
In brief

A look at current financial reporting issues

9 December 2016

Amendment to IAS 40 Investment Property

Issue

The IASB has issued an amendment to IAS 40, *Investment Property*, clarifying when assets are transferred to, or from, investment properties.

Impact

The amendment clarified that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. The Board confirmed that a change in intention, in isolation, is not enough to support a transfer.

The issue arose from confusion over whether an entity transfer's property under development from inventory to investment property when there is evidence of a change in use that was not explicitly included in the standard. The list of evidence was therefore re-characterised as a non-exhaustive list of examples to help illustrate the principle. The examples were expanded to include assets under construction and development and not only transfers of completed properties.

The Board provided two options for transition.

1. Prospective application. Any impact from properties that are reclassified would be treated as an adjustment to opening retained earnings as at the date of initial application. There are also special disclosure requirement if this option is selected.
2. Retrospective application. This option can only be selected without the use of hindsight.

When?

This amendment will be effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.



This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.
© 2016 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.