

EFRAG SECRETARIAT PAPER FOR PUBLIC MEETING

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## **EFRAG's draft endorsement advice on Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)**

### **Objective**

- 1 The objective of this session is to discuss and approve the draft endorsement advice on Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) (The Amendments).

### **Background/Introduction**

- 2 The IFRS Interpretations Committee received requests to clarify the classification and measurement of a number of share-based payment transactions.
- 3 The Amendments, issued by the IASB on 20 June 2016, involve a number of narrow scope amendments to IFRS 2 *Share-based Payment* to clarify the classification and measurement of share-based payment transactions in relation to:
  - (a) the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
  - (b) the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and
  - (c) the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.
- 4 The Amendments apply for annual periods beginning on or after 1 January 2018, prior periods shall not be restated.

### **EFRAG TEG discussion and advice to the EFRAG Board**

- 5 EFRAG TEG had discussions on the Amendments at its May, July and September meetings.
- 6 At its July meeting, EFRAG TEG unanimously agreed to recommend a draft endorsement advice to the EFRAG Board supporting the endorsement of the Amendments subject only to receiving the letter from the European Commission requesting endorsement advice not containing additional specific topics to assess. The request letter was received on 2 August 2016 and, as expected, did not contain additional topics to assess.
- 7 In August 2016, EFRAG Secretariat received a letter from one constituent raising concerns on a particular application issue of one of the amendments (regarding the accounting for share-based payment transactions that are settled net of withholding

tax obligations when an entity retains equity instruments in excess of the employee's tax obligations) and calling for a new discussion at EFRAG TEG before the draft endorsement advice is submitted to the EFRAG Board for approval. The issue regarded the operational challenges and costs for preparers introduced by the requirement to account for any amount retained in excess of the statutory tax obligation as a separate cash-settled plan.

- 8 At its September meeting, EFRAG TEG considered the application issue and agreed to amend the draft endorsement advice to acknowledge that the requirement may increase costs for some preparers and to include a question to constituents on the matter. The topic is discussed in paragraphs 14 to 16 of Appendix 3 to the draft Letter to European Commission.

*EFRAG TEG advice to the EFRAG Board*

- 9 EFRAG TEG advises the EFRAG Board to approve the Draft Endorsement Advice and the Invitation to Comment on the Amendments as included under Agenda papers 09-02 and 09-03, respectively.

**Questions for EFRAG the Board**

- 10 Do EFRAG Board members approve the draft Letter to the European Commission regarding the endorsement of the Amendments and the invitation to comment as recommended by EFRAG TEG?

**Agenda papers**

- 11 In addition to this paper, the agenda papers for this session is:
- (a) Agenda paper 09-02 – EFRAG's Draft Letter to the European Commission regarding the endorsement of the Amendments;
  - (b) Agenda paper 09-03 – Invitation to comment; and
  - (c) Agenda paper 09-04 – Published Amendments – For background.