



IFRS AT A GLANCE

SIC-25 Income Taxes: Changes in the Tax Status of an Entity or its Shareholders



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ISSUE

- ▶ The issue is how an entity accounts for the tax consequences of a change in its tax status or that of its shareholders
- ▶ A change in the tax status of an entity or of its shareholders may have consequences for an entity by increasing or decreasing its tax liabilities or assets. This may, for example, occur upon the public listing of an entity's equity instruments or upon the restructuring of an entity's equity. It may also occur upon a controlling shareholder's move to a foreign country. As a result of such an event, an entity may be taxed differently; it may for example gain or lose tax incentives or become subject to a different rate of tax in the future
- ▶ A change in the tax status of an entity or its shareholders may have an immediate effect on the entity's current tax liabilities or assets. The change may also increase or decrease the deferred tax liabilities and assets recognised by the entity, depending on the effect the change in tax status has on the tax consequences that will arise from recovering or settling the carrying amount of the entity's assets and liabilities.

CONSENSUS

- ▶ A change in the tax status of an entity or its shareholders does not give rise to increases or decreases in amounts recognised outside profit or loss
- ▶ The current and deferred tax consequences of a change in tax status are included in net profit or loss for the period, unless those consequences relate to transactions and events that result, in the same or a different period, in a direct credit or charge to the recognised amount of equity or in amounts recognised in other comprehensive income
- ▶ Those tax consequences that relate to changes in the recognised amount of equity, in the same or a different period (not included in net profit or loss), are charged or credited directly to equity
- ▶ Those tax consequences that relate to amounts recognised in other comprehensive income are recognised in other comprehensive income.












Contact

For further information about how BDO can assist you and your organisation, please get in touch with one of our key contacts listed below.

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