

## STAFF PAPER

July 2016

## IASB Meeting

IFRS® Interpretations Committee meeting  
Jan 2015 | IASB® April and May 2015

Project	Narrow-scope amendment: IAS 40 <i>Investment Property</i> — transfers of investment property		
Paper topic	Due process steps		
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board® (“the Board”) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB *Update*.

**Objective**

1. The objective of this paper is to:
  - (a) set out the due process steps that the Board has taken in completing the narrow-scope project *Transfers of Investment Property* (Amendments to IAS 40 *Investment Property*);
  - (b) ask the Board to confirm that it is satisfied that it has complied with the due process requirements; and
  - (c) ask the Board to give permission to begin the balloting process.

**Structure of the paper**

2. The paper is structured as follows:
  - (a) background;
  - (b) re-exposure;
  - (c) intention to dissent;
  - (d) effective date and transition;
  - (e) proposed timetable for balloting and publication; and
  - (f) confirmation of due process steps.

## Background

3. In January 2015 the IFRS Interpretations Committee (the ‘Interpretations Committee’) discussed a request to clarify the application of paragraph 57 of IAS 40 *Investment Property*, which includes requirements on transfers to, or from, investment property.<sup>1</sup> More specifically, the Interpretations Committee discussed whether an entity could transfer a property under construction or development that was previously classified as inventory to investment property when there is an evident change in use.
4. The Interpretations Committee recommended that the Board address this issue through a narrow-scope amendment to paragraph 57 to IAS 40. That amendment would clarify the principle for transfers to, or from, investment property.
5. At its meeting in April 2015, the Board agreed with the Interpretations Committee’s recommendations to do the following:<sup>2</sup>
  - (a) clarify the principle for transfers of investment property by amending paragraph 57 of IAS 40 to:
    - (i) state that an entity transfers a property to or from investment property when, and only when, there is evidence of a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property; and
    - (ii) re-characterise the list of circumstances set out in paragraph 57(a)–(d) as a non-exhaustive list of examples of evidence of a change in use.
  - (b) require an entity to apply the amendments to IAS 40 retrospectively.
6. The Board published the proposed amendments in November 2015 in [Exposure Draft \*Transfers of Investment Property\*](#) (Proposed amendments to IAS 40). The comment period ended on 18 March 2016.

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<sup>1</sup> Refer to [Agenda Paper 12](#) of January 2015 (Interpretations Committee meeting).

<sup>2</sup> Refer to [Agenda Paper 12A](#) of April 2015 (Board meeting).

7. At the May 2016 meeting, the Interpretations Committee was presented with a summary and an analysis of the 57 comment letters received on the ED. The Interpretations Committee discussed the comments received and the staff recommendations. It decided to recommend that the Board finalise the amendments to IAS 40, subject to some revisions to the proposed wording. A summary of the decisions made at that meeting can be found in:
- (a) the [IFRIC Update for the Interpretations Committee meeting in May 2016](#)<sup>3</sup>; and
  - (b) agenda paper 12A for this meeting.

## Re-exposure

8. We recommend that the Board does not re-expose the amendments to IAS 40. In making this recommendation, we have considered the requirements in paragraphs 6.25-6.29 of the [IFRS Foundation Due Process Handbook](#).
9. Overall, most respondents supported the proposals and no substantial issues were identified. The Interpretations Committee are recommending that the Board finalise the proposed amendments, with some clarifications to the wording of the amendments. Those clarifications do not include substantial changes.
10. Consequently, we think that there are no substantive changes being made on which respondents have not had the opportunity to comment.

## Effective date and transition

### ***Effective date***

11. Paragraph 6.35 of the *Due Process Handbook* requires that the mandatory effective date is set so that jurisdictions have sufficient time to incorporate the new requirements into their legal systems, and those applying IFRS have sufficient time to prepare for the new requirements.

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<sup>3</sup> For a detailed description of the comments received and of the comment letter analysis discussed by the Interpretations Committee, refer to [agenda paper 5](#) presented at the May 2016 meeting.

12. We expect to issue the final amendments to IAS 40 in the fourth quarter of 2016. The amendments are narrow in scope and are expected to reduce diversity in the application of paragraph 57 of IAS 40.
13. We recommend that the effective date for the amendments is 1 January 2018. We think that one year should be sufficient to prepare to implement the amendments to IAS 40. We also recommend that earlier application is permitted.

### **Transition**

14. The transition requirements are discussed in agenda paper 12A for this meeting—we have recommended transition relief for IFRS preparers in response to concerns raised by respondents to the ED.

### **Intention to dissent**

15. In accordance with paragraph 6.23 of the *Due Process Handbook*, we are asking whether any Board member intends to dissent from the issuance of the amendments to IAS 40.

### **Proposed timetable for balloting and publication**

16. We plan to start the balloting process in August 2016, and expect to issue the amendments to IAS 40 in the fourth quarter of 2016.

### **Confirmation of due process steps**

17. In Appendix A to this paper, we have summarised the due process steps we have taken in developing the amendments to IAS 40. We note that the required due process steps applicable for the issuance of a narrow-scope amendment have been completed.

## Questions for the Board

### Questions for the Board

1. **Re-exposure**—does the Board agree with the staff recommendation not to re-expose the amendments to IAS 40?
2. **Effective date**—does the Board agree that the effective date for the amendments to IAS 40 is 1 January 2018, with earlier application permitted?
3. **Dissent**—does any Board member intend to dissent to the issuance of the amendments to IAS 40?
4. **Permission to ballot**—is the Board satisfied that the due process requirements have been met and that it has undertaken sufficient consultation and analysis to begin the balloting process for the amendments to IAS 40?

## Appendix A—Due process steps

A1. The following table sets out the due process steps taken by the Board.

<i>Step</i>	<i>Required/optional</i>	<i>Actions</i>
<b>Consideration of information gathered during consultation</b>		
The Board posts all of the comment letters that are received in relation to the ED on the project pages.	Required	All comment letters received by the Board (57 comment letters) have been posted on the project webpages. The link is:  <a href="http://www.ifrs.org/Current-Projects/Board-Projects/Investment-Property-under-construct-inventory-investment-change-in-use/Exposure-Draft-November-2015/Pages/Exposure-Draft-and-Comment-letters.aspx">http://www.ifrs.org/Current-Projects/Board-Projects/Investment-Property-under-construct-inventory-investment-change-in-use/Exposure-Draft-November-2015/Pages/Exposure-Draft-and-Comment-letters.aspx</a>
Round-table meetings between external participants and members of the Board.	Optional	Not considered necessary because these amendments are narrow in scope, and clarify existing requirements.
Board and Interpretation Committee meetings are held in public, with papers being available for observers. All decisions are made in public sessions.	Required	The Interpretations Committee discussed the comment letter analysis prepared by the staff at its May 2016 meeting (see Agenda Paper 5, which is a publicly available staff paper).  The Board will discuss the comment letter analysis and the recommendations of the Interpretations Committee at its July 2016 meeting (see Agenda Paper 12A for this meeting).  The project webpage has up-to-date information:  <a href="http://www.ifrs.org/Current-Projects/Board-Projects/Investment-Property-under-construct-inventory-investment-change-in-use/Pages/home.aspx">http://www.ifrs.org/Current-Projects/Board-Projects/Investment-Property-under-construct-inventory-investment-change-in-use/Pages/home.aspx</a>
Analysis of likely effects of the forthcoming Standard or major amendment, for example, costs or ongoing associated costs.	Required	Because of the narrow scope and the expected limited consequences of the amendments (ie they clarify existing requirements and do not create new requirements), we have not prepared an effect analysis.  The Board has considered the consequences of the narrow-scope amendments. The likely effect of the amendments is that they will reduce diversity in the application of paragraph 57 of IAS 40.
Email alerts are issued to registered recipients.	Optional	Not applicable.
Outreach meetings to promote debate and hear views on proposals that are published for public comment.	Optional	Not considered necessary because these amendments are narrow in scope, and clarify existing requirements.
Regional discussion forums are organised with national standard-setters and the Board.	Optional	Not considered necessary because these amendments are narrow in scope, and clarify existing requirements.
<b>Finalisation</b>		
Due process steps are reviewed by the Board.	Required	This step will be met by this Agenda Paper.
Need for re-exposure of a Standard is considered.	Required	Analysis of the need to re-expose is included in the main body of this paper.

The Board sets an effective date for the Standard, considering the need for effective implementation, generally providing at least one year.	Required	Analysis of the effective date is included in the main body of this paper.
<b>Drafting</b>		
Drafting quality assurance steps are adequate.	Required	The Translations team will review the pre-ballot draft.
Drafting quality assurance steps are adequate.	Required	The Taxonomy team will review the pre-ballot draft.
Drafting quality assurance steps are adequate.	Optional	The Editorial team will review drafts during the balloting process. We will perform an editorial review of the pre-ballot draft with external parties. The pre-ballot draft will be made available to members of the International Forum of Accounting Standard-Setters (IFASS).
<b>Publication</b>		
Press release to announce the final Standard.	Required	A press release will be published with the final amendments.
A Feedback Statement is provided, which provides high level executive summaries of the Standard and explains how the Board has responded to the comments received.	Required	Not considered necessary because these amendments are narrow in scope, and clarify existing requirements.
Podcast to provide interested parties with high level updates or other useful information about the Standard.	Optional	Not considered necessary.
Standard is published.	Required	Final amendments will be made available on eIFRS on the publication date. The DPOC will be informed of the official release.