

Technical update

A monthly roundup of the latest developments in financial reporting, audit, taxation and legislation from the IASB, IFAC, the European Union, the OECD and elsewhere

Financial reporting

IFRS essentials

The International Accounting Standards Board (IASB) publishes investor guidance online under the title of *The essentials* to raise investor awareness of International Financial Reporting Standards (IFRS) and to enhance the insights that investors can obtain when analysing information produced by IFRS-based financial statements.

The IASB says the aim of the guidance is to provide an overview of how a specific accounting standard (or aspect of it) is relevant to financial statement analysis.

The board has issued guidance on cashflow statements and the presentation of financial statements. In the presentation of financial statements guidance, it highlights two of the principles in IAS 1:

- * Financial statements should fairly present the company's performance.
- * Disclosure of immaterial items can obscure material information.

The guidance explains how investors can use their knowledge of these fundamental IFRS principles to enter into an effective dialogue with management about the presentation of their financial results.

The guidance says its aim is to shed light on how some aspects of IAS 1 are relevant to the debate about IFRS vs non-GAAP information. A large number of companies use non-GAAP measures to communicate aspects of their financial performance.



Europe changes telecoms VAT regime

The European Commission has issued a report explaining the new VAT regime for EU telecoms, broadcasting and electronic services. From 1 January, these have been taxed within the EU in the country of the consumer of the service rather than its provider. For more information, see tinyurl.com/EU-VAT-2015.

The IASB says that investors have informed it that they value the insights that such measures can offer but may lack confidence using them, because:

- * it is not always easy to see how the non-GAAP metric has been calculated
- * they do not know if the metric has been subject to external assurance or audit
- * they do not know if the metric has been consistently calculated over time.

These useful IFRS series guides can be found at tinyurl.com/IASB-essentials.

Leases

The IASB has issued a document outlining the practical effects of the new standard on leases that is scheduled to appear this year. It highlights that companies will be required to bring leases onto the balance sheet and provides details on the similarities and differences between the IASB's

requirements and those of the US Financial Accounting Standards Board (FASB).

The document offers three very helpful illustrative examples: a large food retailer that leases a large proportion of its retail space using off balance sheet leases of between 15 and 30 years; an airline with around 80% of its aircraft owned or leased under finance leases and the remainder under off balance sheet leases; and a distributor of construction and building >>

materials that leases plant, machinery and real estate for between two and 10 years.

The examples given show the position now, the position under the new proposed standard and the position under FASB treatment. You can find the examples at tinyurl.com/leases-examples.

IFRS 15

The European Financial Reporting Advisory Group (EFRAG) has told the European Commission that it supports IFRS 15, *Revenue from Contracts with Customers*, as consistent with EU-adopted IFRS.

EFRAG states that IFRS 15 meets the requirements of Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards in that it:

- * is not contrary to the principle of 'true and fair view' set out in article 4(3) of Council directive 2013/34/EU
- * meets the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.

EFRAG accordingly recommends that IFRS 15 should be adopted.

You can follow the status of IFRS 15 adoption at tinyurl.com/IFRS15-progress.

Public sector service performance

The International Public Sector Accounting Standards Board (IPSASB) has issued *Recommended practice guideline 3*, which provides guidance on the reporting of service performance information.

It offers guidance on presentation decisions about service performance

information that will meet users' needs, and the information that should be presented when reporting service performance information.

You can find more at tinyurl.com/IPSASB-RPG3.

Glenn Collins, head of technical advisory, ACCA UK

European Union

Tax ruling transparency law proposed

The European Commission has proposed a directive to force EU states to automatically share information about their tax rulings. Under the proposals, the national tax authorities would send a short report to all other member states on all their crossborder tax rulings every three months.

Governments could then ask for more detailed information and adjust their tax policies to take account of any resulting tax avoidance, says the commission.

More at tinyurl.com/taxinfo-exchange.

Switzerland bank deal

The European Union and Switzerland have agreed to automatically exchange information on financial accounts from 2018, preventing EU residents from hiding undeclared income in Swiss banks to evade tax.

The deal means that from 2018 onwards EU member states will annually receive full financial account information of EU residents who hold Swiss bank accounts, including names, addresses, tax identification numbers, dates of birth and balances.

Formal approval of the deal, which complies with OECD tax transparency rules, is expected by July by the EU Council of Ministers and the Swiss government.

More at tinyurl.com/EU-swiss-deal.

Automatic financial information exchange

A detailed report has been released by EU experts on how the EU and its member states should comply with the Organisation for Economic Cooperation and Development's standard on the automatic exchange of financial account information.

The European Commission's expert group on automatic exchange of financial account information for direct taxation purposes (AEFI group) has published advice on issues such as timelines, data protection, legal definitions, due diligence on existing accounts and minimising red tape.

For more information, go to tinyurl.com/AEFI-summary.

Strategies for common tax policies

The European Commission has released a working paper that assesses potential strategies for pulling together the fiscal and taxation policies of those EU countries that use the euro as their currency.

The paper looks at the proposals that have been floated so far on coordinating government expenditure and the potential for developing plans on integrating tax collection strategies.

For more information, go to tinyurl.com/euro-taxrevenue.

Better fraud checks required

The European Parliament's budgetary control committee has called for more thorough checks on EU institution and budget spending.

In a detailed resolution, it noted that while the value of EU frauds has been falling, the number of scams has been increasing. Members of the European Parliament have called on the European Commission to prevent further loss of funds by analysing cases of fraud better.

It also called on EU member states – which spend and manage 80% of EU funds – and the commission, which bears overall responsibility – to work harder to claw back more of the money lost to financial irregularities, especially in agricultural funding.

The committee added that the commission should disclose how much money it recovers from member states after demanding they pay back EU regional development funding that has been misallocated or stolen. No such data currently exists.

More information on the European Parliament's budgetary control committee is at tinyurl.com/EU-budget-control.

OECD

Swiss tax transparency reforms welcomed

The Organisation for Economic Cooperation and Development's global forum on transparency and exchange of information for tax purposes has ruled that Switzerland has made sufficient reforms on the subject to be peer-reviewed.

An OECD report on Swiss tax transparency will be released in the second half of next year.

The forum noted that Switzerland had introduced a new law on international tax administrative assistance that met OECD standards and has agreed exchange of information mechanisms with 127 jurisdictions.

The forum also released peer review reports on six jurisdictions, assessing their compliance with international tax transparency standards. Five of the jurisdictions (Aruba, the Cook Islands, Hungary, Portugal and Uruguay) were deemed to be largely compliant and one (Curaçao) partially compliant. ■

Keith Nuthall, journalist