Commission Regulation (EC) No 1262/2008 of 16 December 2008 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 Financial Reporting Interpretations Committee's (IFRIC) Interpretation 13 (Text with EEA relevance)

COMMISSION REGULATION (EC) No 1262/2008

of 16 December 2008

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 Financial Reporting Interpretations Committee's (IFRIC) Interpretation 13

(Text with EEA relevance)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

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 accounting standards and interpretations that were extant at 15 October 2008 were adopted.

(2) On 5 July 2007, the International Financial Reporting Interpretations Committee (IFRIC) published IFRIC Interpretation 13 customer loyalty programmes, hereinafter 'IFRIC 13'. IFRIC 13 eliminates the current inconsistencies in practice regarding the accounting treatment of free or discounted goods or services sold under customer loyalty programmes that companies use to award to their customers in form of points, air miles or other credits upon the sale of a good or a service.

(3) The consultation with the Technical Expert Group (TEG) of the European Financial Reporting Advisory Group (EFRAG) confirms that IFRIC 13 meets the technical criteria for adoption set out in Article 3(2) of Regulation (EC) No 1606/2002. In accordance with Commission Decision 2006/505/EC of 14 July 2006 setting up a Standards Advice Review Group to advise the Commission on the objectivity and neutrality of the European Financial Reporting Advisory Group's (EFRAG) opinions[(3)], the Standards Advice Review Group considered EFRAG's opinion on endorsement and advised the European Commission that it is well balanced and objective.

(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,

Changes to legislation: *There are outstanding changes not yet made to Commission Regulation (EC) No 1262/2008. 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*

HAS ADOPTED THIS REGULATION:

Article 1

In the Annex to Regulation (EC) No 1126/2008 International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 13 customer loyalty programmes is inserted as set out in the Annex to this Regulation.

Article 2

Each company shall apply IFRIC 13, as set out in the Annex to this Regulation, at the latest as from the commencement date of its first financial year starting after 31 December 2008.

Article 3

This Regulation shall enter into force on the third day following 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, 16 December 2008.

For the Commission

Charlie McCREEVY

Member of the Commission

***Changes to legislation:** There are outstanding changes not yet made to Commission Regulation (EC) No 1262/2008. 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

INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRIC 13	'IFRIC Interpretation 13 customer loyalty programmes'

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IFRIC INTERPRETATION 13
Customer Loyalty Programmes
REFERENCES

— IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

— IAS 18 *Revenue*

— IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

BACKGROUND

1 Customer loyalty programmes are used by entities to provide customers with incentives to buy their goods or services. If a customer buys goods or services, the entity grants the customer award credits (often described as 'points'). The customer can redeem the award credits for awards such as free or discounted goods or services.

2 The programmes operate in a variety of ways. Customers may be required to accumulate a specified minimum number or value of award credits before they are able to redeem them. Award credits may be linked to individual purchases or groups of purchases, or to continued custom over a specified period. The entity may operate the customer loyalty programme itself or participate in a programme operated by a third party. The awards offered may include goods or services supplied by the entity itself and/or rights to claim goods or services from a third party.

SCOPE

3 This Interpretation applies to customer loyalty award credits that:

(a) an entity grants to its customers as part of a sales transaction, i.e. a sale of goods, rendering of services or use by a customer of entity assets; and

(b) subject to meeting any further qualifying conditions, the customers can redeem in the future for free or discounted goods or services.

The Interpretation addresses accounting by the entity that grants award credits to its customers.

ISSUES

4 The issues addressed in this Interpretation are:

(a) whether the entity's obligation to provide free or discounted goods or services ('awards') in the future should be recognised and measured by:

  (i) allocating some of the consideration received or receivable from the sales transaction to the award credits and deferring the recognition of revenue (applying paragraph 13 of IAS 18); or

  (ii) providing for the estimated future costs of supplying the awards (applying paragraph 19 of IAS 18); and