Staff paper

Agenda reference: 32A

IASB® meeting

Date	**April 2024**
Project	**Updating the Subsidiaries without Public Accountability: Disclosures Standard**
Topic	**Effective date and transition**
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Purpose of this paper

1. The purpose of this paper is to ask the International Accounting Standards Board (IASB) whether it agrees with our recommendations with respect to the effective date and transition to apply the amendments that the catch-up Exposure Draft will propose to the forthcoming IFRS 19 *Subsidiaries without Public Accountability: Disclosures*.

2. This paper includes:

   (a) summary of staff recommendation (paragraph 3);

   (b) effective date (paragraphs 4–10);

   (c) transition requirements (paragraphs 11–12); and

   (d) staff recommendation (paragraph 13).

Summary of staff recommendation

3. The staff recommends that:

   (a) the proposed amendments to IFRS 19 have the same effective date as IFRS 19 (that is, 1 January 2027); and

   (b) early adoption of the proposed amendments to IFRS 19 is permitted.

Effective date

4. Paragraph 6.35 of the *Due Process Handbook* notes:

   > … The mandatory effective date is set so that jurisdictions have sufficient time to incorporate the new requirements into their legal systems and those applying the Standards have sufficient time to prepare for the new requirements.

Staff analysis

5. When the IASB developed IFRS 19, it considered issued IFRS Accounting Standards as at 28 February 2021. When IFRS 19 is issued, it will not contain reduced versions of any disclosure requirements that were added or amended after that date (that is, all new and amended disclosure requirements issued after that date will be included in full in IFRS 19 without any reductions for eligible subsidiaries).

6. The new and amended disclosure requirements in IFRS Accounting Standards (for brevity this will be referred to as ‘new and amended disclosure requirements') after 28 February 2021 will be dealt with through a catch-up Exposure Draft based on applying the principles for reducing disclosures; this included disclosure requirements from projects listed in Table 1.

Table 1—New and amended disclosure requirements[1]

Project	Effective date
(a) *Lack of Exchangeability* (Amendments to IAS 21)	1 January 2025
(b) *International Tax Reform—Pillar Two Model Rules* (Amendments to IAS 12)	1 January 2023
(c) *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7)	1 January 2024
(d) *Non-current Liabilities with Covenants* (Amendments to IAS 1)	1 January 2024
(e) *Amendments to the Classification and Measurement of Financial Instruments* (Amendments to IFRS 9 and IFRS 7)	1 January 2026[2]
(f) *Primary Financial Statements* (IFRS 18 *Presentation and Disclosure in Financial Statements*)	1 January 2027
(g) *Rate regulated activities*	TBD

7. IFRS 19 is effective 1 January 2027 with early application permitted. The staff observed that, with the exception of *Rate regulated activities*, amendments to IFRS Accounting Standards from projects listed in items (a) to (e) and the forthcoming IFRS 18 *Presentation and Disclosures in Financial Statements*, item (f), in Table 1 will be effective when IFRS 19 becomes effective.

8. Accordingly, the proposed amendments to IFRS 19 that will be in the catch-up Exposure Draft could have an effective date the same with IFRS 19, that is 1 January 2027. This would mean that an eligible subsidiary applying IFRS 19 from its effective date would also benefit from reduced disclosures of new and amended disclosure requirements.

[1] *Annual Improvements* is not included in Table 1. The tentative decisions by the IASB in finalising its proposals for *Annual Improvements* do not affect the disclosure requirements in the forthcoming IFRS 19 *Subsidiaries without Public Accountability: Disclosures* and do not need to be considered for the catch-up Exposure Draft.

[2] In February 2024, the IASB tentatively decided to set an effective date of annual reporting period beginning on or after 1 January 2026 for the amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*.

Early application of proposed amendments to IFRS 19

9. The IASB could either allow or not allow eligible subsidiaries to early apply the proposed amendments to IFRS 19, when finalised. IFRS 19 will simplify the preparation of an eligible subsidiary's financial statements. As noted in paragraph 5 of the paper, until the proposed amendments to IFRS 19 are finalised, new and amended disclosure requirements would apply in full without reductions. Therefore, the staff did not identify a compelling reason why an eligible subsidiary should be prohibited from early application of those proposed amendments, when they are finalised.

Rate-regulated activities

10. In its March 2024 meeting, the IASB decided not to propose reduced disclosure requirements for the future Rate-regulated Activities Standard (RRA Standard) at this time. If respondents to the catch-up Exposure Draft support this, then the RRA Standard will, when issued, amend IFRS 19 to remove the disclosure requirements for IFRS 14 *Regulatory Deferral Accounts* and introduce new disclosure requirements.

Transition requirements

11. In July 2023, the IASB tentatively decided to confirm the proposals about comparative information that an eligible subsidiary applying IFRS 19 would be required to provide.[3] In summary, an eligible subsidiary shall provide comparative information for all amounts reported in the current period's financial statements, unless IFRS 19 or another IFRS Accounting Standard permits or requires otherwise.

12. The proposed amendments to IFRS 19 will not change these requirements.

[3] See IASB *Update* of the July 2023 IASB meeting.

Staff recommendation and question for the IASB

13. Based on the analysis in paragraphs 5–12, the staff recommends that:

    (a) the proposed amendments to IFRS 19 have the same effective date as IFRS 19 (that is, 1 January 2027); and

    (b) early adoption of the proposed amendments to IFRS 19 is permitted.

Question for the IASB
Does the IASB agree with the staff recommendation set out in paragraph 13 of this paper?