Commission Regulation (EU) No 1255/2012 of 11 December 2012 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 Standard 12, International Financial Reporting Standards 1 and 13, and Interpretation 20 of the International Financial Reporting Interpretations Committee (Text with EEA relevance)

COMMISSION REGULATION (EU) No 1255/2012

of 11 December 2012

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(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 20 December 2010, the International Accounting Standards Board (IASB) published amendments to International Financial Reporting Standard ('IFRS') 1 First-time Adoption of International Financial Reporting Standards - *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (hereinafter "the amendments to IFRS 1") and to International Accounting Standard ('IAS') 12 Income Taxes - *Deferred Tax: Recovery of Underlying Assets* (hereinafter "the amendments to IAS 12"). The objective of the amendments to IFRS 1 is to introduce a new exemption in the scope of IFRS 1 – namely, entities that have been subject to severe hyperinflation are allowed to use fair value as the deemed cost of their assets and liabilities in their opening IFRS statement of financial position. In addition, those amendments also replace the references to fixed dates in IFRS 1 with references to the date of transition. As to IAS 12, it prescribes the accounting treatment for income taxes. The objective of the amendments to IAS 12 is to introduce an exception to the measurement principle in IAS 12 in the form of a rebuttable presumption that assumes that the carrying amount of an investment property measured at fair value would be recovered through sale and an entity would be required to use the tax rate applicable to the sale of underlying asset.

Changes to legislation: *There are outstanding changes not yet made to Commission Regulation (EU) No 1255/2012. 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*

(3) On 12 May 2011, the IASB issued IFRS 13 *Fair Value Measurement* (hereinafter "IFRS 13"). IFRS 13 sets out a single IFRS framework for measuring fair value and provides comprehensive guidance on how to measure the fair value of both financial and non-financial assets and liabilities. IFRS 13 applies when another IFRS requires or permits fair value measurement or disclosures about fair value measurements.

(4) On 19 October 2011, the IASB issued Interpretation 20 of the International Financial Reporting Interpretations Committee ('IFRIC") *Stripping Costs in the Production Phase of a Surface Mine* ("IFRIC 20"). The objective of IFRIC 20 is to provide guidance on recognition of production stripping costs as an asset and on the initial and subsequent measurement of the stripping activity asset in order to reduce the diversity in practice as to how entities account for stripping costs incurred in the production phase of a surface mine.

(5) This Regulation endorses the amendments to IAS 12, the amendments to IFRS 1, IFRS 13, IFRIC 20, and the resulting amendments to other standards and interpretations. Those standards, amendments to existing standards or interpretations contain some references to IFRS 9 that at present cannot be applied as IFRS 9 has not been adopted by the Union yet. Therefore, any reference to IFRS 9 as laid down in the Annex to this Regulation should be read as a reference to IAS 39 *Financial Instruments: Recognition and Measurement.* Additionally, any consequential amendment to IFRS 9 resulting from the Annex to this Regulation cannot be applied.

(6) The consultation with the Technical Expert Group (TEG) of the European Financial Reporting Advisory Group (EFRAG) confirms that the amendments to IAS 12 and the amendments to IFRS 1 as well as IFRS 13 and IFRIC 20 meet the technical criteria for adoption set out in Article 3(2) of Regulation (EC) No 1606/2002.

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

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

HAS ADOPTED THIS REGULATION:

Article 1

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

a International Accounting Standard (IAS) 12 *Income Taxes* is amended as set out in the Annex to this Regulation;

b Interpretation 21 of the Standing Interpretations Committee (SIC) is deleted in accordance with the amendments to IAS 12 as set out in the Annex to this Regulation.

c International Financial Reporting Standard (IFRS) 1 *First-time Adoption of International Financial Reporting Standards* is amended as set out in the Annex to this Regulation;

d IFRS 13 *Fair Value Measurement* is inserted as set out in the Annex to this Regulation;

e IFRS 1, IFRS 2, IFRS 3, IFRS 4, IFRS 5, IFRS 7, IAS 1, IAS 2, IAS 8, IAS 10, IAS 16, IAS 17, IAS 18, IAS 19, IAS 20, IAS 21, IAS 28, IAS 31, IAS 32, IAS 33, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41, IFRIC 2, IFRIC 4, IFRIC 13, IFRIC 17 and IFRIC 19 are amended in accordance with IFRS 13 as set out in the Annex to this Regulation;

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f IFRIC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine* is inserted as set out in the Annex to this Regulation;

g IFRS 1 is amended in accordance with IFRIC 20 as set out in the Annex to this Regulation.

2 Any reference to IFRS 9 as laid down in the Annex to this Regulation shall be read as a reference to IAS 39 *Financial Instruments: Recognition and Measurement*.

3 Any consequential amendment to IFRS 9 resulting from the Annex to this Regulation shall not be applied.

Article 2

1 Each company shall apply the amendments referred to in points (a), (b) and (c) of Article 1(1) at the latest, as from the commencement date of its first financial year starting on or after the date of entry into force of this Regulation.

2 Each company shall apply IFRS 13, IFRIC 20, and the consequential amendments as referred to in points (d) – (g) of Article 1(1), at the latest, as from the commencement date of its first financial year starting on or after 1 January 2013.

Article 3

This Regulation shall enter into force on the third 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, 11 December 2012.

For the Commission

The President

José Manuel BARROSO

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ANNEX

INTERNATIONAL ACCOUNTING STANDARDS

IFRS 1	**IFRS 1** ***First-time Adoption - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters***
IAS 12	**IAS 12** ***Income Taxes - Deferred Tax: Recovery of Underlying Assets***
IFRS 13	**IFRS 13** ***Fair Value Measurement***
IFRIC 20	**IFRIC Interpretation 20** ***Stripping Costs in the Production Phase of a Surface Mine***

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AMENDMENTS TO IFRS 1 ***First-time Adoption of International Financial Reporting Standards***

After paragraph 31B a heading and paragraph 31C are added.

PRESENTATION AND DISCLOSURE

Explanation of transition to IFRSs

Use of deemed cost after severe hyperinflation

31C If an entity elects to measure assets and liabilities at fair value and to use that fair value as the deemed cost in its opening IFRS statement of financial position because of severe hyperinflation (see paragraphs D26–D30), the entity's first IFRS financial statements shall disclose an explanation of how, and why, the entity had, and then ceased to have, a functional currency that has both of the following characteristics:

(a) a reliable general price index is not available to all entities with transactions and balances in the currency.

(b) exchangeability between the currency and a relatively stable foreign currency does not exist.

Appendix B

Exceptions to the retrospective application of other IFRSs

Paragraph B2 is amended.

Derecognition of financial assets and financial liabilities

B2 Except as permitted by paragraph B3, a first-time adopter shall apply the derecognition requirements in IAS 39 *Financial Instruments: Recognition and Measurement* prospectively for transactions occurring on or after the date of transition to IFRSs. For example, if a first-time adopter derecognised non-derivative financial assets or non-derivative financial liabilities in accordance with its previous GAAP as a result of a transaction that occurred before the date

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of transition to IFRSs, it shall not recognise those assets and liabilities in accordance with IFRSs (unless they qualify for recognition as a result of a later transaction or event).

Appendix D

Exemptions from other IFRSs

Paragraphs D1 and D20 are amended.

D1 An entity may elect to use one or more of the following exemptions:

(a) …

(o) transfers of assets from customers (paragraph D24);

(p) extinguishing financial liabilities with equity instruments (paragraph D25); and

(q) severe hyperinflation (paragraphs D26–D30).

An entity shall not apply these exemptions by analogy to other items.

Fair value measurement of financial assets or financial liabilities at initial recognition

D20 Notwithstanding the requirements of paragraphs 7 and 9, an entity may apply the requirements in the last sentence of IAS 39 paragraph AG76 and in paragraph AG76A prospectively to transactions entered into on or after the date of transition to IFRSs.

A heading and paragraphs D26–D30 are added.

Severe hyperinflation

D26 If an entity has a functional currency that was, or is, the currency of a hyperinflationary economy, it shall determine whether it was subject to severe hyperinflation before the date of transition to IFRSs. This applies to entities that are adopting IFRSs for the first time, as well as entities that have previously applied IFRSs.

D27 The currency of a hyperinflationary economy is subject to severe hyperinflation if it has both of the following characteristics:

(a) a reliable general price index is not available to all entities with transactions and balances in the currency.

(b) exchangeability between the currency and a relatively stable foreign currency does not exist.

D28 The functional currency of an entity ceases to be subject to severe hyperinflation on the functional currency normalisation date. That is the date when the functional currency no longer has either, or both, of the characteristics in paragraph D27, or when there is a change in the entity's functional currency to a currency that is not subject to severe hyperinflation.

D29 When an entity's date of transition to IFRSs is on, or after, the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date at fair value on the date of transition to IFRSs. The entity may use that fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position.

D30 When the functional currency normalisation date falls within a 12-month comparative period, the comparative period may be less than 12 months, provided that a complete set of financial statements (as required by paragraph 10 of IAS 1) is provided for that shorter period.