

Amendments to HKAS 40 – *Transfers of Investment Property*

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Background

The International Financial Reporting Standard (“IFRS”) Interpretations Committee received a question regarding the application of paragraph 57 of International Accounting Standard (“IAS”) 40 *Investment Property*, which specifies requirements on transfers to, or from, investment property. The question asked whether an entity transfers property under construction or development previously classified as inventory to investment property when there is evidence of a change in use, even if that evidence is not specifically listed in paragraph 57(a)–(d) of IAS 40. The International Accounting Standards Board (“IASB”) issued amendments to IAS 40 in December 2016 to reinforce the principle.

In March 2017, the Financial Reporting Standards Committee of the Hong Kong Institute of Certified Public Accountants approved amendments to Hong Kong Accounting Standard (“HKAS”) 40 *Transfers of Investment Property* (“Amendments to HKAS 40”), following the IASB’s equivalent amendments.

What are the major content of the amendments?

The amendments clarify that, to transfer to or from, investment properties, there must be a change in use.

A change in use would involve (a) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (b) supporting evidence that a change in use has occurred.

A change in management’s intention for the use of a property is insufficient on its own to justify a previously recognised property from being reclassified to or from the investment property category.

The amendments also re-characterised the list of circumstances in paragraph 57(a)–(d) of HKAS 40 as a non-exhaustive list of examples to allow for other circumstances to be accounted for as a transfer, as long as that change is supported by appropriate evidence.

The revised paragraph 57 of HKAS 40 as following

An entity shall transfer a property to, or from, investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

Examples of evidence of a change in use include:

- (a) commencement of owner-occupation, or of development with a view to owner-occupation, for a transfer from investment property to owner-occupied property;**
- (b) commencement of development with a view to sale, for a transfer from investment property to inventories;**
- (c) end of owner-occupation, for a transfer from owner-occupied property to investment property; and**
- (d) inception of an operating lease to another party, for a transfer from inventories to investment property.**
- (e) [deleted]**

The amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

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