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**ERICA (EUROPEAN RECORDS OF IFRS CONSOLIDATED ACCOUNTS)
WORKING GROUP**

IFRS AND OTHER IMPACTS

European Committee of Central Balance Sheet Data Offices (ECCBSO)

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I. INTRODUCTION AND SUMMARY

This document integrates all material available about the process of approval of the Standards by the IFRS Foundation and its adoption in the European Union, with information updated till September of 2023. Chapter II focuses on the recent and foreseeable changes in IFRS Accounting Standards considering the IASB legislation, Exposure Drafts and other documents to become IFRS Accounting Standards and more recent development in the EU. Chapter III offers the situation of each European country related to the implementation of IFRS Accounting Standards for non-listed groups and individual companies, showing that only Greece, Portugal, Italy and Turkey accept the use of IFRS Accounting Standards for certain individual corporations (e.g. belonging to consolidated listed groups or consolidated non-listed groups if they consolidate according with IFRS Accounting Standards). The document ends up with an annex disclosing a timetable of the projects the IASB is involved in.

II. RECENT AND FORESEEABLE CHANGES IN IFRS ACCOUNTING STANDARDS¹

II.1. IASB LEGISLATION (TO BE ENDORSED BY THE EU)

January 2020 – Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current and Non-current* and July 2020 – Classification of Liabilities as Current or Non-current – Deferral of Effective Date

The amendments clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments:

- specify that an entity's right to defer settlement must exist at the end of the reporting period;
- clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
- clarify how lending conditions affect classification; and
- clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

Even though the initial effective application was for periods beginning on or after 1 January 2022, due to the covid-19 pandemic, the IASB has proposed to defer the effective date by one year to provide companies with more time to implement any classification changes resulting from the amendments.

In its Primary Financial Statements project, the IASB is developing proposals to improve the way information is communicated in financial statements. The IASB proposes to issue requirements in a new IFRS Standard that would replace IAS 1. In December 2019, the IASB published an exposure draft of the new Standard: General Presentation and Disclosures.

The IASB is not reviewing all aspects of IAS 1 as part of the Primary Financial Statements project. It is not reviewing the requirements for classifying assets and liabilities as current or non-current. The IASB would carry forward into the new Standard the requirements as now amended by Classification of Liabilities as Current or Non-current.

The IASB deferred the effective date of the amendments by one year to annual reporting periods beginning on or after 1 January 2024.

¹ Situation at 06th September 2023.

September 2022 - Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022)

Paragraph 100(a) of IFRS 16 requires a seller-lessee to measure the right-of-use asset arising from a sale and leaseback transaction at the proportion of the previous carrying amount of the asset that relates to the right of use the seller-lessee retains. Accordingly, in a sale and leaseback transaction the seller-lessee recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. The initial measurement of the lease liability that arise from a sale and leaseback transaction is a consequence of how the seller-lessee measures the right-of-use asset and the gain or loss recognised at the date of the transaction.

IFRS 16, however, includes no specific subsequent measurement requirements for sale and leaseback transactions. Consequently, when the payments include variable lease payments there is a risk that, without additional requirements, a modification or change in the leaseback term could result in the seller-lessee recognising a gain on the right of use retained even though no transaction or event would have occurred to give rise to that gain.

The IASB effective date for this amendment is applicable to annual reporting periods beginning on or after 1 January 2024.

August 2023 - Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023)

The IASB issued “Lack of Exchangeability” to require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.

May 2023 - Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023)

The IASB issued Supplier Finance Arrangements to require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them:

- to assess how supplier finance arrangements affect an entity’s liabilities and cash flows; and
- to understand the effect of supplier finance arrangements on an entity’s exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

The additional requirements complement presentation and disclosure requirements already in IFRS Accounting Standards as set out in the IFRS Interpretations Committee December 2020 Agenda Decision Supply Chain Financing Arrangements—Reverse Factoring.

May 2023 - Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023)

In May 2023, the International Accounting Standards Board (IASB) issued *International Tax Reform—Pillar Two Model Rules*, which amended IAS 12 *Income Taxes*. The amendments introduced:

- a. a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and
- b. targeted disclosure requirements for affected entities.

June 2023 - Climate and General Sustainability-related Disclosures

In June 2023 the International Sustainability Standards Board (ISSB) issued its first two IFRS Sustainability Disclosure Standards, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. These standards will come into force for annual reporting periods beginning on or after 1 January 2024.

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (General Requirements) sets out the overall requirements for an entity to disclose sustainability-related financial information about all its significant sustainability-related risks and opportunities, to provide the market with a complete set of sustainability-related financial disclosures.

IFRS S2 Climate-related Disclosures (Climate Exposure) builds upon the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and incorporates industry-based disclosure requirements derived from SASB Standards.

These standards form a comprehensive global baseline of sustainability disclosures designed to meet the information needs of investors in assessing enterprise value.

A company applying the proposals in the Climate Exposure Draft would be required to provide material information about its significant climate-related risks and opportunities. The Climate Exposure Draft proposes requiring a company to disclose information that would enable an investor to assess the effect of climate-related risks and opportunities on its enterprise value.

The Climate Exposure Draft would require a company to centre its disclosures on the consideration of the governance, strategy and risk management of a business, and the metrics and targets it uses to measure, monitor and manage its significant climate-related risks and opportunities. The Exposure Draft includes a requirement for companies to disclose information about climate-related physical and transition risks and climate-related opportunities.

II.2. EXPOSURE DRAFTS AND OTHER DOCUMENTS TO BECOME IFRS ACCOUNTING STANDARDS

The IASB has worked during the last year on different projects, preparing new documents (exposure drafts or discussion papers) that could become new IFRS Accounting Standards in the short/medium-term:

Post-implementation Review of IFRS 15 Revenue from Contracts with Customers

The International Accounting Standards Board (IASB) has published a Request for Information as part of the post-implementation review of IFRS 15 Revenue from Contracts with Customers.

A post-implementation review is an opportunity for the IASB to assess whether the effects of applying the new requirements on users of financial statements, preparers, auditors and regulators are as intended when the IASB developed those new requirements. The comment letter period is open until 27 October 2023.

Request for Information and comment letters: Post-implementation Review of IFRS 9— Impairment

The International Accounting Standards Board (IASB) has published a Request for Information as part of the post-implementation review of the impairment requirements of IFRS 9 Financial Instruments.

A post-implementation review is an opportunity for the IASB to assess whether the effects of applying the new requirements on users of financial statements, preparers, auditors and regulators are as intended when the IASB developed those new requirements. The comment letter period is open until 27 September 2023.

Proposed Taxonomy and comment letters: IFRS Sustainability Disclosure Taxonomy

On 27 July 2023, the IFRS Foundation published for public comment Proposed IFRS Sustainability Disclosure Taxonomy.

The Proposed IFRS Sustainability Disclosure Taxonomy reflects disclosure requirements arising from: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, issued in June 2023; and IFRS S2 Climate-related Disclosures, issued in June 2023.

The Proposed IFRS Sustainability Disclosure Taxonomy is open for comment until 26 September 2023.

II.3. MORE RECENT DEVELOPMENTS IN THE EUROPEAN UNION, PROCESS OF IMPLEMENTATION OF IFRS ACCOUNTING STANDARDS²

MAIN EVENTS IN EUROPEAN UNION: RECORD OF LEGISLATION PROCESS ³
In January 2021 the EC endorsed the “ <i>Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2</i> ” (issued on 27 August 2020).
In June 2021 the EC endorsed the “ <i>Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020</i> ”
In August 2021 the EC endorsed the “ <i>Amendments to IFRS 16 Leases: Covid-19 – Related Rent Concessions beyond 30 June 2021</i> ” issued on 31 March 2021.
In November 2021 the EC endorsed the “ <i>IFRS 17 Insurance Contracts</i> ” (issued on 18 May 2017); including “ <i>Amendments to IFRS 17</i> ” (issued on 25 June 2020).
In March 2022 the EC endorsed the “ <i>Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates</i> ” (issued on 12 February 2021).
In March 2022 the EC endorsed the “ <i>Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies</i> ” (issued on 12 February 2021).
In July 2022 , ESMA updated the RTS (Delegated Regulation (EU) 2019/815) on ESEF in order to amend the relevant Annexes of the RTS on ESEF to be aligned with the IFRS Taxonomy, including block tagging guides.
In August 2022 the EC endorsed the “ <i>Amendments to IAS 12 Income Taxes: Deferred Tax Related to Assets and Liabilities arising from a Single Transaction</i> ” (issued on 7 May 2021)
In September 2022 the EC endorsed the “ <i>Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i> ” (issued on 9 December 2021)”
In August 2023 , ESMA updated the Preparation of Annual Financial Reports in ESEF Format. At the same time. In 2023, ESMA decided to postpone to 2024 the amendment of the ESEF RTS to reflect the limited changes of the 2023 update of the International Financial Reporting Standards (IFRS) taxonomy and focus on monitoring the implementation of the ESEF requirements and how to improve the electronic reporting process.

² Situation at 28th August 2023.

³ Personal compilation from: <https://www.iasplus.com/en>, https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting_en and <http://www.efrag.org/>.

III. SUMMARY TABLE OF ACCOUNTING LEGAL FRAMEWORK TO USE IFRS ACCOUNTING STANDARDS

Concept	Austria	France	Germany	Greece	Italy	Portugal	Spain	Turkey
1. Accounting legal framework, based on:	Ministry of Justice: Commercial Code	Ministry of Economy: Commercial Code	Ministry of Justice: Commercial Code	Ministry of Finance	Ministry of Justice: Civil Code	Ministry of Finance	Ministry of Justice: Commercial Code Regulation changed in line with IFRS Accounting Standards	Ministry of Trade: Commercial Code
2. Accounting bodies (public / private)	Semi-public: Austrian Financial Reporting and Auditing Committee	Public: the Authority of Accounting standards (ANC)	Semi-public: German Accounting Standards Committee (DRSC)	Public: Hellenic Accounting and Auditing Standards Oversight Board (HAASOB)	Private: Italian Accounting Body (OIC)	Semi-public: Portuguese Accounting Standards Board (CNC)	Public: Institute of Accounting and Auditing (ICAC)	Public: Public Oversight, Accounting and Auditing Standards Authority (POA)
a) Consolidated Accounts of unlisted corporations	Option to follow either IFRS Accounting Standards or Austrian GAAP (2005).	Option to follow on a voluntary basis either IFRS Accounting Standards or French GAAP	Voluntary	It is mandatory for companies of public interest, financial services, investment services, real estate services, capital funds services, portfolio entities. Voluntary for companies after their Board's decision (Obligation to use IFRS Accounting Standards for the next 5 years since the first year of adoption)	2005 on a voluntary basis (mandatory for financial institutions)	Voluntary in the first year of adoption, but compulsory afterwards (at least 3 years)	Option to follow either IFRS Accounting Standards (since 2005) or Spanish GAAPs (since 2010 aligned with IAS/IFRS Accounting Standards updated in 2021)	Voluntary since 2013 (IFRS Accounting Standards are mandatory for Public Interest Entities as defined in EU Accounting Directive)

Concept	Austria	France	Germany	Greece	Italy	Portugal	Spain	Turkey
b) Individual Accounts	NO	NO	Voluntary, but only for information purpose (publication in the federal gazette)	<p>Compulsory from 2005 for listed companies. It is also mandatory for companies of public interest, financial services, investment services, real estate services, capital funds services, portfolio entities.</p> <p>Voluntary for companies after their Board's decision (Obligation to use IFRS Accounting Standards for the next 5 years since the first year of adoption)</p>	2005 on a voluntary basis (2006 mandatory for financial institutions and listed companies)	Voluntary in the first adoption, but compulsory afterwards (at least 3 years) (just for companies belonging to the scope of consolidation of a group that adopts IFRS Accounting Standards)	NO (although indirectly by applying the revised national accounting standards they are aligned to IFRS)	Voluntary

CURRENT DEVELOPMENTS IN THE COUNTRY ⁴									
Concept	Austria		France	Germany	Greece	Italy	Portugal	Spain	Turkey
3. Possibility of using IFRS Accounting Standards									
a) Consolidated accounts of unlisted corporations	YES Option to use IAS/IFRS Accounting Standards or Austrian GAAP		From 2005, on a voluntary basis	From 2005, without authorisation on a voluntary basis	It is mandatory for companies of public interest, financial services, investment services, real estate services, capital funds services, portfolio entities. Voluntary for companies after their Board's decision (Obligation to use IFRS Accounting Standards for the next 5 years since the first year of adoption)	From 2005 on a voluntary basis	On a voluntary basis	YES Option to use IAS / IFRS Accounting Standards or Spanish Consolidated GAAPs	YES Option to use Turkish Financial Reporting Standards (100% IFRS compliant) or BOBI FRS (100% IFRS for SMEs compliant)

⁴ Situation at July 27/07/2023.

CURRENT DEVELOPMENTS IN THE COUNTRY ⁴									
Concept	Austria		France	Germany	Greece	Italy	Portugal	Spain	Turkey
b) Individual accounts	YES (without authorisation on a voluntary basis)		Selective convergence of French GAAP: new rules applicable from 2005	See above	<p>Compulsory from 2005 for listed companies. It is also mandatory for companies of public interest, financial services, investment services, real estate services, capital funds services, portfolio entities.</p> <p>Voluntary for companies after their Board's decision (Obligation to use IFRS Accounting Standards for the next 5 years since the first year of adoption)</p>	Yes in the individual accounts of listed companies; for the rest, very infrequent; forbidden for SME	<p>Selective convergence of Portuguese GAAP: new rules compliant with IFRS Accounting Standards are being published. There is an exception regarding goodwill. Portuguese GAAP followed IFRS on this matter until 2015. According to Portuguese GAAP, from 2016 on, companies are required to define the goodwill's operating life and apply consistent amortizations, instead of applying impairment tests.</p>	<p>Indirectly, through the revised 2021 Accounting Plan (since 2008). Several National GAAPs do not fully align with latest IFRS Accounting Standards: Goodwill Amortization, non-refundable grants and finally, leases (IFRS 16))</p>	<p>YES Option to use Turkish Financial Reporting Standards (100% IFRS compliant) or BOBI FRS (100% IFRS for SMEs compliant)</p>

ANNEX - IASB PROJECTS (WORK PLAN UPDATED 27/07/23)⁵

RESEARCH PROJECT		
PROJECT	NEXT MILESTONE	EXPECTED DATE
Extractive Activities (IFRS 6)	Decide Project Direction	September 2023
Post-Implementation Review of IFRS 15 Revenues from contracts with customers	Request for Information (27/10/2023)	H1 2024
Business Combinations under Common Control (IFRS 3)	Decide Project Direction	September 2023
STANDARD-SETTING PROJECTS		
PROJECT	NEXT MILESTONE	EXPECTED DATE
Management Commentary (Practice Statement 1)	Decide Project Direction	Q4 2023
Dynamic Risk Management (IFRS 9)	Exposure Draft	2025
Equity Method (IAS 28)	Exposure Draft	H2 2024
Business Combinations (Disclosures, Goodwill and Impairment) (IFRS 3, IAS 36)	Exposure Draft	H1 2024
Financial Instruments with Characteristics of Equity (Conceptual Framework, IAS 32, IFRS 9)	Exposure Draft	Q4 2023
Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures	IFRS Standard	2024
International Applicability of the SASB Standards	Exposure Draft Feedback (09/08/2023)	September 2023
Primary Financial Statements (IAS 1 / IAS 7)	IFRS Standard	2024
Second Comprehensive Review of the IFRS for SMEs Standard (IFRS for SMEs)	IFRS Standard	2025
Rate-regulated Activities (IFRS 14)	IFRS Standard	2025
MAINTENANCE PROJECTS		
PROJECT	NEXT MILESTONE	EXPECTED DATE
Amendments to the Classification and Measurement of Financial Instruments (IFRS 9 / IFRS 7)	Exposure Draft Feedback	September 2023
Amendments to the IFRS for SMEs Accounting Standard – International Tax Reform – Pillar Two Model Rules (IFRS For SMEs)	Exposure Draft Feedback	August 2023
Annual Improvements to IFRS Accounting Standards – Cost Method (Amendments to IAS 7)	Exposure Draft	September 2023
Annual Improvements to IFRS Accounting Standards – Credit Risk Disclosures (Amendments to Illustrative Examples accompanying IFRS 7)	Exposure Draft	September 2023
Annual Improvements to IFRS Accounting Standards – Determination of a “De Facto Agent” (Amendments to IFRS 10)	Exposure Draft	September 2023
Annual Improvements to IFRS Accounting Standards – Disclosure of Deferred Difference between Fair Value and Transaction Price (Amendments to Illustrative Guidance accompanying IFRS 7)	Exposure Draft	September 2023
Annual Improvements to IFRS Accounting Standards – Gains or Loss on Derecognition (Amendments to IFRS 7)	Exposure Draft	September 2023
Annual Improvements to IFRS Accounting Standards – Hedge Accounting by a First Time Adopter (Amendments to IFRS 1)	Exposure Draft	September 2023

⁵ The information in this table is based on <http://www.ifrs.org/Current-Projects/IASB-Projects/Pages/IASB-Work-Plan.aspx> at 26th July 2023.

Annual Improvements to IFRS Accounting Standards – Lessee De recognition of Lease Liabilities (Amendments to IFRS 9)	Exposure Draft	September 2023
Annual Improvements to IFRS Accounting Standards – Transaction Price (Amendments to IFRS 9)	Exposure Draft	September 2023
Provisions-Targeted Improvements	Decide Project Direction	Q4 2023
Climate Related Risks in the Financial Statements	Review Research	September 2023
Lack of Exchangeability (Amendments to IAS 21)	IFRS Accounting Standard Amendment	August 2023
Provisions – Targeted Improvements	Decide Project Direction	Q4 2023
OTHER PROJECTS		
PROJECT	NEXT MILESTONE	EXPECTED DATE
Merger between a Parent and Its Subsidiary in Separate Financial Statements (IAS 27)	Tentative Agenda Decision Feedback	Q4 2023
Premiums Receivable from Intermediary (IFRS 17, IFRS 9)	Tentative Agenda Decision Feedback Request for Information Feedback (Submit Letter by 14/08/2023)	September 2023
ISSB Consultation on Agenda Priorities	Request for Information Feedback (Submit Letter by 01/09/2023)	Q4 2023
Homes and Home Loans Provided to Employees	Tentative Agenda Decision Feedback	September 2023
Guarantee over a Derivative Contract (IFRS 9)	Tentative Agenda Decision Feedback	September 2023
IFRS Accounting taxonomy Update – Common Practice (Financial Instruments) and General Improvements	Proposed IFRS Taxonomy Update	Q4 2023
IFRS Accounting Taxonomy Update – Amendments to IAS12, IAS 21, IAS 7 and IFRS 7	Proposed IFRS Taxonomy Update	Q4 2023
IFRS Accounting Taxonomy Update – Primary Financial Statements (IAS 1)	Proposed IFRS Taxonomy Update	2024
IFRS Sustainability Disclosure Taxonomy	Proposed IFRS Taxonomy Update	July 2023 (27/7/2023)