

IFRIC® Update

From the IFRS® Interpretations Committee



May 2018

Welcome to the May IFRIC Update

The IFRIC *Update* is a summary of the decisions reached by the IFRS Interpretations Committee (Committee) in its public meetings.

Decisions on an IFRIC Interpretation become final only after the Committee has taken a formal vote on the Interpretation. IFRIC Interpretations require ratification by the International Accounting Standards Board (Board).

The Committee met on **9 May 2018**, and discussed:

- [**Items on the current agenda**](#)
- [Foreign exchange restrictions \(IAS 21 *The Effects of Changes in Foreign Exchange Rates*\)—Agenda Paper 3](#)
- [Payments relating to taxes other than income tax \(IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*\)—Agenda Paper 2](#)
- [**Other matters**](#)
- [Committee work in progress—Agenda Paper 4](#)

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Next IFRS Interpretations Committee meeting

The next meeting is:

12-13 June 2018

Meeting dates, tentative agendas and additional details about the next meeting will be posted to the IFRS [website](#) before the meeting. Further information about the activities of the IFRS Interpretations Committee and instructions for submitting requests to the IFRS Interpretations Committee can be found [here](#).

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Items on the current agenda

Foreign exchange restrictions (IAS 21 *The Effects of Changes in Foreign Exchange Rates*)—Agenda Paper 3

The Committee discussed the application of IAS 21, and in particular the exchange rate to be used, when:

- a. a reporting entity translates the results and financial position of a foreign operation into its presentation currency; and
- b. the functional currency of the foreign operation is subject to a longer-term lack of exchangeability with other currencies.

The Committee noted that these circumstances exist in Venezuela.

The Committee was not asked to make any decisions.

Next steps

The Committee will discuss this matter at a future meeting.

Payments relating to taxes other than income tax (IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*)—Agenda Paper 2

The Committee continued its discussions about the accounting for payments relating to uncertain tax treatments that are outside the scope of IAS 12 *Income Taxes* (ie payments for taxes other than income tax). In the fact pattern described in the request, an entity is in dispute with a tax authority. Taking into account all evidence including the circumstances of the payment to the tax authority, the entity determines that it is probable that it does not have an obligation for the disputed amount and, consequently, it does not recognise a liability applying IAS 37. The entity nonetheless pays the disputed amount to the tax authority either voluntarily or because it is required to do so. Upon resolution of the dispute, the entity has a right either to the return of the payment from the tax authority (if the outcome of the dispute is favourable to the entity) or to use the payment to settle the tax liability (if the outcome of the dispute is unfavourable to the entity).

The Committee considered whether the new *Conceptual Framework for Financial Reporting* issued in March 2018 would change its previous observation that the payment made by the entity gives rise to an asset, and not a possible asset (contingent asset), of the entity. The Committee concluded that the new *Conceptual Framework* would not change its previous observation.

Next steps

The Committee noted that this matter had raised questions about the role of the new *Conceptual Framework* and decided to consult the Board on these questions. The Committee will discuss this matter at a future meeting.

Other matters

Committee work in progress—Agenda Paper 4

The Committee received a report on two requests for consideration at a future meeting. In addition, the Committee was informed of two ongoing matters that it will consider at a future meeting.

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