INTERPRETATION OF FINANCIAL REPORTING STANDARD

INT FRS 25

Income Taxes—Changes in the Tax Status of an Entity or its Shareholders

This Interpretation is applicable for annual reporting period beginning on 1 January 2023.

Interpretation of Financial Reporting Standard 25 *Income Taxes—Changes in the Tax Status of an Entity or its Shareholders* (INT FRS 25) is set out in paragraph 4. The scope and authority of Interpretations are set out in the *Preface to Financial Reporting Standards*.

Interpretation of Financial Reporting Standard 25
Income Taxes—Changes in the Tax Status of an Entity or its Shareholders

References

- FRS 1 *Presentation of Financial Statements* (as revised in 2008)
- FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- FRS 12 *Income Taxes*

Issue

1 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.

2 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.

3 The issue is how an entity should account for the tax consequences of a change in its tax status or that of its shareholders.

Consensus

4 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 shall be included in 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 profit or loss), shall be charged or credited directly to equity. Those tax consequences that relate to amounts recognised in other comprehensive income shall be recognised in other comprehensive income.

Effective date

This consensus becomes effective on 1 February 2003. Changes in accounting policies shall be accounted for in accordance with FRS 8.

FRS 1 (as revised in 2008) amended the terminology used throughout FRSs. In addition it amended paragraph 4. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. If an entity applies FRS 1 (revised 2008) for an earlier period, the amendments shall be applied for that earlier period.