COMMISSION REGULATION (EU) 2019/2075

of 29 November 2019

amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards 1, 8, 34, 37 and 38, International Financial Reporting Standards 2, 3 and 6, Interpretations 12, 19, 20 and 22 of the International Financial Reporting Interpretations Committee and Interpretation 32 of the Standing Interpretations Committee

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards ([1]), and in particular Article 3(1) thereof,

Whereas:

(1) By Commission Regulation (EC) No 1126/2008 ([2]) certain international standards and interpretations that were in existence at 15 October 2008 were adopted.

(2) On 29 March 2018, the International Accounting Standards Board issued amendments to references in the conceptual framework in International Financial Reporting Standards. The objective of the amendments is to update existing references in several standards and interpretations to previous frameworks with references to the revised conceptual framework.

(3) The consultations with the European Financial Reporting Advisory Group, confirm that the amendments to International Accounting Standard (IAS) 1 *Presentation of financial statements*, IAS 8 *Accounting policies, changes in accounting estimates and errors*, IAS 34 *Interim financial reporting*, IAS 37 *Provisions, contingent liabilities and contingent assets* and IAS 38 *Intangible assets,* and International Financial Reporting Standard (IFRS) 2 *Share-based payment*, IFRS 3 *Business Combinations* and IFRS 6 *Exploration for and evaluation of mineral resources,* and Interpretation 12 of the International Financial Reporting Interpretations Committee (IFRIC) *Service Concession Arrangements*, IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*, IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* and IFRIC 22 *Foreign Currency Transactions and Advance Consideration*, and Interpretation 32 of the Standing Interpretations Committee (SIC) *Intangible assets — website costs* meet the criteria for adoption set out in Article 3(2) of Regulation (EC) No 1606/2002.

(4) Regulation (EC) No 1126/2008 should therefore be amended accordingly.

(5) The measures provided for in this Regulation are in accordance with the opinion of the Accounting Regulatory Committee,

HAS ADOPTED THIS REGULATION:

Article 1

The Annex to Regulation (EC) No 1126/2008 is amended as follows:

(a) International Accounting Standard (IAS) 1 *Presentation of financial statements* is amended as set out in the Annex to this Regulation;

([1]) OJ L 243, 11.9.2002, p. 1.

([2]) Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council (OJ L 320, 29.11.2008, p. 1).

(b) IAS 8 *Accounting policies, changes in accounting estimates and errors* is amended as set out in the Annex to this Regulation;

(c) IAS 34 *Interim financial reporting* is amended as set out in the Annex to this Regulation;

(d) IAS 37 *Provisions, contingent liabilities and contingent assets* is amended as set out in the Annex to this Regulation;

(e) IAS 38 *Intangible assets* is amended as set out in the Annex to this Regulation;

(f) International Financial Reporting Standard (IFRS) 2 *Share-based payment* is amended as set out in the Annex to this Regulation;

(g) IFRS 3 *Business Combinations* is amended as set out in the Annex to this Regulation;

(h) IFRS 6 *Exploration for and evaluation of mineral resources* is amended as set out in the Annex to this Regulation;

(i) Interpretation 12 of the International Financial Reporting Interpretations Committee (IFRIC 12) *Service Concession Arrangements* is amended as set out in the Annex to this Regulation;

(j) IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* is amended as set out in the Annex to this Regulation;

(k) IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* is amended as set out in the Annex to this Regulation;

(l) IFRIC 22 *Foreign Currency Transactions and Advance Consideration* is amended as set out in the Annex to this Regulation;

(m) Interpretation 32 of the Standing Interpretations Committee (SIC-32) *Intangible assets — website costs* is amended as set out in the Annex to this Regulation.

Article 2

Each company shall apply the amendments referred to in Article 1, at the latest, as from the commencement date of its first financial year starting on or after 1 January 2020.

Article 3

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 29 November 2019.

For the Commission

The President

Jean-Claude JUNCKER

ANNEX

Amendments to References to the Conceptual Framework in IFRS Standards

Amendments to IFRS Standards

Amendments to
IFRS 2 *Share-based Payment*

Paragraph 63E is added.

EFFECTIVE DATE

...

63E *Amendments to References to the Conceptual Framework in IFRS Standards*, issued 21in 2018, amended the footnote to the definition of an equity instrument in Appendix A. 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 IFRS 2 retrospectively, subject to the transitional provisions in paragraphs 53–59 of this Standard, 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 IFRS 2 by reference to paragraphs 23–28, 50–53 and 54F of IAS 8.

In Appendix A, the footnote to the definition of an equity instrument is amended.

* The *Conceptual Framework for Financial Reporting* issued in 2018 defines a liability as a present obligation of the entity to transfer an economic resource as a result of past events

Amendment to
IFRS 3 *Business Combinations*

In paragraph 11, the footnote to '*Framework*' is deleted and a footnote to '*Framework for the Preparation and Presentation of Financial Statements*' is added. Paragraph 11 has not been otherwise amended but is included for ease of reference.

Recognition conditions

11. To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements*[†] at the acquisition date. For example, costs the acquirer expects but is not obliged to incur in the future to effect its plan to exit an activity of an acquiree or to terminate the employment of or relocate an acquiree's employees are not liabilities at the acquisition date. Therefore, the acquirer does not recognise those costs as part of applying the acquisition method. Instead, the acquirer recognises those costs in its post-combination financial statements in accordance with other IFRSs.

† For this Standard, acquirers are required to apply the definitions of an asset and a liability and supporting guidance in the IASC's Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 rather than the Conceptual Framework for Financial Reporting issued in 2018.

Amendments to
IFRS 6 *Exploration for and Evaluation of Mineral Resources*

Paragraph 10 is amended, the footnote to '*Framework*' in paragraph 10 is deleted and paragraph 26A is added.

Elements of cost of exploration and evaluation assets

...

10. Expenditures related to the development of mineral resources shall not be recognised as exploration and evaluation assets. The *Conceptual Framework for Financial Reporting* and IAS 38 *Intangible Assets* provide guidance on the recognition of assets arising from development.

...

EFFECTIVE DATE

...

26A *Amendments to References to the Conceptual Framework in IFRS Standards*, issued in 2018, amended paragraph 10. 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 IFRS 6 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 IFRS 6 by reference to paragraphs 23–28, 50–53 and 54F of IAS 8.

Amendments to
IAS 1 *Presentation of Financial Statements*

Paragraphs 7, 15, 19–20, 23–24, 28 and 89 are amended and paragraph 139S is added. Four footnotes are deleted—the footnotes to 'paragraph 25' in paragraph 7, to the second sentence in paragraph 15, to paragraph 28 and to '*Framework's*' in paragraph 89.

DEFINITIONS

7. **The following terms are used in this Standard with the meanings specified:**

...

Material **Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.**

Assessing whether an omission or misstatement could influence economic decisions of users, and so be material, requires consideration of the characteristics of those users. Users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions.

...

Fair presentation and compliance with IFRSs

15. **Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the *Conceptual Framework for Financial Reporting* (*Conceptual Framework*). The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.**

...

19. **In the extremely rare circumstances in which management concludes that compliance with a requirement in an IFRS would be so misleading that it would conflict with the objective of financial statements set out in the *Conceptual Framework*, the entity shall depart from that requirement in the manner set out in paragraph 20 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.**

20. **When an entity departs from a requirement of an IFRS in accordance with paragraph 19, it shall disclose:**

(a) **that management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows;**

(b) **that it has complied with applicable IFRSs, except that it has departed from a particular requirement to achieve a fair presentation;**

(c) **the title of the IFRS from which the entity has departed, the nature of the departure, including the treatment that the IFRS would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in the *Conceptual Framework*, and the treatment adopted; and**

(d) **for each period presented, the financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement.**

...

23. **In the extremely rare circumstances in which management concludes that compliance with a requirement in an IFRS would be so misleading that it would conflict with the objective of financial statements set out in the *Conceptual Framework*, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:**

(a) **the title of the IFRS in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in the *Conceptual Framework*; and**

(b) **for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.**

24. For the purpose of paragraphs 19–23, an item of information would conflict with the objective of financial statements when it does not represent faithfully the transactions, other events and conditions that it either purports to represent or could reasonably be expected to represent and, consequently, it would be likely to influence economic decisions made by users of financial statements. When assessing whether complying with a specific requirement in an IFRS would be so misleading that it would conflict with the objective of financial statements set out in the *Conceptual Framework*, management considers:

(a) why the objective of financial statements is not achieved in the particular circumstances; and

(b) how the entity's circumstances differ from those of other entities that comply with the requirement. If other entities in similar circumstances comply with the requirement, there is a rebuttable presumption that the entity's compliance with the requirement would not be so misleading that it would conflict with the objective of financial statements set out in the *Conceptual Framework*.

...

Accrual basis of accounting

...

28. When the accrual basis of accounting is used, an entity recognises items as assets, liabilities, equity, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the *Conceptual Framework*.

...

Profit or loss for the period

...

89. Some IFRSs specify circumstances when an entity recognises particular items outside profit or loss in the current period. IAS 8 specifies two such circumstances: the correction of errors and the effect of changes in accounting policies. Other IFRSs require or permit components of other comprehensive income that meet the *Conceptual Framework's* definition of income or expense to be excluded from profit or loss (see paragraph 7).

...

TRANSITION AND EFFECTIVE DATE

…

139S *Amendments to References to the Conceptual Framework in IFRS Standards*, issued in 2018, amended paragraphs 7, 15, 19–20, 23–24, 28 and 89. An entity shall apply those amendments 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 amendments to IAS 1 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 amendments to IAS 1 by reference to paragraphs 23–28, 50–53 and 54F of IAS 8.

Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

Paragraphs 6 and 11(b) are amended. The footnotes to 'paragraph 25' in paragraph 6 and to paragraph 11(b) are deleted and a new footnote to paragraph 11(b) is added. The heading before paragraph 54 is amended and paragraphs 54F–54G are added.

DEFINITIONS

…

6. Assessing whether an omission or misstatement could influence economic decisions of users, and so be material, requires consideration of the characteristics of those users. Users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions.

…

Selection and application of accounting policies

…

11. **In making the judgement described in paragraph 10, management shall refer to, and consider the applicability of, the following sources in descending order:**

    (a) **the requirements in IFRSs dealing with similar and related issues; and**

    (b) **the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the *Conceptual Framework for Financial Reporting* (*Conceptual Framework*).**

† Paragraph 54G explains how this requirement is amended for regulatory account balances.

…

EFFECTIVE DATE AND TRANSITION

…

54F *Amendments to References to the Conceptual Framework in IFRS Standards*, issued in 2018, amended paragraphs 6 and 11 (b). An entity shall apply those amendments 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 amendments to paragraphs 6 and 11(b) retrospectively in accordance with this Standard. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendments to paragraphs 6 and 11(b) by reference to paragraphs 23–28 of this Standard. If retrospective application of any amendment in *Amendments to References to the Conceptual Framework in IFRS Standards* would involve undue cost or effort, an entity shall, in applying paragraphs 23–28 of this Standard, read any reference except in the last sentence of paragraph 27 to 'is impracticable' as 'involves undue cost or effort' and any reference to 'practicable' as 'possible without undue cost or effort'.

54G If an entity does not apply IFRS 14 *Regulatory Deferral Accounts*, the entity shall, in applying paragraph 11(b) to regulatory account balances, continue to refer to, and consider the applicability of, the definitions, recognition criteria, and measurement concepts in the *Framework for the Preparation and Presentation of Financial Statements** instead of those in the *Conceptual Framework*. A regulatory account balance is the balance of any expense (or income) account that is not recognised as an asset or a liability in accordance with other applicable IFRS Standards but is included, or is expected to be included, by the rate regulator in establishing the rate(s) that can be charged to customers. A rate regulator is an authorised body that is empowered by statute or regulation to establish the rate or a range of rates that bind an entity. The rate regulator may be a third-party body or a related party of the entity, including the entity's own governing board, if that body is required by statute or regulation to set rates both in the interest of the customers and to ensure the overall financial viability of the entity.

* The reference is to the IASC's *Framework for the Preparation and Presentation of Financial Statements* adopted by the Board in 2001.

Amendments to
IAS 34 *Interim Financial Reporting*

Paragraphs 31 and 33 are amended and paragraph 58 is added. The footnote to '(the *Framework*),' in paragraph 31 is deleted.

Same accounting policies as annual

...

31. Under the *Conceptual Framework for Financial Reporting* (*Conceptual Framework*), recognition is the process of capturing, for inclusion in the statement of financial position or the statement(s) of financial performance, an item that meets the definition of one of the elements of the financial statements. The definitions of assets, liabilities, income, and expenses are fundamental to recognition, at the end of both annual and interim financial reporting periods.

...

33. An essential characteristic of income (revenue) and expenses is that the related inflows and outflows of assets and liabilities have already taken place. If those inflows or outflows have taken place, the related revenue and expense are recognized; otherwise they are not recognized. The *Conceptual Framework* does not allow the recognition of items in the statement of financial position which do not meet the definition of assets or liabilities.

...

EFFECTIVE DATE

...

58. *Amendments to References to the Conceptual Framework in IFRS Standards*, issued in 2018, amended paragraphs 31 and 33. An entity shall apply those amendments 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 amendments to IAS 34 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 amendments to IAS 34 by reference to paragraphs 43–45 of this Standard and paragraphs 23–28, 50–53 and 54F of IAS 8.

Amendment to
IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

A footnote is added to the definition of a liability in paragraph 10.

* The definition of a liability in this Standard was not revised following the revision of the definition of a liability in the *Conceptual Framework for Financial Reporting* issued in 2018.

Amendment to
IAS 38 *Intangible Assets*

A footnote is added to the definition of an asset in paragraph 8.

* The definition of an asset in this Standard was not revised following the revision of the definition of an asset in the *Conceptual Framework for Financial Reporting* issued in 2018.

Amendment to
IFRIC 12 *Service Concession Arrangements*

The footnote to '*Framework for the Preparation and Presentation of Financial Statements*' in the References section is amended.

* The reference is to the IASC's *Framework for the Preparation and Presentation of Financial Statements*, adopted by the Board in 2001 and in effect when the Interpretation was developed.

Amendment to
IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

The footnote to '*Framework for the Preparation and Presentation of Financial Statements*' in the References section is amended.

* The reference is to the IASC's *Framework for the Preparation and Presentation of Financial Statements*, adopted by the Board in 2001 and in effect when the Interpretation was developed.

Amendment to
IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

A footnote is added to '*Conceptual Framework for Financial Reporting*' in the References section.

* The reference is to the *Conceptual Framework for Financial Reporting*, issued in 2010 and in effect when the Interpretation was developed.

Amendment to
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

A footnote is added to '*Conceptual Framework for Financial Reporting*' in the References section.

* The reference is to the *Conceptual Framework for Financial Reporting*, issued in 2010 and in effect when the Interpretation was developed.

Amendments to
SIC-32 *Intangible Assets—Web Site Costs*

Paragraph 5 is amended and the footnote to the '*Framework*' in paragraph 5 is deleted. A new paragraph is added at the end of the section under the heading 'Effective date'.

ISSUE

...

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.

...

EFFECTIVE DATE

...

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.