
IFRS Taxonomy Consultative Group (ITCG) meeting

Date **2 July 2024**

Project **IFRS Accounting Taxonomy**

Topic **Exploring the approach to IFRS Accounting Taxonomy transition for IFRS 18 and upcoming IFRS for SMEs update**

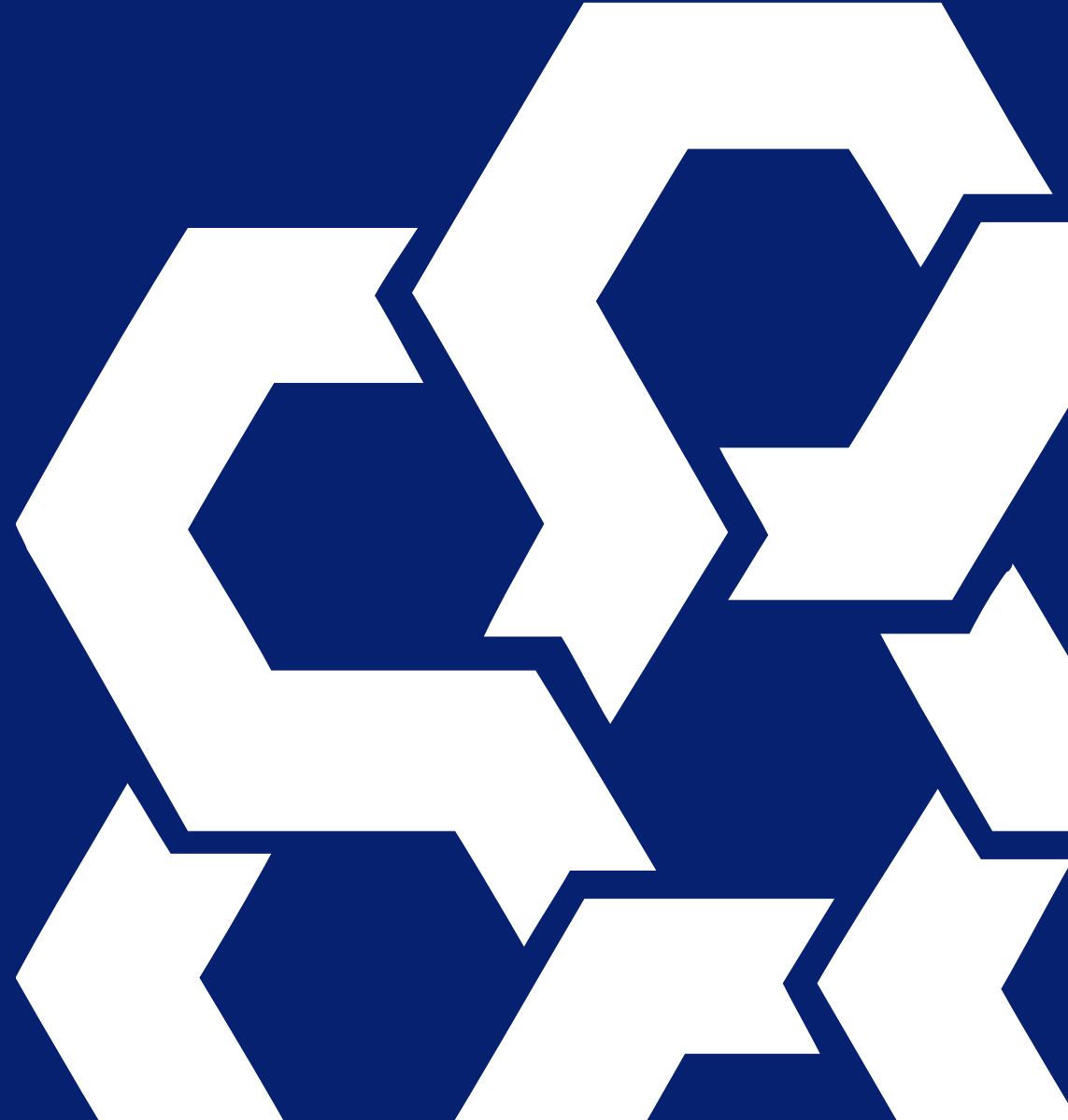
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Objective of this session

- **Discuss and evaluate:**
 - Two proposed options for incorporating IFRS 18 into the annual IFRS Accounting Taxonomy for transition period (2025 + 2026); and
 - Decoupling IFRS for SMEs from the annual IFRS Accounting Taxonomy release cycle.
 - Elimination of unnecessary entry points.
- **Seek feedback** on the approach that best balances costs and benefits.

IFRS 18



Context for discussion

- **Background:** The IFRS 18 - Primary Financial Statements standard will supersede IAS 1 on January 1, 2027.
- **Objective:** Embed IFRS 18 into the IFRS Accounting Taxonomy 2025 to accommodate early adopters and ensure smooth transition.
- **Concern:** More widespread impact on the taxonomy than any previous Standard or Amendment.
- **Current Status:** Consultative input needed from ITCG to decide the best approach for implementing IFRS 18 Standard during the transitional period.

Context for discussion

- **Extensive changes** to the taxonomy concept labels, references and breakdowns related to the IFRS 18 (over 1132 changed labels, 1300 changes in references)
- **Taxonomy updates used to include specific entry-points** for changes resulting from specific IFRS Standards (e.g. IFRS 11, IFRS 12) (Option 2 on slides 10 – 11)
- More recently we did not use separate entry points and only indicated new elements in labels and references (Option 0 slides 6 and 7)
- So far, we have not used separate taxonomies (Option 1 slides 8 and 9)

Option 0: Current approach

- We would typically include the changes resulting from a new or amended IFRS Standard into the Taxonomy:
 - in the year immediately after publication (in line with incorporation into red book)
 - using “effective” and “expiry” date markers in references and documentation labels to indicate when the standard driving an element comes into force / is replaced.

References			Labels		
Type	Reference		Type	Lang	Label
Disclosure Reference	Note	Effective 2023-01-01	Standard Label	en	Accounting estimates [member]
	Name	IFRS			
	Number	17	Documentation	en	Expiry date 2023-01-01: This member stands for an asset, a liability or a periodic consumption of an asset, subject to adjustments that result from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. It also represents the standard value for the 'Accounting estimates' axis if no other member is used. Effective 2023-01-01: This member stands for monetary amounts in financial statements that are subject to measurement uncertainty. It also represents the standard value for the 'Accounting estimates' axis if no other member is used.
	IssueDate	2022-03-24			
	Paragraph	97			
	Subparagraph	c			
	URI	https://taxonomy.ifrs.org/xr&anchor=para_97_c&do			
URIDate	2022-03-24				

Option 0: New and old elements together

- **Benefits:**

- Single taxonomy, changes seen in advance and in context
- Works well for small, mostly additive changes

- **Challenges:**

- Difficult to show two very different arrangements at once.
- Relatively complex to identify which elements are applicable when (information buried in references and documentation).
- Doesn't work well when standard labels need to be changed.

We don't think this approach would work for IFRS 18 because of the number of changes to existing elements, many of which are significant changes to presentation structure so the resulting taxonomy would be confusing and hard to use.

Option 1: Two taxonomies

- **Two ‘separate’ taxonomies** during the transitional period until January 1, 2027 (published March 2025, March 2026).
- **One taxonomy** published annually, incorporating IAS 1 disclosures.
- **Second taxonomy** also updated annually, incorporating the changes related to the IFRS 18 disclosures.

Option 1: Costs and benefits

- **Benefits:**

- Clear separation between the IAS 1 and IFRS 18 elements.

- **Costs:**

- Filers will need to choose correct taxonomy depending on whether they apply IFRS 18 early. Some filers may only partially apply IFRS 18 so would have to use IAS 1 taxonomy with no benefits from IFRS 18 elements, and they would create extensions instead
 - Maintaining two taxonomies will be costly.
 - Jurisdiction may only accept one version of taxonomy making work on two taxonomies redundant.

Option 2: Single taxonomy with additional entry-point

- **Continue with a single taxonomy** but with an additional entry-point.
 - This entry-point would display the changes related to IFRS 18 (as if they were applicable, removing superseded IAS 1 items).
 - Available during the transitional period until IFRS 18 is effective.

Option 2: Costs and benefits

- **Benefits:**

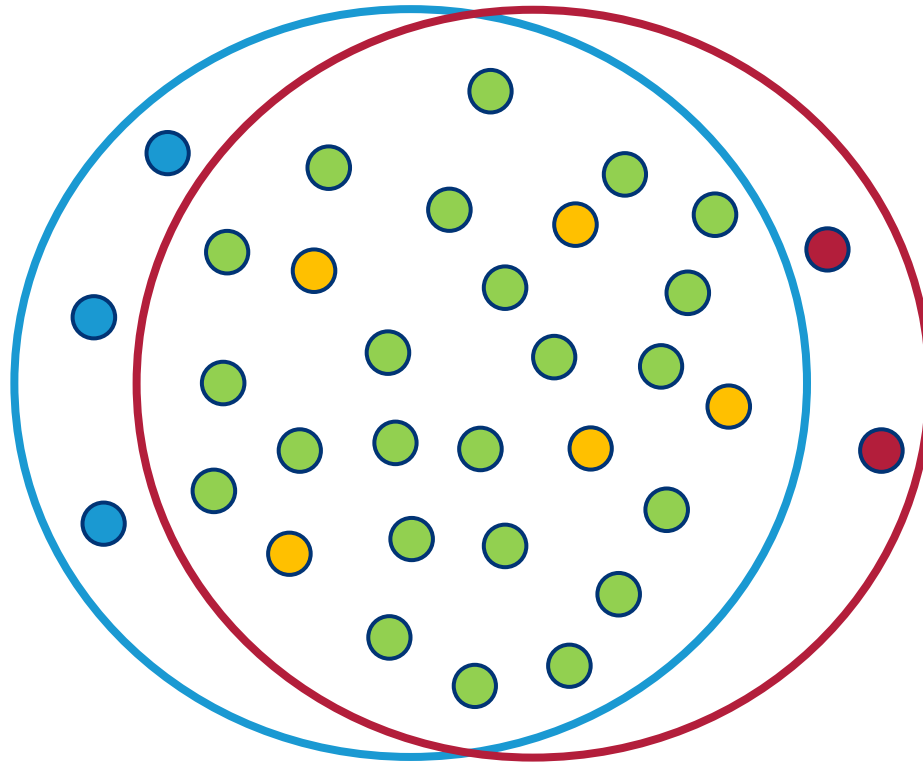
- Single taxonomy published – consistent with the current approach.

- **Challenges:**

- Some common and duplicate ELRs (groups)* visible until IAS 1 Standard is phased out, could lead to selecting incorrect disclosure elements.
- Different sets of labels and calculations relationships for Concepts that have slightly different meanings under IAS 1 and IFRS 18





* – Duplicate set of ELRs for IFRS 18 as follows: [520000] Statement of cash flows, indirect method (IAS 7), [800200] Notes – Analysis of income and expense (IAS 1), [810000] Notes – Corporate information and statement of IFRS compliance (IAS 1), [811000] Notes – Accounting policies, changes in accounting estimates and errors (IAS 8)

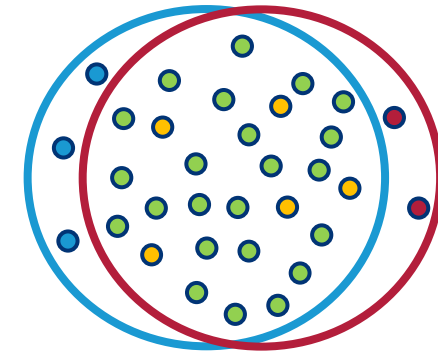
Option 2: Visualising entry points



Available entry points:

- Full IFRS including IAS 1 Standard
- Full IFRS including IFRS 18 Standard

-  Concepts and relationships not affected by IAS 1 or IFRS 18
-  IAS 1 concepts and relationships only
-  IFRS 18 concepts and relationships only
-  Concepts and relationships that have slightly different meanings under IAS 1 and IFRS 18



Examples of concepts in each category

●	Disclosure of specified expenses by nature [text block]	This is a new requirement in IFRS 18
●	Disclosure of share-based payment arrangements [text block]	This element is not affected and will be used in both entry points
●	IAS 1: Revenue IFRS 18: Revenue, operating	Reference and labels are changed due to requirements in IFRS 18
●	Disclosure of finance cost [text block]	This is a requirement in IAS 1, and not required in IFRS 18

Option 3: Do not include IFRS 18 until 2026

- **We could of course choose NOT to model IFRS 18 until 2026 or even until it becomes effective in 2027.**
 - This would reduce or avoid any transition issues.
 - This would be a significant divergence from typical practice.
 - It would make the use of data reported by early adopters much more difficult as they would need to use extensions or use wrong elements due to labels and references not being changed.

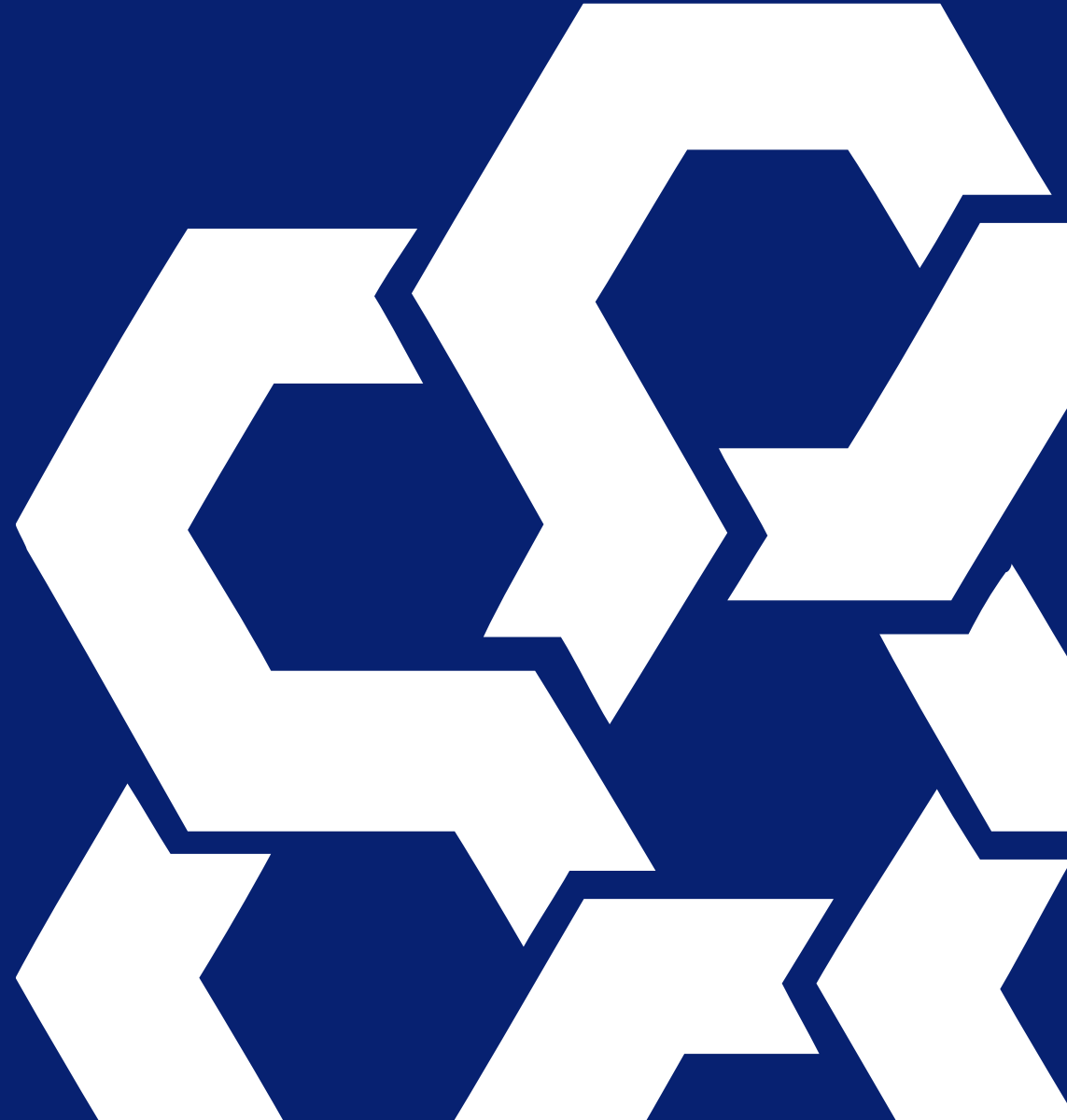
Each option has a major disadvantage

- **Option 1:** Regulators may only allow one taxonomy.
- **Option 2:** Potential confusion from having both sets of IAS 1 and IFRS 18 taxonomy concepts and ELRs until IAS 1 is phased out.
- **Option 3:** Lack of support for early adopters.

Questions – IFRS 18

1. What challenges might arise in choosing either approach? E.g.: Navigating, maintaining the taxonomy content.
2. Which approach provides a smoother transition for early adopters, and why?
3. Do you foresee any overlooked challenges or long-term implications of presented options?
4. Which option do you prefer, and why? Do you have any other recommendations?

IFRS for SMEs



Decoupling IFRS for SMEs Taxonomy

- **Current State:** IFRS for SMEs Taxonomy is part of the annual IFRS Accounting Taxonomy.
- **Issue:** Requires republishing yearly, even without changes to the IFRS for SMEs Standard.
- **Proposal:** Align the IFRS for SMEs Taxonomy publication with the Standard's update cycle.
- **Benefits:**
 - Separate taxonomy for IFRS for SMEs, aligned to the future publication cycle of the Standard.
 - Eliminates IFRS for SMEs content in the annual IFRS Accounting Taxonomy

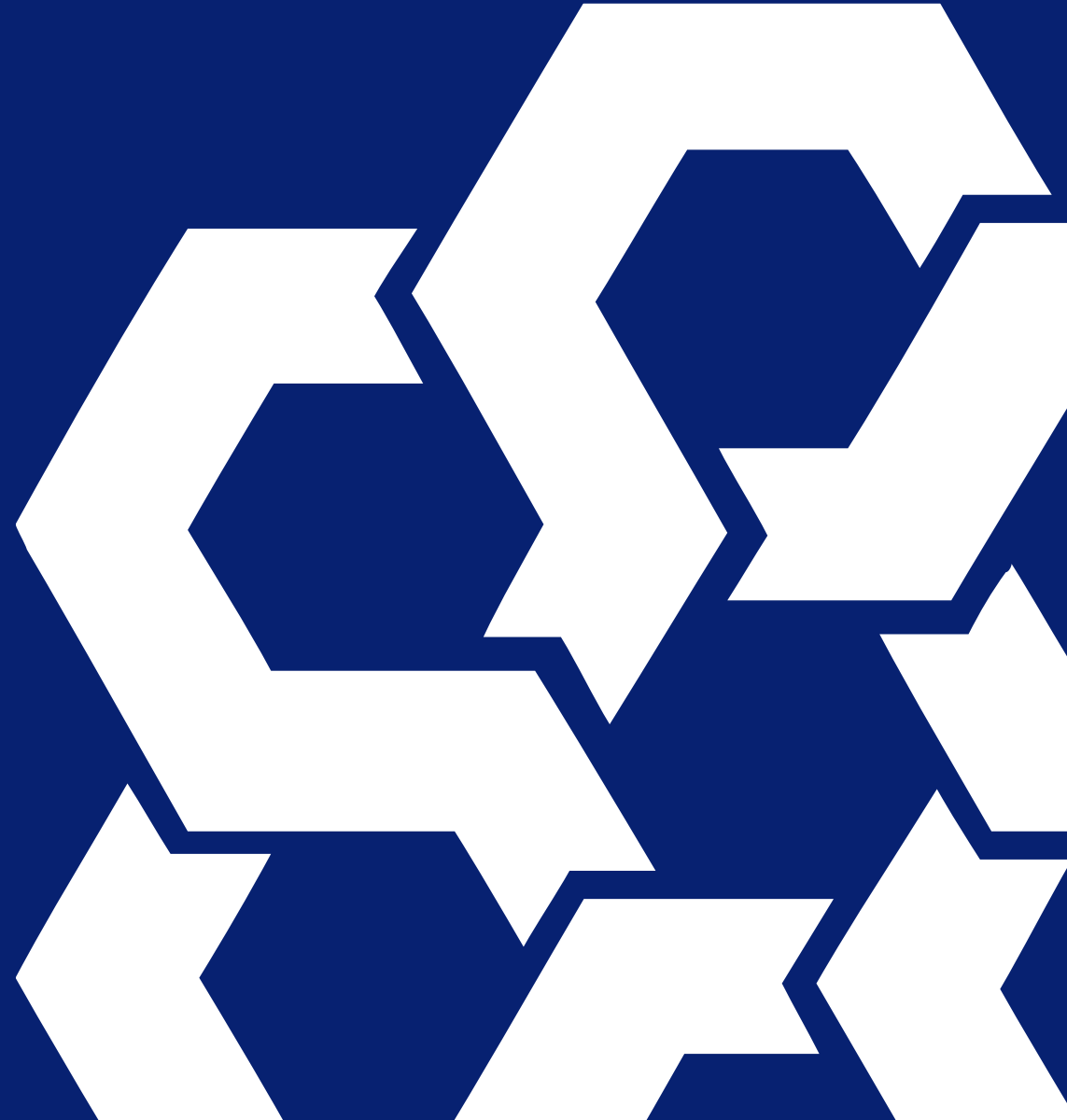
Decoupling IFRS for SMEs Taxonomy

Note that because IFRS for SMEs has different recognition and measurement requirements from full IFRS, IFRS for SMEs elements are:

- NOT comparable to full IFRS elements
- Already in a separate schema and namespace

There is no current reuse of content between the entry points for IFRS full and IFRS for SMEs.

Historic entry points



Enhancing Taxonomy: A Review of Entry Points

- **Simplicity:** By reducing the number of entry points and minimizing permutations, we aim to make the taxonomy easier to use and more efficient.
- **Early Adoption Support:** We have not provided separate entry points in the past. In the future, we might do so in rare instances, such as for complex standards like IFRS 18, in alignment with our taxonomy update policies.

Following the review, in addition to any remaining entry points, we will continue to provide a lightweight essential version of each entry point, denoted by an ‘ext’ suffix. This will allow reporting entities to use all necessary IFRS Accounting Taxonomy components.

What are “Entry Points”

- **XBRL technically:** An entry point is a set of URLs that define a logical starting point for the DTS discovery process.
- **Practically:** An entry point combines particular modules, including labels, presentation trees, calculations and references
- Contrast with “core schema files” which just define lists of elements.

Historic entry point clutter


Currently have:

- **Full_ifrs** – IFRS Accounting Standards
- **MC** – for Management Commentary only
- **Basic** – full_ifrs without generic links
- **Deprecated** – elements removed from IFRS, SMEs or MC
- **Full_ifrs_mc** – includes IFRS Accounting Standards and Management Commentary
- **Ifrs_for_smes** – for IFRS for SMEs
- **Combined** – IFRS, SMEs and MC

Elimination of historic entry point clutter

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Too confusing to mix full IFRS and SMEs, many similarly named ELRs

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Spec now 11+ years old: no longer justified, tools can cope!

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- 1) Most mandates do not allow this to be referenced.
- 2) New 'delayed deprecation' policy* should make it unnecessary

* – 'delayed deprecation' policy can be found in: IFRSAT 2022 Update 1 – General Improvements and Common Practice

Elimination of historic entry point clutter

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- ~~**Combined** – IFRS, SMEs and MC~~



No need for combined
Management
Commentary tags

Resulting simplicity (options 1 or 2)*

IFRS Taxonomy:

- **Full_ifrs** – IAS 1 based
- **Full_ifrs_18** – IFRS 18 based
- **MC** – IFRS Practice Statement 2

IFRS for SMEs Taxonomy:

- **ifrs_for_smes** – for IFRS for SMEs

IFRS (IAS 1) Taxonomy:

- **Full_ifrs** – IAS 1 based
- **MC** – IFRS Practice Statement 2

or IFRS (IFRS 18) Taxonomy:

- **Full_ifrs_18** – IFRS 18 based

IFRS for SMEs Taxonomy:

- **ifrs_for_smes** – for IFRS for SMEs

Questions – entry-points

1. Which entry-points do you use and how do you use them?
2. Do you agree with our proposals?
3. Do you foresee any issues with the reviewed set of entry-points?

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