

IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf
London, E14 4HD

13 December 2022

Dear IFRS Foundation

Re: IFRS Accounting Taxonomy 2022—Updates 1 and 2

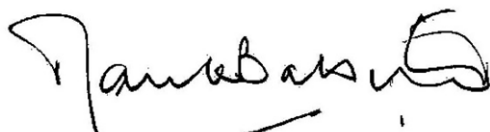
The Financial Reporting Council (FRC) welcomes the publication of the Proposed IFRS Taxonomy Updates *General Improvements and Common Practice* (PTU/2022/1) and *Lease Liability in a Sale and Leaseback and Non-current Liabilities with Covenants* (PTU/2022/2).

The FRC regulates auditors, accountants and actuaries, issues accounting, audit, assurance, ethical and actuarial standards and guidance and sets the UK's Corporate Governance and Stewardship Codes. We also enable digital reporting in the UK through the development, hosting and maintenance of digital reporting taxonomies on behalf of the UK business register, UK tax authorities, the securities regulator, the charities regulator and the Irish tax authorities.

The FRC supports the development of the IFRS Accounting Taxonomy and welcomes the opportunity to comment on these Proposed Taxonomy Updates. In particular, we believe it is important for the IFRS Foundation to continue to dedicate resources to common practice analysis and engage with regulators and others to identify improvements to the taxonomy based on its use.

Our responses to the consultation questions are included in the appendices. If you would like to discuss these comments in more detail, please contact Thomas Toomse-Smith (t.toomse-smith@frc.org.uk).

Yours sincerely,



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Appendix A – Proposed Taxonomy Update 1

Question 1— Tagging comparative information reported using a superseded IFRS Accounting Standard

- (a) Do you agree with the proposal not to deprecate the elements relating to a superseded IFRS Accounting Standard when a new or amended IFRS Accounting Standard permits or requires a prospective transition approach or a cumulative catch-up transition approach (paragraph 5a)?
- (b) Do you agree with the proposal to retain elements relating to a superseded IFRS Accounting Standard for three years after a new or amended IFRS Accounting Standard becomes effective (paragraph 5b)?
- (c) Do you agree with the proposal to apply the new practice to delay the depreciation on a prospective basis? That is, to only delay the depreciation of elements relating to a new (or amended) IFRS Accounting Standard with an expiry date of (or after) 1 January 2023 (paragraph 5c)?
- (d) Do you agree with the proposal to add reference notes clearly stating that a superseded IFRS element is expired and its expiry date (paragraphs 12–13)?
- (e) Do you agree with the proposal to add guidance labels clearly stating that the element should only be used to tag non-restated comparative information (paragraphs 15–16)?
- (f) Do you agree with the proposal to create a formula to discourage entities from using expired elements when tagging financial information in the current reporting period (paragraph 17)?
- (g) Do you agree with the proposed approach of suggesting an entity create extensions when it voluntarily provides superseded disclosures? If not, do you prefer the proposed Approach A of using 'expired' elements to tag such voluntary disclosures in the current reporting period (paragraphs 18–22)?

A1.1 We agree with the proposals in questions 1(a)-(g). The proposals should make it easier for preparers to clearly and precisely tag non-restated comparative information using only one version of the IFRS Accounting Taxonomy and reduce unnecessary extensions.

A1.2 We agree with the addition of a reference note, guidance label and formula to encourage appropriate use of the tags. However, we think it would be helpful to add some short wording to the standard label as well, as described in paragraph 11(b) of the PTU. For example, this could be 'superseded standard' or the number of the superseded standard e.g. 'IAS 17'.

Question 2— Earnings per share

- (a) Do you agree with the proposal to add new line items for the reconciliation of the denominators used in calculating earnings per share (paragraphs 33–34)?

A2.1 Whilst this would not be the optimal choice, we agree with the addition of the new tags and their proposed modelling as line items given (a) the constraints of the IFRS Taxonomy design and (b) the current limitations of the XBRL calculation linkbase. In good taxonomy design, dimensional modelling should be used for the classes of instruments, as described in paragraph 32 of the PTU. This design choice is preferable because it ensures that (a) the taxonomy is more flexible and readily searchable and (b) software products can be more easily designed. Improvements to the XBRL

calculation linkbase are urgently needed to avoid sub-optimal modelling; or design decisions need to be taken to overcome the deficiencies of the calculation linkbase as we have done in the UK.

- A2.2 Tags for common instrument classes may also be needed for the reconciliation of the *numerators* (IAS 33.70(a)). The observation in paragraph 29 of the PTU about the tags not reflecting the requirement to disclose reconciling items by class of instrument seems to apply to 70(a) in the same way as it does to 70(b). Currently there are tags per instrument class for the first half of the reconciliation – reconciling profit attributable to the parent entity to the numerator for basic EPS. However, there is only a single, aggregate tag for the second part, reconciling the numerator of basic EPS to the numerator for diluted EPS: ‘increase (decrease) to profit (loss) to reflect dilutive effect resulting from assumed conversion of potential ordinary shares’.
- A2.3 For example, in the scenario described in Illustrative Example 12 to IAS 33 (Full Year 20X1 – Diluted EPS calculation), a company may separately disclose the effect of the assumed conversion of preference shares (CU70,000) and convertible bonds (CU90,000) in its reconciliation. Currently, it would not be able to tag those amounts using the IFRS Accounting Taxonomy.
- A2.4 The IFRS Foundation may want to investigate common practice in this area. We note that not all the instrument classes proposed for the denominator would have an effect on the numerator.

- (b) Do you agree with the proposal to deprecate one text element relating to adjustments between denominators to calculate basic and diluted earnings per share (paragraph 35)?**
- (c) Do you agree with the proposal to add a new table for disclosures relating to antidilutive instruments (paragraphs 39–40)?**
- (d) Do you agree with the proposal to deprecate one text element relating to instruments with potential dilutive effect that are not included in the calculation of diluted earnings per share (paragraph 42)?**
- (e) Do you agree with the proposal to add a new text block element for the newly proposed table (paragraph 42)?**

- A2.5 We agree with the proposals in questions 2(b)-(d). However, we suggest that an ‘other instruments’ member could be added to the table for disclosures relating to antidilutive instruments, mirroring the tag created for the reconciliation of the denominators.

Question 3— Other comprehensive income

- (a) Do you agree with the proposal to deprecate three common practice elements (paragraph 47(a))?**
- (b) Do you agree with the proposal to create six new common practice elements (paragraph 47(b))?**

- A3.1 We agree with the proposed deprecation and creation of elements. In the UK IFRS Taxonomy we have similar, separate elements for items that will/will not be reclassified.
- A3.2 However, the standard labels could perhaps be shortened to ‘Other ~~individually immaterial~~ components of other comprehensive income [...]’, to help with readability. The IFRS Accounting Taxonomy contains other tags for aggregations of individually immaterial items such as ‘Other expenses’ and ‘Other non-current financial assets’ with similar, shorter labels. We believe it is sufficient to include the longer description in the documentation label. Tag labels should be as

concise as possible to communicate the information required authentically to the meaning in the standard (see <https://www.xbrl.org/guidance/taxonomy-labelling-standard-label/>).

Question 4—Right-of-use assets

(a) Do you agree with the proposal to remove the duplicative element ‘Right-of-use assets that do not meet definition of investment property’ and combine its reference and documentation label onto the element ‘Right-of-use assets’ (paragraph 57)?

A4.1 We have also observed the tagging inconsistency described in paragraph 55 of the PTU. Therefore, we agree with the proposed changes.

(b) Do you agree with the proposal to create a common practice element for property, plant and equipment including right-of-use assets (paragraph 66)?

A4.2 We agree with the observation in paragraph 65 of the PTU that the current tagging practice results in misleading information. Therefore, we agree with the addition of the proposed common practice element. The UK FRC Taxonomy includes similar, separate tags for property, plant and equipment including and excluding right-of-use assets.

A4.3 However, we suggest the new tag should also be given a ‘Disclosure’ reference, as both presentation methods are permitted by IFRS 16. Having one element with a ‘Disclosure’ reference and the other with a ‘Common Practice’ reference might imply that the Standard requires one approach over the other.

A4.4 We also note that the proposed documentation label of ‘Property, plant and equipment’ refers to ‘[Contrast: Property, plant and equipment and right-of-use assets]’ whereas the standard label proposed for the new tag is ‘Property, plant and equipment including right-of-use assets’.

Question 5—Text block elements with excessively ‘broad’ labels

(a) Do you agree with the proposal to replace the text block element ‘Disclosure of notes and other explanatory information’ with two new abstract elements (paragraph 71(a))?

A5.1 We agree – the use of the existing tag ‘Disclosure of notes and other explanatory information’ is unlikely to result in useful information for users of the digital reports. This tag may also be difficult for preparers to apply in tagging tools, as they may need to combine information spread across many pages in a single tag.

(b) Do you agree with the proposal to adjust the labels of three text block elements (paragraph 71(b))?

A5.2 We agree that the proposed labels more clearly describe the intended use of the tags.

A5.3 We suggest the IFRS Foundation review the list of text block tags in presentation group [800500] to ensure their scope is clear and identify the hierarchical relationships between the text block tags,

if any. It would also be helpful if the IFRS Foundation specified in its Regulators' Guide an approach for regulators to implement text block tagging in a way that is expected to result in useful tagged information.

Question 6—Standard labels and documentation labels of proposed new elements

Do you agree that the standard labels (or element labels) and documentation labels of all the proposed new elements correctly and clearly describe their accounting meaning (Appendix B)? If not, please explain why.

A6.1 We agree, except as described above in paragraphs A1.2, A3.2, A4.4.

Other comments

A7.1 We believe it is important for the IFRS Foundation to continue to dedicate resources to common practice analysis and engage with regulators and others to identify improvements to the taxonomy based on its use. In particular, we believe data tagged applying the European Single Electronic Format should be analysed to inform further improvements to the taxonomy. We will analyse data from the UK and would be happy to share our findings and our experience on the use of taxonomies within our FRC suite.

A7.2 We recommend the IFRS Foundation investigate common practice in the following areas:

- (a) The presentation of liabilities and cash flows related to deferred and contingent consideration.
- (b) The presentation of changes in equity relating to the settlement of share-based payments.

Appendix B – Proposed Taxonomy Update 2

The UK Endorsement Board is responsible for the UK endorsement of the amendments to IFRS Accounting Standards to which this Proposed Taxonomy Update relates, which has yet to take place. Our comments below only consider the proposed changes to the IFRS Accounting Taxonomy.

Question 1—Adequate reflection of disclosure requirements arising from Lease Liability in a Sale and Leaseback

Do the proposed changes to the IFRS Accounting Taxonomy (paragraphs 1–3) adequately reflect the disclosure requirements arising from Lease Liability in a Sale and Leaseback?

If not, please specify what changes you suggest and why.

- B1.1 We agree. However, as noted in our [response to the staff draft of the IFRS Sustainability Disclosure Taxonomy](#), we believe the IFRS Accounting Taxonomy could benefit from the introduction of categorical elements. In our view, it would be more appropriate to model the 'Description of fact that new or amended IFRS Standard is applied early' as a Boolean (true/false) tag, rather than a text tag.

Question 2—Adequate reflection of disclosure requirements arising from Noncurrent Liabilities with Covenants

Do the proposed changes to the IFRS Accounting Taxonomy (paragraphs 4–7 and 9–11) adequately reflect the disclosure requirements arising from Non-current Liabilities with Covenants?

If not, please specify what changes you suggest and why.

In particular, would the structured modelling of information about non-current liabilities with covenants (paragraph 7) provide beneficial information for users of financial statements or would the unstructured text block element (paragraph 8) be sufficient for users' information needs?

- B2.1 We agree with the introduction of the overall text block tag, the monetary tag and the axis and members. However, we believe the two detailed text block tags for IAS 1.76ZA(a) and IAS 1.76ZA(b) are unnecessary.
- B2.2 As noted in our [response to the staff draft of the IFRS Sustainability Disclosure Taxonomy](#), we agree with the principle proposed there that distinct tags should be created for narrative information that is expected to be both separately understandable to users, and easily identifiable for tagging. We believe this principle should apply both to the IFRS Sustainability Disclosure Taxonomy and the IFRS Accounting Taxonomy.
- B2.3 We think the narrative information required by IAS 1.76ZA(a) and IAS 1.76ZA(b) would not be separately understandable. We expect users will need to read both pieces of information in conjunction to be able to understand the risk that the liabilities could become repayable within twelve months after the reporting period. In addition, we think the information in IAS 1.76ZA (a) and (b) is likely to be integrated, making it difficult to tag separately.

Question 3—Appropriate use of element labels

Do the element labels proposed for the IFRS Accounting Taxonomy faithfully represent the meanings of the elements proposed to reflect amendments made by:

- (a) Lease Liability in a Sale and Leaseback (paragraph 3); and**
- (b) Non-current Liabilities with Covenants (paragraphs 7 and 11)?**

If not, please specify what changes you suggest and why.

B3.1 We agree.

Question 4—Appropriate use of documentation labels

The tables in Appendix B contain proposed documentation labels for the proposed new elements in the IFRS Accounting Taxonomy.

Do these proposed documentation labels correctly and clearly describe the accounting meanings of the elements proposed to reflect the amendments made by:

- (a) Lease Liability in a Sale and Leaseback; and**
- (b) Non-current Liabilities with Covenants?**

If not, please specify what changes you suggest and why.

B4.1 We agree.

Question 5—Appropriate presentation group

Is the inclusion of the new elements in the presentation group '[810000] Notes -Corporate information and statement of IFRS compliance' appropriate (paragraph 9)?

If not, please specify where in the IFRS Accounting Taxonomy you would suggest including these elements and why.

B5.1 We agree.