

## **IAS 7 *Cash Flow Statements* (August 2005)**

### ***Value added tax***

The IFRIC considered whether it should add to its agenda a project to clarify whether cash flows reported in accordance with IAS 7 *Cash Flow Statements* should be measured as inclusive or exclusive of value added tax (VAT). There was evidence that different practices will emerge, the differences being most marked for entities that adopt the direct method of reporting cash flows.

IAS 7 does not explicitly address the treatment of VAT. The IFRIC noted that it would be appropriate in complying with IAS 1 *Presentation of Financial Statements* for entities to disclose whether they present their gross cash flows as inclusive or exclusive of VAT. The IFRIC decided that it should not develop an Interpretation on this topic, because while different practices may emerge, they are not expected to be widespread. The IFRIC will recommend to the IASB that the treatment of VAT should be considered as part of the review of IAS 7 being carried out within the project on performance reporting.