

Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039



Australian Government

**Australian Accounting
Standards Board**

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ACCOUNTING STANDARD

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Australian Accounting Standard AASB 2012-9 <i>Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039</i> is set out in paragraphs 1 – 7. All the paragraphs have equal authority.

PREFACE

Introduction

This Standard makes an amendment to Australian Accounting Standard AASB 1048 *Interpretation of Standards*.

The amendment arises from the withdrawal of Australian Interpretation 1039 *Substantive Enactment of Major Tax Bills in Australia*.

The Standard applies to annual reporting periods beginning on or after 1 January 2013, with early adoption allowed.

ACCOUNTING STANDARD AASB 2012-9

The Australian Accounting Standards Board makes Accounting Standard AASB 2012-9 *Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039* under section 334 of the *Corporations Act 2001*.

Dated 17 December 2012

Kevin M. Stevenson
Chair – AASB

ACCOUNTING STANDARD AASB 2012-9

AMENDMENT TO AASB 1048 ARISING FROM THE WITHDRAWAL OF AUSTRALIAN INTERPRETATION 1039

Objective

- 1 The objective of this Standard is to make an amendment to AASB 1048 *Interpretation of Standards* as a consequence of the withdrawal of Australian Interpretation 1039 *Substantive Enactment of Major Tax Bills in Australia*.

Application

- 2 This Standard applies to:
- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;
 - (b) general purpose financial statements of each reporting entity; and
 - (c) financial statements that are, or are held out to be, general purpose financial statements.
- 3 This Standard applies to annual reporting periods beginning on or after 1 January 2013.
- 4 This Standard may be applied to annual reporting periods beginning on or after 1 January 2005 but before 1 January 2013. When an entity applies this Standard to such an annual reporting period, it shall disclose that fact.
- 5 This Standard uses striking out to identify the amendment to the Standard in order to make the amendment more understandable. However, the amendment made by this Standard does not include that striking out.

Amendment to AASB 1048

- 6 In paragraph 11, Table 2: Other Australian Interpretations is amended as follows (deleted text is struck through):

Interpretation <i>Issue Date</i>	Title	Application Date (annual reporting periods)
...		
1039 December 2009 [as amended to]	Substantive Enactment of Major Tax Bills in Australia	(beginning) 1 January 2011
...		

- 7 An entity shall apply the amendment retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

BASIS FOR CONCLUSIONS

This Basis for Conclusions accompanies, but is not part of, AASB 2012-9.

- BC1 In August 2012 the Australian Accounting Standards Board (AASB) issued ED 226 *Withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia*, proposing the withdrawal of the Interpretation, following its discussion of the relevant issues at its 25-26 July 2012 meeting.
- BC2 The following summarises the AASB's considerations in reaching the conclusion to withdraw Australian Interpretation 1039. Individual AASB members gave greater weight to some factors than to others.
- BC3 In relation to substantive enactment, AASB 112 *Income Taxes* requires tax assets and liabilities to be measured based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date. However, it noted that AASB 112 does not specify the conditions for substantive enactment. Rather, paragraph 48 of AASB 112 specifies the following:
- Current and deferred tax assets and liabilities are usually measured using the tax rates (and tax laws) that have been enacted. However, in some jurisdictions, announcements of tax rates (and tax laws) by the government have the substantive effect of actual enactment, which may follow the announcement by a period of several months. In these circumstances, tax assets and liabilities are measured using the announced tax rate (and tax laws).
- BC4 Further guidance on determining substantive enactment in an Australian context was provided in Australian Interpretation 1039. For example, it stated that substantive enactment is taken to have occurred once a non-linked Bill has been tabled in Parliament and there is majority support for the passage of the Bill through both Houses of Parliament.
- BC5 In reviewing the requirements of Australian Interpretation 1039, the AASB considered current practice in comparable overseas jurisdictions, past practice in Australia and the recent uncertainty as to whether specific proposals of a Bill would pass through both Houses of Parliament due to the current composition of the Parliament in Australia. The AASB considered whether to amend Australian Interpretation 1039 to clarify the timing of substantive enactment in Australia, or whether to withdraw the Interpretation. The AASB decided to withdraw Australian Interpretation 1039 on the basis that an Australian Interpretation is not necessary as the issue of whether a tax Bill is substantively enacted is not unique to Australia. This is consistent with the AASB's policy of International Financial Reporting Standard (IFRS) adoption and only issuing a domestic Interpretation of an IFRS adopted for use in Australia in rare and exceptional circumstances, and then only after exploring with the IFRS Interpretations Committee whether that Committee should deal with the matter.
- BC6 AASB members noted they were not aware of past or current diversity in practice in Australia in relation to this matter and would not expect diversity in practice to arise in the Australian context in the absence of an Australian Interpretation.
- BC7 With the withdrawal of Australian Interpretation 1039, the guidance on determining substantive enactment provided in that Australian Interpretation no longer applies for Australian entities.
- BC8 During its discussions the AASB considered the issue of when it would be appropriate to conclude that substantive enactment of major tax Bills has occurred in Australia. Consistent with the AASB's *Interpretations and Improvements Model* (February 2012), the Board has issued an Agenda Decision in December 2012 outlining the AASB's reasons for not adding this issue to the AASB's agenda.