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)

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*

Changes to legislation: *There are outstanding changes not yet made to Commission Regulation (EU) 2019/2075. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

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;

(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.

***Changes to legislation:** There are outstanding changes not yet made to Commission Regulation (EU) 2019/2075. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

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

Changes to legislation: *There are outstanding changes not yet made to Commission Regulation (EU) 2019/2075. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

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

...

***Changes to legislation:** There are outstanding changes not yet made to Commission Regulation (EU) 2019/2075. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

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.**

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