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## IASB<sup>®</sup> meeting

Date	<b>January 2023</b>
Project	<b>IFRS Accounting Taxonomy</b>
Topic	<b>Feedback on Proposed IFRS Taxonomy Update—Amendments to IFRS 16 and IAS 1</b>
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS<sup>®</sup> Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB<sup>®</sup> *Update*.

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## Introduction and purpose

1. In November 2022, the IASB published the Proposed IFRS Taxonomy Update—*Lease Liability in a Sale and Leaseback* and *Non-current Liabilities with Covenants*. The 30-day comment letter period closed on 28 December 2022.
2. The Proposed IFRS Taxonomy Update (PTU) included proposals for changes to the IFRS Accounting Taxonomy to reflect disclosure requirements arising from:
  - (a) *Lease Liability in a Sale and Leaseback*, which amended IFRS 16 *Leases*, and was issued in September 2022; and
  - (b) *Non-current Liabilities with Covenants*, which amended IAS 1 *Presentation of Financial Statements*, and was issued in October 2022 (collectively “amendments”).
3. The PTU was reviewed by the members of the IFRS Taxonomy Consultative Group (ITCG) before its publication.
4. The purpose of this meeting is to:
  - (a) summarise the feedback received on the PTU and the staff analysis thereof;
  - (b) summarise the next steps in the publication of the IFRS Taxonomy Update; and
  - (c) ask the IASB if they have any questions or comments on the feedback received or next steps.

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## Structure of the paper

5. This paper is structured as follows:
  - (a) Summary of proposals (paragraphs 6–12);
  - (b) Summary of feedback and staff analysis (paragraphs 13–21); and
  - (c) Next steps (paragraphs 22–23).

## Summary of proposals

### ***Lease Liability in a Sale and Leaseback***

6. *Lease Liability in a Sale and Leaseback* requires an entity to disclose the fact of early application if the entity applies the amendments before the effective date of 1 January 2024.
7. The IASB proposed to add one element and one reference to reflect the disclosure of the fact of early application of *Lease Liability in a Sale and Leaseback*, in accordance with established Taxonomy modelling practice.

### ***Non-current Liabilities with Covenants***

8. *Non-current Liabilities with Covenants* introduced paragraph 76ZA to IAS 1 which requires that when that entity classifies liabilities arising from loan arrangements as non-current and the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period, the entity shall disclose information in the notes that enables users of financial statements to understand the risk that the liability could become repayable within twelve months after the reporting period.
9. The IASB proposed using dimensional modelling to reflect this requirement because this approach would allow the information to be captured in a structured digital format and would work for entities that disclose information about covenants:
  - (a) disaggregated by non-current liabilities; or
  - (b) only in aggregate.

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10. Accordingly, the IASB proposed to add a table with three line-item elements, comprising:
- (a) two text block elements for the narrative disclosure requirements in paragraph 76ZA(a) and 76ZA(b) separately; and
  - (b) one monetary element for the requirement in paragraph 76ZA(a) to disclose the carrying amount of the non-current liabilities with covenants.
11. The IASB proposed including these new elements in the presentation group '[810000] Notes - Corporate information and statement of IFRS compliance' because it is typical Taxonomy practice to include new elements alongside the other elements derived from the same Standard, and this approach would be familiar to stakeholders.
12. Additionally, the IASB proposed to:
- (a) add one element and one reference to reflect the disclosure of the fact of early application of *Non-current Liabilities with Covenants*, in accordance with established Taxonomy modelling practice; and
  - (b) change the expiry date of references for two elements to reflect the deferral of the effective date of a previous amendment; *Classification of Liabilities as Current or Non-current*.

## Summary of feedback and staff analysis

13. We received four comment letters from stakeholders in Africa, Asia, Europe and International.<sup>1</sup> Responses were received from two accountancy bodies, an accounting firm and a regulator.
14. Broadly, respondents were supportive of the proposals in the PTU, with specific comments and alternative suggestions discussed in this paper.

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<sup>1</sup> All comment letters are available [here](#).

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***Lease Liability in a Sale and Leaseback***

15. All respondents were supportive of the proposals to reflect the disclosure of the fact of early adoption in the IFRS Accounting Taxonomy for *Lease Liability in a Sale and Leaseback*, and therefore, by extension, *Non-current Liabilities with Covenants*. One respondent, in addition to supporting the proposal, suggested the possibility of implementing the disclosure using categorical elements. Categorical elements have not previously been used in the IFRS Accounting Taxonomy, and therefore we do not feel it is appropriate to consider their use in this update specifically. Their use in general will be considered as part of future development of the Taxonomy.

***Non-current Liabilities with Covenants******Granularity of narrative disclosures***

16. One respondent commented that modelling separate detailed text block elements for paragraph 76ZA(a) ('information about the covenants') and 76ZA(b) ('facts and circumstances, if any, that indicate the entity may have difficulty complying with the covenants') of IAS 1 was unnecessary because the narrative information required by those subparagraphs would not be separately understandable and is likely to be integrated, making it difficult to tag using two elements. The respondent commented that this approach would also align with the principle proposed in the Staff Request for Feedback on the staff draft of the IFRS Sustainability Disclosure Taxonomy; that distinct elements should be created for narrative information that is expected to be both separately understandable to users and easily identifiable for tagging.
17. We agree with this comment and plan to model a single detailed text block to reflect the narrative disclosure requirements in paragraphs 76ZA(a) and 76ZA(b) of IAS 1, instead of two separate detailed text block elements as proposed. This approach would make it easier for preparers to tag the narrative disclosures in paragraphs 76ZA(a) and 76ZA(b) of IAS 1 and for users to extract and understand the disclosed information.

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*Appropriate use of element and documentation labels*

18. One respondent noted that the element and documentation labels of the proposed elements refer simply to ‘Non-current liabilities with covenants’ which describes a wider population than the population that is in the scope of paragraph 76ZA of IAS 1. The respondent suggested that these labels be amended so that they reflect only those non-current liabilities with covenants within the scope of paragraph 76ZA of IAS 1.
19. We plan to amend the wording in the documentation labels to refer to non-current liabilities with covenants within the scope of paragraph 76ZA of IAS 1, but not amend the element labels. Our approach is to keep element labels succinct where possible, with further descriptions of the element included in the documentation label. In our view, the element labels, read with the element reference, are sufficient for preparers and users to understand the elements refer to non-current liabilities with covenants within the scope of paragraph 76ZA of IAS 1.

*Appropriate presentation group*

20. Two respondents suggested that it may be useful to group the elements relating to the disclosure of non-current liabilities with covenants in a taxonomy presentation group with the elements for other financial instrument disclosures as it is likely the information arising from paragraph 76ZA would be included in note disclosures on financial liabilities. Such a grouping may be more intuitive to users compared to the proposed grouping with IAS 1 disclosures.
21. Organising elements into presentation groups assists preparers and users in finding and accessing the correct elements efficiently. We agree that the information arising from paragraph 76ZA of IAS 1 may often be included with the disclosures on financial instruments and therefore it would make sense to organise those elements within the same taxonomy presentation group. Our view is that preparers and users may search for these elements both by the Standard to which the disclosures relate and by the intuitive grouping with other financial instrument disclosures. Accordingly, we plan to include the elements relating to the disclosures arising from paragraph 76ZA of IAS 1 in two presentation groupings:
- (a) ‘[810000] Notes – Corporate information and statement of IFRS compliance’; and
  - (b) ‘[822390] Notes - Financial instruments’.

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## Next steps

22. The IFRS Taxonomy Update will be balloted at the end of January 2023 incorporating the changes discussed in this staff paper.
23. We plan to issue the final IFRS Taxonomy Update, along with final taxonomy files, with the release of the 2023 IFRS Accounting Taxonomy in March 2023.

### Questions for the IASB

1. Does the IASB have any questions or comments on the feedback received or next steps in the publication of IFRS Taxonomy Update—*Lease Liability in a Sale and Leaseback and Non-current Liabilities with Covenants*?