SIC-7

Introduction of the Euro

In April 2001 the International Accounting Standards Board adopted SIC-7 *Introduction of the Euro*, which had originally been issued by the Standing Interpretations Committee of the International Accounting Standards Committee in May 1998.

Other Standards have made minor consequential amendments to SIC-7, including IFRS 9 *Financial Instruments* (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) (issued November 2013).

SIC Interpretation 7 *Introduction of the Euro* (SIC-7) is set out in paragraphs 3 and 4. SIC-7 is accompanied by a Basis for Conclusions. The scope and authority of Interpretations are set out in the *Preface to IFRS Standards*.

FOR THE BASIS FOR CONCLUSIONS, SEE PART C OF THIS EDITION

SIC Interpretation 7
Introduction of the Euro

References

- IAS 1 *Presentation of Financial Statements* (as revised in 2007)
- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- IAS 10 *Events after the Reporting Period*
- IAS 21 *The Effects of Changes in Foreign Exchange Rates* (as revised in 2003)
- IAS 27 *Consolidated and Separate Financial Statements* (as amended in 2008)

Issue

1 From 1 January 1999, the effective start of Economic and Monetary Union (EMU), the euro will become a currency in its own right and the conversion rates between the euro and the participating national currencies will be irrevocably fixed, ie the risk of subsequent exchange differences related to these currencies is eliminated from this date on.

2 The issue is the application of IAS 21 to the changeover from the national currencies of participating Member States of the European Union to the euro ('the changeover').

Consensus

3 The requirements of IAS 21 regarding the translation of foreign currency transactions and financial statements of foreign operations should be strictly applied to the changeover. The same rationale applies to the fixing of exchange rates when countries join EMU at later stages.

4 This means that, in particular:

(a) foreign currency monetary assets and liabilities resulting from transactions shall continue to be translated into the functional currency at the closing rate. Any resultant exchange differences shall be recognised as income or expense immediately, except that an entity shall continue to apply its existing accounting policy for exchange gains and losses related to hedges of the currency risk of a forecast transaction;

(b) cumulative exchange differences relating to the translation of financial statements of foreign operations, recognised in other comprehensive income, shall be accumulated in equity and shall be reclassified from equity to profit or loss only on the disposal or partial disposal of the net investment in the foreign operation; and

(c) exchange differences resulting from the translation of liabilities denominated in participating currencies shall not be included in the carrying amount of related assets.

Date of consensus

October 1997

Effective date

This Interpretation becomes effective on 1 June 1998. Changes in accounting policies shall be accounted for according to the requirements of IAS 8.

IAS 1 (as revised in 2007) amended the terminology used throughout IFRSs. In addition it amended paragraph 4. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. If an entity applies IAS 1 (revised 2007) for an earlier period, the amendments shall be applied for that earlier period.

IAS 27 (as amended in 2008) amended paragraph 4(b). An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendment shall be applied for that earlier period.

SIC-10

Government Assistance—No Specific Relation to Operating Activities

In April 2001 the International Accounting Standards Board adopted SIC-10 *Government Assistance—No Specific Relation to Operating Activities*, which had originally been issued by the Standing Interpretations Committee of the International Accounting Standards Committee in July 1998.

SIC Interpretation 10 *Government Assistance—No Specific Relation to Operating Activities* (SIC-10) is set out in paragraph 3. SIC-10 is accompanied by a Basis for Conclusions. The scope and authority of Interpretations are set out in the *Preface to IFRS Standards*.

FOR THE BASIS FOR CONCLUSIONS, SEE PART C OF THIS EDITION

SIC Interpretation 10
Government Assistance—No Specific Relation to Operating Activities

References

- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*

Issue

1 In some countries government assistance to entities may be aimed at encouragement or long-term support of business activities either in certain regions or industry sectors. Conditions to receive such assistance may not be specifically related to the operating activities of the entity. Examples of such assistance are transfers of resources by governments to entities which:

(a) operate in a particular industry;

(b) continue operating in recently privatised industries; or

(c) start or continue to run their business in underdeveloped areas.

2 The issue is whether such government assistance is a 'government grant' within the scope of IAS 20 and, therefore, should be accounted for in accordance with this Standard.

Consensus

3 Government assistance to entities meets the definition of government grants in IAS 20, even if there are no conditions specifically relating to the operating activities of the entity other than the requirement to operate in certain regions or industry sectors. Such grants shall therefore not be credited directly to shareholders' interests.

Date of consensus

January 1998

Effective date

This Interpretation becomes effective on 1 August 1998. Changes in accounting policies shall be accounted for in accordance with IAS 8.

GCA

SIC-25

Income Taxes—Changes in the Tax Status of an Entity or its Shareholders

In April 2001 the International Accounting Standards Board adopted SIC-25 *Income Taxes—Changes in the Tax Status of an Entity or its Shareholders*, which had originally been issued by the Standing Interpretations Committee of the International Accounting Standards Committee in July 2000.

SIC Interpretation 25 *Income Taxes—Changes in the Tax Status of an Entity or its Shareholders* (SIC-25) is set out in paragraph 4. SIC-25 is accompanied by a Basis for Conclusions. The scope and authority of Interpretations are set out in the *Preface to IFRS Standards*.

FOR THE BASIS FOR CONCLUSIONS, SEE PART C OF THIS EDITION

SIC Interpretation 25
Income Taxes—Changes in the Tax Status of an Entity or its Shareholders

References

- IAS 1 *Presentation of Financial Statements* (as revised in 2007)
- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- IAS 12 *Income Taxes*

Issue

1 A change in the tax status of an entity or of its shareholders may have consequences for an entity by increasing or decreasing its tax liabilities or assets. This may, for example, occur upon the public listing of an entity's equity instruments or upon the restructuring of an entity's equity. It may also occur upon a controlling shareholder's move to a foreign country. As a result of such an event, an entity may be taxed differently; it may for example gain or lose tax incentives or become subject to a different rate of tax in the future.

2 A change in the tax status of an entity or its shareholders may have an immediate effect on the entity's current tax liabilities or assets. The change may also increase or decrease the deferred tax liabilities and assets recognised by the entity, depending on the effect the change in tax status has on the tax consequences that will arise from recovering or settling the carrying amount of the entity's assets and liabilities.

3 The issue is how an entity should account for the tax consequences of a change in its tax status or that of its shareholders.

Consensus

4 A change in the tax status of an entity or its shareholders does not give rise to increases or decreases in amounts recognised outside profit or loss. The current and deferred tax consequences of a change in tax status shall be included in profit or loss for the period, unless those consequences relate to transactions and events that result, in the same or a different period, in a direct credit or charge to the recognised amount of equity or in amounts recognised in other comprehensive income. Those tax consequences that relate to changes in the recognised amount of equity, in the same or a different period (not included in profit or loss), shall be charged or credited directly to equity. Those tax consequences that relate to amounts recognised in other comprehensive income shall be recognised in other comprehensive income.

Date of consensus

August 1999

Effective date

This consensus becomes effective on 15 July 2000. Changes in accounting policies shall be accounted for in accordance with IAS 8.

IAS 1 (as revised in 2007) amended the terminology used throughout IFRSs. In addition it amended paragraph 4. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. If an entity applies IAS 1 (revised 2007) for an earlier period, the amendments shall be applied for that earlier period.

SIC-29

Service Concession Arrangements: Disclosures

In December 2001 the International Accounting Standards Board (IASB) issued SIC-29 *Disclosure—Service Concession Arrangements*, which had originally been developed by the Standing Interpretations Committee of the International Accounting Standards Committee.

In November 2006, when the IASB issued IFRIC 12 *Service Concession Arrangements*, SIC-29's title was changed to *Service Concession Arrangements: Disclosures*.

Other Standards have made minor consequential amendments to SIC-29, including IFRS 16 *Leases* (issued January 2016) and *Amendments to References to the Conceptual Framework in IFRS Standards* (issued March 2018).

SIC Interpretation 29 *Service Concession Arrangements: Disclosures* (SIC-29) is set out in paragraphs 6–7. SIC-29 is accompanied by a Basis for Conclusions. The scope and authority of Interpretations are set out in the *Preface to IFRS Standards*.

FOR THE BASIS FOR CONCLUSIONS, SEE PART C OF THIS EDITION

SIC Interpretation 29
Service Concession Arrangements: Disclosures

References

- IFRS 16 *Leases*
- IAS 1 *Presentation of Financial Statements* (as revised in 2007)
- IAS 16 *Property, Plant and Equipment* (as revised in 2003)
- IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*
- IAS 38 *Intangible Assets* (as revised in 2004)
- IFRIC 12 *Service Concession Arrangements*

Issue

1 An entity (the operator) may enter into an arrangement with another entity (the grantor) to provide services that give the public access to major economic and social facilities. The grantor may be a public or private sector entity, including a governmental body. Examples of service concession arrangements involve water treatment and supply facilities, motorways, car parks, tunnels, bridges, airports and telecommunication networks. Examples of arrangements that are not service concession arrangements include an entity outsourcing the operation of its internal services (eg employee cafeteria, building maintenance, and accounting or information technology functions).

2 A service concession arrangement generally involves the grantor conveying for the period of the concession to the operator:

(a) the right to provide services that give the public access to major economic and social facilities, and

(b) in some cases, the right to use specified tangible assets, intangible assets, or financial assets,

in exchange for the operator:

(c) committing to provide the services according to certain terms and conditions during the concession period, and

(d) when applicable, committing to return at the end of the concession period the rights received at the beginning of the concession period and/or acquired during the concession period.

3 The common characteristic of all service concession arrangements is that the operator both receives a right and incurs an obligation to provide public services.

4 The issue is what information should be disclosed in the notes in the financial statements of an operator and a grantor.

5 Certain aspects and disclosures relating to some service concession arrangements are already addressed by existing International Financial Reporting Standards (eg IAS 16 applies to acquisitions of items of property, plant and equipment, IFRS 16 applies to leases of assets, and IAS 38 applies to acquisitions of intangible assets). However, a service concession arrangement may involve executory contracts that are not addressed in International Financial Reporting Standards, unless the contracts are onerous, in which case IAS 37 applies. Therefore, this Interpretation addresses additional disclosures of service concession arrangements.

Consensus

6 All aspects of a service concession arrangement shall be considered in determining the appropriate disclosures in the notes. An operator and a grantor shall disclose the following in each period:

(a) a description of the arrangement;

(b) significant terms of the arrangement that may affect the amount, timing and certainty of future cash flows (eg the period of the concession, re-pricing dates and the basis upon which re-pricing or re-negotiation is determined);

(c) the nature and extent (eg quantity, time period or amount as appropriate) of:

- (i) rights to use specified assets;
- (ii) obligations to provide or rights to expect provision of services;
- (iii) obligations to acquire or build items of property, plant and equipment;
- (iv) obligations to deliver or rights to receive specified assets at the end of the concession period;
- (v) renewal and termination options; and
- (vi) other rights and obligations (eg major overhauls);

(d) changes in the arrangement occurring during the period; and

(e) how the service arrangement has been classified.

6A An operator shall disclose the amount of revenue and profits or losses recognised in the period on exchanging construction services for a financial asset or an intangible asset.

7 The disclosures required in accordance with paragraph 6 of this Interpretation shall be provided individually for each service concession arrangement or in aggregate for each class of service concession arrangements. A class is a grouping of service concession arrangements involving services of a similar nature (eg toll collections, telecommunications and water treatment services).

Date of consensus

May 2001

Effective date

This Interpretation becomes effective on 31 December 2001.

An entity shall apply the amendment in paragraphs 6(e) and 6A for annual periods beginning on or after 1 January 2008. If an entity applies IFRIC 12 for an earlier period, the amendment shall be applied for that earlier period.

IFRS 16, issued in January 2016, amended paragraph 5. An entity shall apply that amendment when it applies IFRS 16.

GCA

SIC-32

Intangible Assets—Web Site Costs

In March 2002 the International Accounting Standards Board issued SIC-32 *Intangible Assets—Web Site Costs*, which had originally been developed by the Standing Interpretations Committee of the International Accounting Standards Committee.

Other Standards have made minor consequential amendments to SIC-32, including IFRS 15 *Revenue from Contracts with Customers* (issued May 2014), IFRS 16 *Leases* (issued January 2016) and *Amendments to References to the Conceptual Framework in IFRS Standards* (issued March 2018).

SIC Interpretation 32 *Intangible Assets—Web Site Costs* (SIC-32) is set out in paragraphs 7–10. SIC-32 is accompanied by a Basis for Conclusions and an example illustrating the application of the Interpretation. The scope and authority of Interpretations are set out in the *Preface to IFRS Standards*.

FOR THE ACCOMPANYING GUIDANCE LISTED BELOW, SEE PART B OF THIS EDITION

ILLUSTRATIVE EXAMPLE

FOR THE BASIS FOR CONCLUSIONS, SEE PART C OF THIS EDITION

BASIS FOR CONCLUSIONS

SIC Interpretation 32
Intangible Assets—Web Site Costs

References

- IFRS 3 *Business Combinations*
- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 16 *Leases*
- IAS 1 *Presentation of Financial Statements* (as revised in 2007)
- IAS 2 *Inventories* (as revised in 2003)
- IAS 16 *Property, Plant and Equipment* (as revised in 2003)
- IAS 36 *Impairment of Assets* (as revised in 2004)
- IAS 38 *Intangible Assets* (as revised in 2004)

Issue

1 An entity may incur internal expenditure on the development and operation of its own web site for internal or external access. A web site designed for external access may be used for various purposes such as to promote and advertise an entity's own products and services, provide electronic services, and sell products and services. A web site designed for internal access may be used to store company policies and customer details, and search relevant information.

2 The stages of a web site's development can be described as follows:

(a) Planning—includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.

(b) Application and Infrastructure Development—includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing.

(c) Graphical Design Development—includes designing the appearance of web pages.

(d) Content Development—includes creating, purchasing, preparing and uploading information, either textual or graphical in nature, on the web site before the completion of the web site's development. This information may either be stored in separate databases that are integrated into (or accessed from) the web site or coded directly into the web pages.

3 Once development of a web site has been completed, the Operating stage begins. During this stage, an entity maintains and enhances the applications, infrastructure, graphical design and content of the web site.

4 When accounting for internal expenditure on the development and operation of an entity's own web site for internal or external access, the issues are:

(a) whether the web site is an internally generated intangible asset that is subject to the requirements of IAS 38; and

(b) the appropriate accounting treatment of such expenditure.

5 This Interpretation does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and Internet connections) of a web site. Such expenditure is accounted for under IAS 16. Additionally, when an entity incurs expenditure on an Internet service provider hosting the entity's web site, the expenditure is recognised as an expense under IAS 1.88 and the *Conceptual Framework for Financial Reporting* when the services are received.

6 IAS 38 does not apply to intangible assets held by an entity for sale in the ordinary course of business (see IAS 2 and IFRS 15) or leases of intangible assets accounted for in accordance with IFRS 16. Accordingly, this Interpretation does not apply to expenditure on the development or operation of a web site (or web site software) for sale to another entity or that is accounted for in accordance with IFRS 16.

Consensus

7 An entity's own web site that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of IAS 38.

8 A web site arising from development shall be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in IAS 38.21 for recognition and initial measurement, an entity can satisfy the requirements in IAS 38.57. In particular, an entity may be able to satisfy the requirement to demonstrate how its web site will generate probable future economic benefits in accordance with IAS 38.57(d) when, for example, the web site is capable of generating revenues, including direct revenues from enabling orders to be placed. An entity is not able to demonstrate how a web site developed solely or primarily for promoting and advertising its own products and services will generate probable future economic benefits, and consequently all expenditure on developing such a web site shall be recognised as an expense when incurred.

9 Any internal expenditure on the development and operation of an entity's own web site shall be accounted for in accordance with IAS 38. The nature of each activity for which expenditure is incurred (eg training employees and maintaining the web site) and the web site's stage of development or post-development shall be evaluated to determine the appropriate accounting treatment (additional guidance is provided in the illustrative example accompanying this Interpretation). For example:

(a) the Planning stage is similar in nature to the research phase in IAS 38.54–.56. Expenditure incurred in this stage shall be recognised as an expense when it is incurred.

(b) the Application and Infrastructure Development stage, the Graphical Design stage and the Content Development stage, to the extent that content is developed for purposes other than to advertise and promote an entity's own products and services, are similar in nature to the development phase in IAS 38.57–.64. Expenditure incurred in these stages shall be included in the cost of a web site recognised as an intangible asset in accordance with paragraph 8 of this Interpretation when the expenditure can be directly attributed and is necessary to creating, producing or preparing the web site for it to be capable of operating in the manner intended by management. For example, expenditure on purchasing or creating content (other than content that advertises and promotes an entity's own products and services) specifically for a web site, or expenditure to enable use of the content (eg a fee for acquiring a licence to reproduce) on the web site, shall be included in the cost of development when this condition is met. However, in accordance with IAS 38.71, expenditure on an intangible item that was initially recognised as an expense in previous financial statements shall not be recognised as part of the cost of an intangible asset at a later date (eg if the costs of a copyright have been fully amortised, and the content is subsequently provided on a web site).

(c) expenditure incurred in the Content Development stage, to the extent that content is developed to advertise and promote an entity's own products and services (eg digital photographs of products), shall be recognised as an expense when incurred in accordance with IAS 38.69(c). For example, when accounting for expenditure on professional services for taking digital photographs of an entity's own products and for enhancing their display, expenditure shall be recognised as an expense as the professional services are received during the process, not when the digital photographs are displayed on the web site.

(d) the Operating stage begins once development of a web site is complete. Expenditure incurred in this stage shall be recognised as an expense when it is incurred unless it meets the recognition criteria in IAS 38.18.

10 A web site that is recognised as an intangible asset under paragraph 8 of this Interpretation shall be measured after initial recognition by applying the requirements of IAS 38.72–.87. The best estimate of a web site's useful life should be short.

Date of consensus

May 2001

Effective date

This Interpretation becomes effective on 25 March 2002. The effects of adopting this Interpretation shall be accounted for using the transition requirements in the version of IAS 38 that was issued in 1998. Therefore, when a web site does not meet the criteria for recognition as an intangible asset, but was previously recognised as an asset, the item shall be derecognised at the date when this Interpretation becomes effective. When a web site exists and the expenditure to develop it meets the criteria for recognition as an intangible asset, but was not previously recognised as an asset, the intangible asset shall not be recognised at the date when this Interpretation becomes effective. When a web site exists and the expenditure to develop it meets the criteria for recognition as an intangible asset, was previously recognised as an asset and initially measured at cost, the amount initially recognised is deemed to have been properly determined.

IAS 1 (as revised in 2007) amended the terminology used throughout IFRSs. In addition it amended paragraph 5. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. If an entity applies IAS 1 (revised 2007) for an earlier period, the amendments shall be applied for that earlier period.

IFRS 15 *Revenue from Contracts with Customers*, issued in May 2014, amended the 'References' section and paragraph 6. An entity shall apply that amendment when it applies IFRS 15.

IFRS 16, issued in January 2016, amended paragraph 6. An entity shall apply that amendment when it applies IFRS 16.

Amendments to References to the Conceptual Framework in IFRS Standards, issued in 2018, amended paragraph 5. An entity shall apply that amendment for annual periods beginning on or after 1 January 2020. Earlier application is permitted if at the same time an entity also applies all other amendments made by *Amendments to References to the Conceptual Framework in IFRS Standards*. An entity shall apply the amendment to SIC-32 retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendment to SIC-32 by reference to paragraphs 23–28, 50–53 and 54F of IAS 8.

GCA

