will be after completion of construction even though it no longer meets the definition of inventory. The two properties under construction, although held for the same purpose, continue to have different classification and measurement basis.



	<b>Property A under construction</b>	<b>Property B under construction</b>
<b>Original plan</b>	<b>For sale</b>	<b>For rental</b>
Classification and measurement	Inventory measured at cost	Investment property measured at fair value
After change of plan	For rental  From the definition's perspective, it no longer meets the definition of inventories which are assets in the production for such sale but meets the definition of investment properties which are properties held to earn rentals or for capital appreciation.	For rental
Classification and measurement during construction under IAS 40.57	Continued to be measured at cost within inventory because there is no commencement of an operating lease to another party.	Investment property measured at fair value

We believe that a narrow-scope amendment to IAS 40.57 could address this issue by revising IAS 40.57(d) to clarify that it applies to completed properties and adding an additional example of the evidence necessary to support a change in classification for a property under construction. The examples of evidence for the transfer into, or from, investment properties during the construction stage, might include:

- approval from relevant regulatory bodies for a change in the use of the property under construction upon its completion;
- approval from an appropriate level of management which has been communicated to relevant external parties; or
- relevant actions, such as commencement of leasing activities or promotional activities to sell the property upon its completion (where applicable) or modifying the layout or construction to make it suitable to a change in use.

6 Das IFRS IC diskutierte diesen Sachverhalt erstmals (und einzig) im Januar 2014 und traf die Entscheidung, dem IASB eine Änderung von IAS 40 zu empfehlen. Die IFRS IC-Entscheidung wird wie folgt begründet (Auszug aus IFRIC-Update 1/2015):

The IFRS IC observed that the principle in IAS 40 for classification as investment property is based on how an asset is used. The IFRS IC determined that a change in use would involve:

- a. an assessment of whether a property qualifies as an investment property; supported by
- b. evidence that a change in use has occurred.

Consequently, the IFRS IC determined that an entity should reclassify investment property under construction or development into, or out of, investment property if, and only if, there is evidence that a change in the use of such property has occurred.

The IFRS IC also noted that the words 'when and only when' in para. 57 are important to ensure that a reclassification is limited appropriately to reflect changes in use that have taken place. The IFRS IC observed that the list of circumstances set out in para. 57(a)–(d) should be



re-presented as examples of evidence that a change in use has occurred, and not as an exhaustive list.

Consequently, the IFRS IC decided to recommend to the IASB that it should amend IAS 40.57 to reinforce the principle for reclassification into, or out of investment property, by adding guidance in line with the approach described above.

- 7 Der IFRS-FA hatte sich in seiner 35. Sitzung mit der Fragestellung befasst und befürwortete die IFRS IC-Entscheidung.
- 8 Im April 2015 hat der IASB den IFRS IC-Vorschlag erörtert und die Empfehlung einer IAS 40-Änderung angenommen. Die IASB-Entscheidung wird wie folgt wiedergegeben (Auszug aus IASB-Update 4/2015):

The IASB discussed the recommendations from the IFRS IC for a narrow scope amendment of IAS 40.57. The IASB observed that, in accordance with para. 57, transfers into, or out of, investment property should occur when and only when there has been a change in use which is evidenced by the circumstances mentioned in para. 57 (a)–(d). The IASB further observed that the use of the words “when and only when” in paragraph 57 implies that a change in use is limited to one of the circumstances described in paragraphs 57(a)–(d) and that the list in para. 57(a)–(d) is exhaustive.

The IASB tentatively agreed to amend para. 57 to reinforce the principle for transfers into, or out of, investment property in IAS 40 to specify that:

- a. a transfer into, or out of investment property should be made only when there has been a change in use of the property; and
- b. such a change in use would involve an assessment of whether the property qualifies as an investment property. That change in use should be supported by evidence.

As recommended by the IFRS IC, the IASB tentatively decided that the list of circumstances set out in paragraph 57(a)–(d) should be re-presented as examples of evidence that a change in use has occurred, rather than as an exhaustive list. *(All 14 IASB members agreed with this decision.)* The IASB tentatively decided not to require disclosure of the evidence used to support a change in use for each transfer into, or out of, investment property. This disclosure had been recommended to the IASB by the IFRS IC. *(Ten IASB members agreed with this decision and four disagreed.)*

The IASB will consider the due process undertaken on the proposed narrow-scope amendment to IAS 40 at a future meeting.

- 9 Am 19. November 2015 hat der IASB den Entwurf ED/2015/9 veröffentlicht. Stellungnahmen können bis zum 18. März 2016 beim IASB eingereicht werden.