

16<sup>th</sup> March 2015

IFRS Foundation  
30 Cannon Street  
London EC4M 6XH  
UK

Cc: EFRAG

Dear Sir/Madam

## **ED/2014/5 Classification and Measurement of Share-based Payment Transactions (Proposed amendments to IFRS 2)**

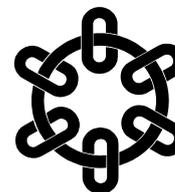
Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board) welcomes the opportunity to submit its views on ED/2014/5 *Measurement of Share-based Payment Transactions*.

We generally agree with the proposed amendments to IFRS 2. However, we note that when the entity settles the statutory tax withholding obligation, the cash payment is likely to differ from the cost recognized during the vesting period for the equity instruments withheld to pay the tax. The accounting for this difference is unclear. Thus, we recommend that the IASB clarify this issue as part of the final amendment.

Our comments to the detailed questions are laid out in the appendix to this letter. Please do not hesitate to contact us if you would like to discuss any specific issues addressed in our response, or related issues, further.

Yours faithfully,

Erlend Kvaal  
Chairman of the Technical Committee on IFRS of Norsk RegnskapsStiftelse



## Appendix

### Questions to constituents

---

#### Questions for respondents

##### Question 1

*The IASB proposes to clarify that accounting for the effects of vesting and non-vesting conditions on the measurement of a cash-settled share-based payment should follow the approach used for measuring equity-settled share-based payments in paragraphs 19–21A of IFRS 2.*

*Do you agree? Why or why not?*

We agree.

We do not see a strong basis for a different approach to measurement, depending on whether the arrangement is cash settled or equity settled. This amendment is also, as far as we know, consistent with how cash settled share based arrangements are measured in practice.

##### Question 2

*The IASB proposes to specify that a share-based payment transaction in which the entity settles the share-based payment arrangement net by withholding a specified portion of the equity instruments to meet the statutory tax withholding obligation should be classified as equity-settled in its entirety. This is required if the entire share-based payment transaction would otherwise have been classified as an equity-settled share-based payment transaction if it had not included the net settlement feature.*

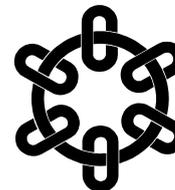
*Do you agree? Why or why not?*

We agree.

However, we note that when the entity settles the statutory tax withholding obligation, the cash payment is likely to differ from the cost recognized during the vesting period for the equity instruments withheld to pay the tax. The exposure draft does not address the accounting for this difference. Thus, we recommend that the IASB clarify this issue as part of the final amendment. We acknowledge that one alternative might be to recognize the difference towards equity by applying IFRS 2.29. Applying IFRS 2.29 seems somewhat logical, as the tax would be treated as an expense of the employee and not the entity. However, we believe that applying IFRS 2.29 would generally imply that the arrangement is viewed as two transactions, one 100% issue of equity instrument, and a secondly a repurchase of the equity instruments necessary to pay the withholding tax. This view seems inconsistent with the view expressed by the IASB in BC 13-16.

##### Question 3

*The IASB proposes to specify the accounting for modifications to the terms and conditions of a cash-settled share-based payment transaction that results in a change in its classification*



*from cash-settled to equity-settled. The IASB proposes that these transactions should be accounted for in the following manner:*

*(a) the share-based payment transaction is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification;*

*(b) the liability recognised in respect of the original cash-settled share-based payment is derecognised upon the modification, and the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date; and*

*(c) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately.*

*Do you agree? Why or why not?*

We agree.

#### **Question 4**

*The IASB proposes prospective application of these amendments, but also proposes to permit the entity to apply the amendments retrospectively if it has the information needed to do so and this information is available without the use of hindsight.*

*Do you agree? Why or why not?*

We agree.

#### **Question 5**

*Do you have any other comments on the proposals?*

We have no further comments.