

UPDATES ON TECHNICAL ISSUES –THIRD QUARTER 2015

Introduction

These updates on Technical Issues – Third Quarter cover a summary of updates/issues including International Financial Reporting Standards (IFRSs), International Public Sector Accounting Standards (IPSASs), International Standards on Auditing (ISAs).The International Ethics Standards Board for Accountants (IESBA) and any other issues relevant to the Accountancy Profession.

This document covers updates/issues published between April 2015 and June 2015 (Inclusive).

1. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs).

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATES
<p>Proposal to defer the effective date for IFRS 15 <i>Revenue from Contracts with Customers</i></p>	<p>Proposal to defer the effective date of the revenue Standard.</p> <p>The IASB has published for consultation a proposal to defer the effective date of the revenue Standard, IFRS 15 <i>Revenue from Contracts with Customers</i>, by one year to 1 January 2018.</p> <p>Reason for deferral.</p> <ul style="list-style-type: none"> • The main reason for the proposed deferral of the effective date is that the IASB is planning to issue an Exposure Draft of targeted amendments to the Standard, which will include clarifying some of its requirements and adding illustrative examples to aid implementation. • These targeted amendments arise from discussions of the joint Transition Resource Group (TRG), established to support the implementation of the 	<p>Feedback on the Exposure Draft is required by 3 July 2015</p>

	<p>Standard.</p> <p>Early application of the revenue Standard will continue to be permitted</p> <p>For details on exposure draft go to: http://www.ifrs.org/Alerts/PressRelease/Pages/IASB-calls-for-feedback-on-proposal-May-2015.aspx</p>	
<p>Proposed enhancements to the conceptual underpinning of financial reporting</p>	<p>The International Accounting Standards Board (IASB) has published for public consultation proposals to improve the <i>Conceptual Framework for Financial Reporting</i>.</p> <p>The <i>Conceptual Framework</i> underpins International Financial Reporting Standards (IFRS) and helps the IASB to develop Standards that bring transparency, accountability and efficiency to financial markets around the world. The Exposure Draft proposes a number of enhancements to the <i>Conceptual Framework</i>, including:</p> <ul style="list-style-type: none"> • A new chapter on measurement that describes appropriate measurement bases (historical cost and current value, including fair value), and the factors to consider when selecting a measurement basis; • Confirming that the statement of profit or loss is the primary source of information about a company's performance, and adding guidance on when income and expenses could be reported outside the statement of profit or loss, in 'Other Comprehensive Income (OCI)'; and • Refining the definitions of the basic building blocks of financial statements—assets, liabilities, equity, income and expenses. <p>The Board is also proposing to place more emphasis on the importance of providing information needed for investors to assess management's stewardship, and to reintroduce an explicit reference to 'prudence', explaining clearly what it means.</p> <p>For more information on exposure draft go to: http://www.ifrs.org/Current-Projects/IASB-Projects/ConceptualFramework/Documents/May%202015/Snapshot_Conceptual%20Framework_May2015.pdf</p>	<p>The deadline for commenting on the Exposure Drafts is 26 October 2015.</p>

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR SMALL AND MEDIUM ENTERPRISES (IFRS for SMEs).

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATES
<p>Update: IASB completes comprehensive review of the IFRS for SMEs.</p>	<p>The International Accounting Standards Board (IASB) has issued limited amendments to the <i>IFRS for SMEs</i> following a comprehensive review.</p> <p>The <i>International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)</i> was developed in response to international demand for the IASB to develop global standards for small and medium-sized entities (SMEs). The simplified, self-contained Standard was issued in 2009, and has since been widely adopted.</p> <p>Significant Change. The most significant changes, which relate to transactions commonly encountered by SMEs are:</p> <ul style="list-style-type: none"> • Permitting SMEs to revalue property, plant and equipment. • Aligning the main recognition and measurement requirements for deferred income tax with IFRS. • Aligning the main recognition and measurement requirements for exploration and evaluation assets with IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i>. <p>For most SMEs and users of their financial statements, the amendments are expected to improve understanding of the existing requirements, without having a significant effect on a SMEs' financial reporting practices and financial statements.</p> <p>For more information visit:http://www.ifrs.org/Alerts/PressRelease/Pages/IFRS-for-SMS-review-May-2015.aspx</p>	<p>Periods beginning on or after 1 January 2017.</p> <p>Earlier application is permitted provided all amendments are applied at the same time.</p>

3. INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSASs)

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATES
<p>Update on issuance of Recommended Practice Guideline - Reporting Service Performance Information</p>	<p>The objective of the IPSASB’s project on reporting service performance information was to use a principles - based approach to develop a consistent framework for reporting service performance information that will meet the needs of users.</p> <p>Scope This Recommended Practice Guideline is applicable to all public sector entities other than Government Business Enterprises (GBEs).Although this Recommended Practice Guideline does not apply directly to GBEs, the services related to a GBE controlled by the reporting entity are within the scope of this Recommended Practice Guideline.</p> <p>This Recommended Practice Guideline sets out good practice for reporting service performance information. It provides:</p> <ul style="list-style-type: none"> (a) Guidance on presentation decisions with respect to service performance information that will meet users’ needs; and (b) Information that should be presented when reporting service performance information. <p>The IPSASB considers that where GBEs report service performance information the guidance in this Recommended Practice Guideline would be useful for such reporting. Where a controlling entity chooses to provide information on services provided by one or more controlled GBEs, information about the GBEs’ services presented by the controlling entity will need to follow the Recommended Practice Guideline’s requirements.</p>	<p>Immediate application</p>

	<p>Status Entities are encouraged to follow this Recommended Practice Guideline when they report service performance information. However, entities are not required to comply with this Recommended Practice Guideline in order to assert that an entity’s financial statements comply with International Public Sector Accounting Standards (IPSASs).</p> <p>For more information visit:http://www.ifac.org/news-events/2015-03/ipsasb-publishes-recommended-practice-guideline-reporting-service-performance-in</p>	
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4. INTERNATIONAL STANDARDS ON AUDITING (ISAs)

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATES
<p>Revised Standard ISA 720: Enhances Auditor Focus on Annual Reports in Light of Increased Investor Focus on Qualitative Disclosures</p>	<p>The International Auditing and Assurance Standards Board (IAASB) have released International Standard on Auditing (ISA) 720 (Revised), <i>The Auditor’s Responsibilities Relating to Other Information</i>.</p> <p>The essence of considering Annual Report.</p> <p>The annual report is a critical document for investors. It is in the public interest that an auditor undertakes an ‘intelligent read’ of an annual report, in the context of the knowledge obtained in the audit, and perform certain procedures to ensure the annual report is not materially inconsistent with the audited financial statements.</p> <p>Aim of the standard Revision.</p> <ul style="list-style-type: none"> • To clarify and increase the auditor’s involvement with “other information”—defined in the standard as financial and non-financial 	<p>ISA 720 (Revised) will be effective for audits of financial statements for periods ending on or after December 15, 2016.</p>

	<p>information, other than the audited financial statements, that is included in entities' annual reports.</p> <ul style="list-style-type: none"> • The standard also includes new requirements related to auditor reporting on other information that complement the changes arising from the IAASB's new and revised Auditor Reporting standards, issued earlier this year. • Also seeks to address the practical challenges that may arise when some or all of the other information is not available as of the date of the auditor's report, and prescribes additional communications in auditor's reports for listed entities in these circumstances. <p>For more information go to: http://www.ifac.org/news-events/2015-04/iaasb-s-revised-standard-isa-720-enhances-auditor-focus-annual-reports-light-inc</p>	
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5. THE INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS (IESBA)

PROJECTS	CHANGES	EFFECTIVE DATES
<p>Update: IESBA Issues Revised Proposal on Responding to Non Compliance with Laws and Regulations.</p>	<p>The International Ethics Standards Board for Accountants (IESBA, the Ethics Board) has released for re-exposure an enhanced standard, <i>responding to Non-Compliance with Laws and Regulations</i>.</p> <p>The proposed standard sets out a new framework to guide auditors, other professional accountants in public practice, and professional accountants in business (PAIBs) in deciding how best to act in the public interest when they come across an act or suspected act of non-compliance with laws and regulations.</p> <p>Addressed Matters</p>	<p>The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. Comments are requested by September 4, 2015</p>

- Among other matters, the proposed standard serves to better equip auditors and other professional accountants to address such issues by providing a pathway to disclosure to an appropriate authority in appropriate circumstances without the duty of confidentiality under the *Code of Ethics for Professional Accountants* acting as a barrier.
- It also places renewed emphasis on the importance of senior-level PAIBs promoting a culture of compliance with laws and regulations within their organizations.
- The board believes that the proposed framework represents a holistic, proportionate, and balanced model for addressing what can often be complex situations.
- The board also believes that the proposed standard's enhanced guidance will support and complement legal and regulatory frameworks in jurisdictions that already mandate reporting by professional accountants of identified or suspected non-compliance with laws and regulations to appropriate authorities.

For more information on the exposure draft visit:

<http://www.ifac.org/system/files/publications/files/IESBA-Non-Compliance-with-Laws-Regulations-Exposure-Draft.pdf>

6. TAXATION

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATES
<p>Updates on New VAT Act, 2014.</p>	<p>Tanzania New Value Added Tax Act 2014.</p> <p>Introduction.</p> <p>The Value Added Tax (VAT) Bill, 2014 was passed by the Tanzanian Parliament in December 2014. The Bill was assented to by the President of the United Republic of Tanzania. The Act came into operation since 1st of July, 2015.</p> <p>This new enactment aims to rescind and replace the Value Added Tax Act, 1997 which came into force in July 1998. The enactment of the Act was influenced by the need to broaden the tax base and the need for efficient administration of the tax which the Value Added Tax Act, 1997 seems to have lacked.</p> <p>Objectives of the New VAT Act, 2014.</p> <p>The objectives of the new enactment are to:</p> <ul style="list-style-type: none"> • Broaden the tax base. • Align value added tax law with the international best practice. • Reduce power of the Minister for Finance in the administration of VAT. • Address intra union trade issues between Mainland and Zanzibar and • Simplify administration and management of VAT. <p>The followings are some of the pointed key areas from the Act:</p>	<p>Effective from 1st July, 2015.</p>

1. Tax administration and Compliance.

The registration threshold has been increased to Tshs. 100 million or above and will be mentioned in the regulations. The Act has maintained the deadline of filing VAT returns at 30 days and the Input tax claim time limit remains at six months and the VAT rates remains at 18% and 0%.

2. Tax Exemption.

With the objective to broaden the tax base, the Act has removed the special relief schedule which over the years seemed to be ever growing. The Act has significantly minimized the list of exempt items, for example, insurance services are no longer exempted. Zero rating is imposed mostly on exported supplies.

3. Power of the Minister.

The Minister responsible for finance may only grant exemptions to government imports of goods and services that are to be used solely for relief of natural calamities or disasters. The Act eradicates jurisdiction of the Minister from exempting any other person or persons from payment of the tax imposed under the Act. Amendment of the items listed as zero rated and exempted under the Act can only be done by the Parliament of the United Republic of Tanzania.

Conclusion.

The Act is in alignment with the international best practice. This has been illustrated by the introduction of the destination principle, by the imposition of the tax on goods and services consumed in Tanzania. Exported supplies and goods on transit are zero rated in the Act.

However, the Taxing Authority (TRA) or the Ministry of Finance may need to issue

	<p>Practice Notes which may give clarity to some new provisions such as provisions on adjustment of VAT, single and multiple supplies, progressive and periodic supplies etc.</p> <p>For more information visit TRA website: http://www.tra.go.tz/tax%20laws/THE%20VALUE%20ADDED%20TAX%20ACT,%202014.pdf</p>	
<p>Updates on Tax Administration Act,2014</p>	<p>Tanzania New Tax Administration Act 2014.</p> <p>Introduction.</p> <p>Tax Administration Act,2014 is a completely new legislation aimed at creating a modern, effective, fair and transparent tax administration in Tanzania by simplifying, unifying and harmonizing tax procedures from various tax laws with a view to promote voluntary tax compliance, fair tax governance and increased tax revenue.</p> <p>The objectives of the Tax Administration Act, 2014 are as narrated below:</p> <ul style="list-style-type: none"> • Consolidation and harmonization of statutory provisions relating to tax administration in a single legislation with a view to simplifying the administration of tax and enforcement of tax laws by the Tanzania Revenue Authority • Recognize and emphasize the use of information technology in tax administration to enhance modern tax administration, speedy and simplified delivery of services to taxpayers with a view to minimizing corruption • Enhance functional based tax administration • Increase tax revenue. <p>Conclusion:</p> <p>The Act seeks to consolidate, streamline and remove duplicate procedures as well as</p>	<p>Effective from 1st July, 2015.</p>

	<p>simplifying such procedures and filling in procedural gaps where necessary with a view to reduce administrative and compliance costs for the authority and taxpayers respectively so as to enhance compliance and enforcement.</p> <p>For more information visit TRA website.</p>	
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