

STAFF PAPER

December 2021

IASB[®] meeting

Project	Second Comprehensive Review of the <i>IFRS for SMEs</i> [®] Standard
Paper topic	Towards an Exposure Draft—Amendments to IFRS Standards and IFRIC Interpretations (topics with no amendments recommended)
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB) and does not represent the views of the Board (IASB) or any individual member of the Board. Comments on the application of IFRS[®] Standards or the *IFRS for SMEs*[®] Standard do not purport to set out acceptable or unacceptable application of IFRS Standards or the *IFRS for SMEs*[®] Standard. Technical decisions are made in public and reported in IASB[®] *Update*.

Introduction

1. This paper discusses amendments to IFRS Standards and one IFRIC Interpretation for which the staff recommend the International Accounting Standards Board (IASB) retain the *IFRS for SMEs* Standard unchanged—that is the staff does not recommend the Board propose amendments to the Standard to align with these new requirements.
2. In this paper, the term SMEs refers to small and medium-sized entities that are eligible to apply the *IFRS for SMEs* Standard.

Purpose of the paper

3. The purpose of this paper is to ask the IASB to:
 - (a) consider feedback on the Request for Information *Comprehensive Review of the IFRS for SMEs Standard*, published in January 2020, and the recommendations of the SME Implementation Group (SMEIG) on retaining the *IFRS for SMEs* Standard unchanged for some amendments to IFRS Standards and one IFRIC Interpretation; and

- (b) decide, not to propose amendments to the *IFRS for SMEs* Standard with these amendments to IFRS Standards and this IFRIC Interpretation.

Staff recommendations

- 4. The staff recommend the IASB retain the *IFRS for SMEs* Standard unchanged for the amendments to IFRS Standards and the IFRIC Interpretation listed in Appendix A to this paper.¹

Structure of the paper

- 5. This paper is structured as follows:
 - (a) question in the Request for Information (paragraph 8 of this paper);
 - (b) feedback and SMEIG recommendation (paragraphs 9–17 of this paper)
 - (c) staff analysis (paragraphs 18–23 of this paper); and
 - (d) staff recommendation and question for the IASB (paragraph 24 of this paper).
- 6. Appendix A to this paper provides more details on the amendments to IFRS Standards and IFRIC interpretations for which the staff recommend the IASB retain the *IFRS for SMEs* Standard unchanged.
- 7. The background to this paper is set out in paragraphs 10–13 of Agenda Paper 30F of this meeting.

Question in the Request for Information

- 8. Question S10 of the Request for Information asked for views on:

¹ For IFRIC 21 *Levies* (item 16 in Appendix A to this paper), the Request for Information requested further information on whether to align the *IFRS for SMEs* Standard with these items. Applying the staff recommendations, the item move from the category ‘request further information’ into the category ‘alignment’.

- (a) not aligning the *IFRS for SMEs* Standard with the amendments to IFRS Standards, items 1–15 in Appendix A to this paper; and
- (b) whether to align the *IFRS for SMEs* Standard with IFRIC 21 *Levies* (item 16 in Appendix A to this paper).

Feedback and SMEIG recommendation

Methods for obtaining feedback

- 9. Feedback on not aligning the *IFRS for SMEs* Standard with these amendments to IFRS Standards and this IFRIC Interpretation was gathered from comment letters and online survey.
- 10. The SMEIG met on 9 September 2021 to discuss the feedback on the Request for Information and develop recommendations to enable the IASB to retain the *IFRS for SMEs* Standard unchanged for the amendments to IFRS Standards and IFRIC Interpretations, including those discussed in this paper.

Items A1–A15 in Appendix A to this paper

Feedback

- 11. Most respondents to the Request for Information via comment letters and online survey supported retaining the *IFRS for SMEs* Standard unchanged for these amendments to IFRS Standards on an overall basis. Many of these respondents did not provide detailed comments on each amendment. These respondents agreed with the IASB’s rationale set out in the Request for Information and said:
 - (a) the alignment with these amendments would not add sufficient value to the financial statements of SMEs to justify the change;
 - (b) some of the amendments listed in Appendix A:
 - (i) are not applicable for the *IFRS for SMEs* Standard.

- (ii) are not necessary. Aligning the *IFRS for SMEs* Standard with some amendments regarding disclosures would be against the principle of simplicity.

SMEIG recommendation

- 12. SMEIG members generally agreed to retain the *IFRS for SMEs* Standard unchanged for the new requirements listed in Appendix A to this paper.
- 13. One SMEIG member said Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instrument Issues* of the *IFRS for SMEs* Standard should be aligned with the amendments to IFRS 7 *Financial Instruments: Disclosure* from the Annual Improvements to IFRSs 2012–2014 Cycle. In the view of this member, if an SME has continuing involvement in a transferred asset, the SME should provide the disclosures required by IFRS 7.

IFRIC 21 Levies

Feedback

- 14. Respondents via comment letters provided mixed views on whether to align the *IFRS for SMEs* Standard with IFRIC 21.
- 15. Some respondents via comment letters said that Section 21 *Provisions and Contingencies* of the *IFRS for SMEs* Standard should be aligned with IFRIC 21 because this IFRIC Interpretation is relevant to SMEs.
- 16. However, other respondents via comment letters said IFRIC 21 is rarely relevant to SMEs and expressed concerns about aligning the *IFRS for SMEs* Standard with IFRIC 21. These respondents said:
 - (a) government levies are rarely relevant to SMEs.
 - (b) the requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as interpreted in IFRIC 21 are inconsistent with the concepts for identifying liabilities in *The Conceptual Framework for Financial Reporting (2018 Conceptual Framework)*. Aligning with

IFRIC 21 will introduce similar inconsistency within the *IFRS for SMEs* Standard and cause confusion in its application.

SMEIG recommendation

17. Most SMEIG members agreed to retain the *IFRS for SMEs* Standard unchanged for IFRIC 21, because aligning the Standard with IFRIC 21 would introduce inconsistency within the Standard.

Staff analysis

18. Following the IASB's tentative decision to apply the alignment approach with IFRS Standards as the starting point in developing an exposure draft of proposed amendments to the *IFRS for SMEs* Standard (refer to Agenda Paper 30 *Cover paper* of this meeting), the staff apply the principles of relevance to SMEs, simplicity and faithful representation, including the assessment of costs and benefits, in determining whether and how that alignment with the amendments to IFRS Standards and the IFRIC Interpretation discussed in this paper should take place. If a topic is not relevant to SMEs then the IASB would not propose alignment of the *IFRS for SMEs* Standard with that topic in IFRS Standards.

Items A1–A15 in Appendix A to this paper

19. The staff think that:
 - (a) the amendments to the IFRS Standards listed in Appendix A of this paper are not relevant to SMEs. These amendments are not applicable for the *IFRS for SMEs* Standard because the *IFRS for SMEs* Standard does not include related requirements or those amendments only related to full IFRS Standards. Given these amendments are not relevant to SME, the staff analysis of the other two alignment principles 'simplicity' and 'faithful representation' is not undertaken.

- (b) other amendments to the IFRS Standards listed in Appendix A to this paper contained more detailed requirements or required additional disclosure information. The *IFRS for SMEs* Standard includes simplified drafting and simplified language and does not require an entity to provide as much detail as do full IFRS Standards. Therefore, the staff recommend retaining the Standard unchanged for these amendments.

IFRIC 21 Levies

20. The staff think that IFRIC 21 is less relevant to SMEs, compared to entities applying full IFRS Standards, based on the feedback from stakeholders.
21. Moreover, the staff agree with respondents' concerns that aligning Section 21 of the *IFRS for SMEs* Standard with IFRIC 21 would introduce inconsistency between an updated Section 2 and Section 21 of the *IFRS for SMEs* Standard because the requirements of IAS 37 as interpreted in IFRIC 21 are inconsistent with the concepts for identifying liabilities in the 2018 *Conceptual Framework*.
22. At its May 2021 meeting, the IASB tentatively decided to align Section 2 of the *IFRS for SMEs* Standard with the 2018 *Conceptual Framework* and to introduce an override paragraph in Section 2 to emphasise that the specific requirements of the other sections of the *IFRS for SMEs* Standard take precedence over the requirements in Section 2.² This would provide a solution for the potential inconsistency, but it may still create confusion for SMEs.
23. On balance the staff believe that it is not necessary to propose amendments to the *IFRS for SMEs* Standard to align the Standard with IFRIC 21.

² Agenda Paper 30B of the May 2021 IASB meeting discussed the alignment with 2018 *Conceptual Framework* and the staff's recommendation can be access [here](#).

Staff recommendation and question for the IASB

24. In the light of the staff analysis in this paper, the staff recommend the IASB retain the *IFRS for SMEs* Standard unchanged for the amendments to IFRS Standards and the IFRIC Interpretation listed in Appendix A to this paper.

Question for the IASB

Does the IASB agree with the staff recommendation to retain the *IFRS for SMEs* Standard unchanged for the amendments to IFRS Standards and the IFRIC interpretation listed in Appendix A to this paper?

Appendix A—Amendments to IFRS Standards and IFRIC Interpretations

- A1. The staff recommend the IASB retain the *IFRS for SMEs* Standard unchanged for the amendments to IFRS Standards and the IFRIC Interpretation listed in this table.

Ref.	Section and Amendment to IFRS Standards / IFRIC Interpretations	Overview of amendment to IFRS Standards / IFRIC Interpretations	Feedback and SMEIG recommendation	Staff analysis
1	<p>Section 27 <i>Impairment of Assets</i></p> <p>Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)</p>	<p>Clarifies the scope of disclosures required by IAS 36 <i>Impairment of Assets</i> about the recoverable amount of impaired assets being limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.</p>	<p>Most respondents supported not aligning the <i>IFRS for SMEs</i> Standard with this amendment. However, a small number of respondents expressed views that the IASB should consider aligning the Standard with these amendments. Those respondents think the fair value disclosure should be aligned considering the alignment with IFRS 13 <i>Fair Value Measurement</i>.</p> <p>The SMEIG recommend the IASB retain the <i>IFRS for SMEs</i> Standard unchanged for this amendment.</p>	<p>The <i>IFRS for SMEs</i> Standard requires fewer disclosures than full IFRS Standards.</p> <p>The IASB will bring a paper on disclosures to a future meeting.</p>
2	<p>No equivalent section</p> <p>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</p>	<p>Provides relief for an entity implementing IFRS 9 <i>Financial Instruments</i> before implementing IFRS 17 <i>Insurance Contracts</i>.</p>	<p>Most respondents supported not aligning the <i>IFRS for SMEs</i> Standard with this amendment.</p> <p>The SMEIG recommend the IASB retain the <i>IFRS for SMEs</i> Standard unchanged for this amendment.</p>	<p>Not applicable. Related to full IFRS Standards.</p>

Ref.	Section and Amendment to IFRS Standards / IFRIC Interpretations	Overview of amendment to IFRS Standards / IFRIC Interpretations	Feedback and SMEIG recommendation	Staff analysis
3	<p>Section 9 <i>Consolidated and Separate Financial Statements</i></p> <p>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)</p>	<p>Provides additional transition relief in IFRS 10 <i>Consolidated Financial Statements</i>, IFRS 11 <i>Joint Arrangements</i> and IFRS 12 <i>Disclosure of Interests in Other Entities</i>, limiting the requirement to provide adjusted comparative information to the preceding comparative period only.</p>	<p>Most respondents supported not aligning the <i>IFRS for SMEs</i> Standard with this amendment.</p> <p>The SMEIG recommend the IASB retain the <i>IFRS for SMEs</i> Standard unchanged for this amendment.</p>	<p>This transition relief relates to full IFRS Standards.</p>
4	<p>Section 9 <i>Consolidated and Separate Financial Statements</i></p> <p>Annual Improvements to IFRS Standards 2014–2016 Cycle (IFRS 12)</p>	<p>Clarifies the scope of IFRS 12 by specifying that the disclosure requirements in the Standard, except for those in paragraphs B10–B16, apply to an entity’s interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>.</p>	<p>Most respondents supported not aligning the <i>IFRS for SMEs</i> Standard with this amendment.</p> <p>One respondent suggested the IASB may bring the principle of non-current assets held for sale and discontinued operations at one place instead of providing it on piecemeal basis in different Sections of <i>IFRS for SMEs</i> Standard.</p> <p>The SMEIG recommend the IASB retain the <i>IFRS for SMEs</i> Standard unchanged for this amendment.</p>	<p>This amendment clarifies the scope of IFRS 12. The <i>IFRS for SMEs</i> Standard is not aligned with IFRS 12.</p> <p>The IASB will bring a paper on disclosures to a future meeting.</p>

Ref.	Section and Amendment to IFRS Standards / IFRIC Interpretations	Overview of amendment to IFRS Standards / IFRIC Interpretations	Feedback and SMEIG recommendation	Staff analysis
5	<p>Section 11 <i>Basic Financial Instruments</i> and Section 12 <i>Other Financial Instrument Issues</i></p> <p>Annual Improvements to IFRSs 2012–2014 Cycle (IFRS 7)</p>	<p>Adds guidance to clarify whether a servicing contract is deemed to give rise to continuing involvement in a transferred asset for the purpose of determining the disclosures required. Clarifies the applicability of the amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> on offsetting disclosures to condensed interim financial statements.</p>	<p>Most respondents supported not aligning the <i>IFRS for SMEs</i> Standard with this amendment.</p> <p>However, one respondent expressed the view that the IASB should consider aligning these amendments and said that if there is continuing involvement of SMEs in a transferred asset, the disclosures should be provided by the SMEs.</p> <p>The SMEIG recommend the IASB retain the <i>IFRS for SMEs</i> Standard unchanged for this amendment.</p>	<p>The <i>IFRS for SMEs</i> Standard does not include guidance on servicing contracts and does not address interim financial reporting.</p>
6	<p>Section 11 <i>Basic Financial Instruments</i> and Section 12 <i>Other Financial Instrument Issues</i></p> <p>Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)</p>	<p>Permits hedge accounting to continue in a situation in which a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. In this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one.</p>	<p>Most respondents supported not aligning the <i>IFRS for SMEs</i> Standard with this amendment.</p> <p>The SMEIG recommend the IASB retain the <i>IFRS for SMEs</i> Standard unchanged for this amendment.</p>	<p>This amendment addressed a specific circumstance which is now resolved and therefore staff do not believe it needs to be reflected in the <i>IFRS for SMEs</i> Standard.</p>

Ref.	Section and Amendment to IFRS Standards / IFRIC Interpretations	Overview of amendment to IFRS Standards / IFRIC Interpretations	Feedback and SMEIG recommendation	Staff analysis
7	<p>Section 14 <i>Investments in Associates</i></p> <p><i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)</i></p>	<p>Addresses an acknowledged inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) concerning the sale or contribution of assets between an investor and its associate or joint venture.</p>	<p>Most respondents supported not aligning the <i>IFRS for SMEs</i> Standard with this amendment.</p> <p>The SMEIG recommend the IASB retain the <i>IFRS for SMEs</i> Standard unchanged for this amendment.</p>	<p>These amendments are outside the scope of this comprehensive review because the effective date is indefinitely deferred.</p>
8	<p>Section 15 <i>Investments in Joint Ventures</i></p> <p><i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)</i></p>	<p>Provides additional transition relief in IFRS 10, IFRS 11 and IFRS 12.</p>	<p>Most respondents supported not aligning the <i>IFRS for SMEs</i> Standard with this amendment.</p> <p>The SMEIG recommend the IASB retain the <i>IFRS for SMEs</i> Standard unchanged for this amendment.</p>	<p>This transition relief relates to full IFRS Standards.</p>
9	<p>Section 18 <i>Intangible Assets other than Goodwill</i></p> <p><i>Annual Improvements to IFRSs 2010–2012 Cycle (IAS 38)</i></p>	<p>Clarifies that when an intangible asset is revalued, the gross carrying amount is required to be adjusted in a manner that is consistent with the revaluation of the carrying amount.</p>	<p>Most respondents supported not aligning the <i>IFRS for SMEs</i> Standard with this amendment.</p> <p>The SMEIG recommend the IASB retain the <i>IFRS for SMEs</i> Standard unchanged for this amendment.</p>	<p>The revaluation model is not permitted by Section 18 of the <i>IFRS for SMEs</i> Standard.</p>

Ref.	Section and Amendment to IFRS Standards / IFRIC Interpretations	Overview of amendment to IFRS Standards / IFRIC Interpretations	Feedback and SMEIG recommendation	Staff analysis
10	Section 23 <i>Revenue</i> Effective Date of IFRS 15	Deferred the effective date from 1 January 2017 to 1 January 2018.	Most respondents supported not aligning the <i>IFRS for SMEs</i> Standard with this amendment. The SMEIG recommend the IASB retain the <i>IFRS for SMEs</i> Standard unchanged for this amendment.	Not applicable. Relates to full IFRS Standard.
11	Section 28 <i>Employee Benefits</i> Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	Simplifies the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.	Most respondents supported not aligning the <i>IFRS for SMEs</i> Standard with this amendment. One respondent suggested considering providing similar simplification under <i>IFRS for SMEs</i> Standards The SMEIG recommend the IASB retain the <i>IFRS for SMEs</i> Standard unchanged for this amendment.	The <i>IFRS for SMEs</i> Standard does not include this level of detail on actuarial assumptions.
12	Section 28 <i>Employee Benefits</i> Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	Provides that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.	Most respondents supported not aligning the <i>IFRS for SMEs</i> Standard with this amendment. The SMEIG recommend the IASB retain the <i>IFRS for SMEs</i> Standard unchanged for this amendment.	Paragraph 28.21 of the <i>IFRS for SMEs</i> Standard addresses curtailment and settlements of defined benefit plans.

Ref.	Section and Amendment to IFRS Standards / IFRIC Interpretations	Overview of amendment to IFRS Standards / IFRIC Interpretations	Feedback and SMEIG recommendation	Staff analysis
13	Section 29 <i>Income Tax</i> Annual Improvements to IFRS Standards 2015–2017 Cycle (IAS 12)	Clarifies that the requirements in the former paragraph 52B of IAS 12 <i>Income Taxes</i> apply to all income tax consequences of dividends. Paragraph 52B requires recognition of the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised. The amendment moved the former paragraph 52B away from paragraph 52A (which applies only when there are different tax rates for distributed and undistributed profits).	<p>Most respondents supported not aligning the <i>IFRS for SMEs</i> Standard with this amendment.</p> <p>Two respondents supported aligning the Standard with the amendments. One of the respondents said introducing the amendment would clarify that, when applying paragraph 29.35 to the tax expense associated with dividend payments, the underlying ‘transactions’ are those that generate the distributable profits, rather than the distributions themselves.</p> <p>The SMEIG recommend the IASB retain the <i>IFRS for SMEs</i> Standard unchanged for this amendment.</p>	The <i>IFRS for SMEs</i> Standard does not include the IAS 12 requirement that requires recognition of the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised.
14	Section 35 <i>Transition to the IFRS for SMEs Standard</i> Annual Improvements to IFRSs 2011–2013 Cycle (IFRS 1)	Defines ‘effective IFRSs’.	<p>Most respondents supported not aligning the <i>IFRS for SMEs</i> Standard with this amendment.</p> <p>The SMEIG recommend the IASB retain the <i>IFRS for SMEs</i> Standard unchanged for this amendment.</p>	Not applicable. Relates to full IFRS Standards.

Ref.	Section and Amendment to IFRS Standards / IFRIC Interpretations	Overview of amendment to IFRS Standards / IFRIC Interpretations	Feedback and SMEIG recommendation	Staff analysis
15	Section 35 <i>Transition to the IFRS for SMEs Standard</i> Annual Improvements to IFRS Standards 2014–2016 Cycle (IFRS 1)	Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> , because they have now served their intended purpose.	Most respondents supported not aligning the <i>IFRS for SMEs</i> Standard with this amendment. The SMEIG recommend the IASB retain the Standard unchanged for this amendment.	Not applicable. Relates to full IFRS Standards.
16	Section 21 <i>Provisions and Contingencies</i> IFRIC 21 Levies	Clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.	Some respondents said the <i>IFRS for SMEs</i> Standard should be aligned to IFRIC 21, as it is relevant to SMEs. However, other respondents expressed concerns about aligning the Standard with IFRIC 21 because they said: (a) this issue is less relevant to SMEs. (b) the 2018 <i>Conceptual Framework</i> is not consistent with IAS 37. The alignment of IFRIC 21 would introduce similar inconsistency within the <i>IFRS for SMEs</i> Standard. The SMEIG recommend the IASB retain the <i>IFRS for SMEs</i> Standard unchanged for this IFRIC Interpretation.	As discussed in paragraph 21 of this paper the staff think aligning the Standard with IFRIC 21 would introduce potential inconsistency. The override paragraph would provide a solution for the potential inconsistency, but it may still create confusion for SMEs.