# New Accounting Standards and Interpretations for New Zealand Tier 1 Public Sector and Not-for-Profit Public Benefit Entities (PBEs)

For 30 June 2025 year-end reports

Shape the future with confidence

## New and changed requirements

We provide you with an overview of the accounting pronouncements, for Public Benefit Entities (PBEs), issued as of 30 June 2025, which:

- **Must** be applied for the first time for 30 June 2025 year-ends
- **May** be applied early for 30 June 2025 year-ends if specific criteria are met

Implementing new accounting standards often impacts entities beyond their financial reporting functions. This publication is intended to:

- Support better conversations about accounting changes with your stakeholders
- Help you respond in a timely manner to all accounting changes in your next financial report
- Keep you focused on future changes in financial reporting and their impact on your implementation efforts

## Accounting change disclosures

Financial statements are required to:

- Present the impact of the initial application of new accounting standards applied
- Disclose the possible impact of the initial application of forthcoming accounting standards not yet applied or otherwise indicate the reason for not doing so

Please note that Tier 2 PBEs applying the *Reduced Disclosure Requirements* are not required to disclose the possible impact of accounting pronouncements issued, but for which adoption has not yet commenced.

## Remain alert to further changes

This publication is updated as of 30 June 2025. Any pronouncements issued afterwards (up until the date of authorisation of your financial report) must also be considered. Our Eye on Reporting newsletters will keep you informed of further changes.

# Contents

# Catalogue of new accounting pronouncements issued as of 30 June 2025

| New pronouncements[1] that must be applied for 30 June 2025 year-ends | Commencement date[2] | Application date[3] | Page |
|---|---|---|---|
| Amendments to PBE IPSAS 1 - Disclosure of fees for audit firms' services | 1 January 2024 | 1 July 2024 | 5 |
| 2024 Omnibus Amendments to PBE Standards - Amendments to PBE IAS 12 *Income Taxes* | 1 January 2024 | 1 July 2024 | 6 |

| New pronouncements that may be applied early for 30 June 2025 year-ends if specific requirements are met[4] | Commencement date[2] | Application date[3] | Page |
|---|---|---|---|
| Amendments to PBE IFRS 17 - *Insurance Contracts* in the public sector | 1 January 2026 | 1 July 2026 | 7 |
| 2024 Omnibus Amendments to PBE Standards - Amendments to PBE IPSAS 1 *Presentation of Financial Reports* | 1 January 2026 | 1 July 2026 | 8 |
| PBE Conceptual Framework Update | 1 January 2028 | 1 July 2028 | 8 |

[1] For full access to PBE Standards please visit https://www.xrb.govt.nz/.
[2] Commences annual reporting periods beginning on or after this date.
[3] Assuming that the entity has not early adopted the pronouncement according to specific provisions in the Standard.
[4] The ability to early adopt new standards and amendments will depend on the specific commencement and application date requirements of each new standard or amendment.

# Catalogue of IFRIC agenda decisions

# Key requirements

## Fees for audit firms' services

### Amendments to PBE IPSAS 1 - Disclosure of fees for audit firms' services

Commences to apply for annual reporting periods beginning on or after 1 January 2024.

The amendments to PBE IPSAS 1 *Presentation of Financial Reports* (PBE IPSAS 1) aim to address concerns about the quality and consistency of disclosures an entity provides about fees paid to its audit or review firm for different types of services.

The enhanced disclosures are expected to improve the transparency and consistency about fees paid to an entity's audit or review firm.

Entities are required to disclose the fees incurred for services received from the audit or review firm, and a description of each service, using the following specified categories:

- Audit or review of the financial report
- Each type of other service performed by the entity's audit or review firm, using the following categories:
    - Audit or review-related services
    - Other assurance services and other agreed-upon procedure engagements
    - Taxation services
    - Other services

The amendment also requires entities to separately disclose the fees paid to the entity's audit or review firm, as well as any other audit or review firms engaged in any element of the audit or review of the financial statements.

**Resources**

*Note 37 of Quality Holdings (New Zealand) Limited - Illustrative Financial Statements*

# Key requirements

## Pillar Two taxes for PBEs

### 2024 Omnibus Amendments to PBE Standards – Amendments to PBE IAS 12

Commences to apply for annual reporting periods beginning on or after 1 January 2024.

In response to the Pillar Two Global anti-Base Erosion rules (GLoBE Rules), amendments to PBE IAS 12 *Income Taxes* (NZ IAS 12) introduce:

- A mandatory temporary exemption from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes
- Disclosure requirements for affected entities for the periods before and when the legislation is effective

The amendments are intended to provide temporary relief, avoid diverse interpretations of PBE IAS 12 developing in practice, and improve the information provided to users of financial statements before and after Pillar Two legislation comes into effect.

The amendments do not clarify whether a Pillar Two top-up tax is considered to be an income tax in the scope of PBE IAS 12, nor do they require all top-up taxes to be treated as income taxes. Judgement must be applied in determining which top-up taxes are considered to be income taxes.

**Resources**

*IFRS Developments Issue 214: Accounting for Pillar Two income taxes before IAS 12 is amended (April 2023)*

*IFRS Developments Issue 218: Amendments to IAS 12: International Tax Reform Pillar Two Model Rules (May 2023)*

*Applying IFRS: International Tax Reform - Pillar Two Disclosures (November 2023)*

*Applying IFRS: International Tax Reform - Pillar Two disclosures in practice (June 2024)*

# Key requirements

## Public sector insurance contracts

### Amendments to PBE IFRS 17 - Insurance contracts in the public sector

Commences to apply for annual reporting periods beginning on or after 1 January 2026.

The amending standard adds public sector modifications to PBE IFRS 17 *Insurance Contracts* (PBE IFRS 17) to include public sector entities within its scope from periods beginning on or after 1 January 2026.

The amendment provides the following modifications to PBE IFRS 17 for application by public sector entities:

- Added pre-requisites, indicators and other considerations that need to be judged to identify arrangements to which PBE IFRS 17 should apply in the public sector - specifically when an arrangement is in substance a contract
- Specific exemptions relating to sub-grouping contracts. Public sector entities are not required to divide contracts into onerous, no possibility of being onerous and all remaining contracts. Public sector entities are also not required to sub-group insurance contracts based on the date they were issued. The portfolio of insurance contracts will be the unit of account
- An amendment to the timing of initial recognition. A public sector entity will recognise an insurance contract at the earlier of the beginning of the coverage period and the date when the first payment is due
- Guidance on coverage periods in a public sector context, which has consequences for determining the cash flows used to measure insurance liabilities and the pattern of revenue recognition
- An accounting policy choice to allow the public sector to measure liabilities for remaining coverage applying the premium allocation approaches
- Additional application guidance with specific public sector examples

Early application is permitted if specific requirements are met. These amendments require comparative information to be provided in respect of the preceding accounting period.

## Other topics

### 2024 Omnibus Amendments to PBE Standards – Amendments to PBE IPSAS 1 *Presentation of Financial Reports*

Commences to apply for annual reporting periods beginning on or after 1 January 2026.

A liability is classified as current if the entity has no right at the reporting date to defer settlement for at least 12 months after the reporting date. The NZASB issued amendments to PBE IPSAS 1 to clarify the requirements for classifying liabilities as current or non-current, in particular:

- The conditions that exist at the reporting date are those that will be used to determine if a right to defer settlement of a liability exists. Specifically, only covenants with which an entity must comply on or before the reporting date will affect the classification of a liability.
- Management's intention or expectation does not affect the classification of liabilities.
- In cases where an instrument with a conversion option is classified as a liability, the transfer of equity instruments would constitute the settlement of the liability for classification purposes.
- Clarifying specific situations in which an entity does not have a right to defer settlement for at least 12 months after the reporting date.

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within 12 months.

### PBE Conceptual Framework Update

Commences to apply for annual reporting periods beginning on or after 1 January 2028.

The updates to the PBE Conceptual Framework are based on the recent limited-scope updates to the IPSASB's conceptual framework, and amends Chapter *3 Qualitative Characteristics* and Chapter 5 *Elements in General Purpose Financial Reports*.

The amendments include:

- Updates to the guidance on materiality
- Additional guidance has been included to clarify, when applying the qualitative characteristic of faithful representation, how prudence should be considered
- Updates to the definitions of an asset and a liability and the related guidance
- It also introduces new guidance on the unit of account and on binding arrangements that are equally unperformed

Early application of the update to the PBE Conceptual Framework is permitted if specific requirements are met.

# IFRIC agenda decisions

The XRB has noted that "although, [the IFRS Interpretations Committee's (IFRIC's or Committee's)] agenda decisions are specifically developed with for-profit entities in mind, PBEs applying Tier 1 or Tier 2 PBE Standards may also consider applicable explanatory material in the IFRIC interpretations and agenda decisions when developing and applying accounting policies in accordance with PBE IPSAS 3". Therefore, on this basis this publication outlines recent activities of the IFRIC for consideration by PBEs.

The IFRIC issued no recent interpretations. However, it issued several agenda decisions on matters brought to its attention.

Entities need to consider the impact of each agenda decision, based on their circumstances, and possibly adopt a change in policy. Agenda decisions do not have commencement dates and so commence when issued. However, entities are entitled to sufficient time[5] to assess impacts and make required changes.

Below we summarise all IFRIC agenda decisions published during the period from 1 January 2024 to 30 June 2025.

## Merger between a parent and its subsidiary in separate financial statements – January 2024

The IFRIC received a question about how a parent entity that prepares separate financial statements applying IAS 27 Separate Financial Statements (IAS 27) accounts for a merger with its subsidiary (which constitutes a business as defined by IFRS 3) in its separate financial statements.

The IFRIC observed that in accounting for the merger transaction in their separate financial statements, parent entities generally do not apply the acquisition method in IFRS 3 and that there is little, if any, diversity in determining whether to apply IFRS 3 to such a transaction.

Based on its findings, the IFRIC concluded that the matter above does not have widespread effect and decided not to add a standard-setting project to the work plan.

## Payments contingent on continued employment during handover periods (IFRS 3) – April 2024

The IFRIC received a request about how an entity accounts for payments to the sellers of a business it has acquired if those payments are contingent on the sellers' continued employment during a post-acquisition handover period. Based on evidence gathered, the IFRIC observed that for such fact patterns, entities apply the accounting described in the Agenda Decision Continuing employment, published in January 2013, and account for the payments as compensation for post-combination services rather than as additional consideration for the acquisition, unless the service condition is not substantive.

Based on its findings, the IFRIC concluded that the matter above does not have widespread effect and decided not to add a standard-setting project to the work plan.

## Climate-related commitments (IAS 37) – April 2024

The IFRIC received a request asking it to clarify whether an entity's voluntary commitment to reduce or offset its greenhouse gas emissions creates a constructive obligation for the entity, and whether it meets the criteria for recognising a provision under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (IAS 37). Additionally, if a provision is recognised, whether

[5] The IASB advised that "sufficient time" will depend on the particular facts and circumstances. Refer IFRS feature article: Agenda decisions -time is of the essence.



the corresponding amount is recognised as an expense or as an asset.

In the situation considered, in 20X0 an entity publicly states its commitment:

- To gradually reduce annual greenhouse gas emissions by at least 60% of its current level by 20X9
- To offset remaining annual emissions in 20X9 and subsequent years by retiring carbon credits purchased from the carbon market

The entity publishes a transition plan setting out how it will gradually modify its manufacturing methods between 20X1 and 20X9 to achieve the reduction in annual emissions.

Additionally, the entity takes several other actions that publicly affirm its intention to fulfil its commitments.

The IFRIC concluded that whether the entity's statement of its commitments to reduce and offset greenhouse gas emissions creates a constructive obligation will depend on the facts of the statement and the circumstances surrounding it.

The IFRIC also concluded that if the statement creates a constructive obligation:

- The entity does not recognise a provision when it makes the statement in 20X0. At that time, the constructive obligation is not a present obligation as a result of a past event.
- The entity does not recognise a provision between 20X0 and 20X9 because it does not have a present obligation as a result of a past event until it has emitted the greenhouse gases it has committed to offset.
- As the entity emits greenhouse gases in 20X9 and subsequent years, it will incur a present obligation to offset these past emissions. If the entity has not yet settled that obligation and a reliable estimate can be made of the amount of the obligation, the entity recognises a provision.

The IFRIC also observed that if a provision is recognised, the corresponding amount is recognised as an expense, rather than as an asset, unless it gives rise to - or forms part of the cost of - an item that qualifies for recognition as an asset in accordance with an IFRS Accounting Standard.

The IFRIC concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for an entity to determine the accounting for the matters considered and decided not to add a standard-setting project to the work plan.

## Disclosure of revenue and expenses for reportable segments (IFRS 8) – July 2024

IFRS 8 *Operating Segments* (IFRS 8) requires an entity to disclose specified amounts[6] for each reportable segment if the specified amounts are:

- Included in the measure of segment profit or loss reviewed by the chief operating decision maker (CODM)

  Or

- Otherwise regularly provided to the CODM, even if it is not included in that measure of segment profit or loss

[6] Specified amounts are amounts included in paragraph 23 of IFRS 8 *Operating Segments*, which include revenue from external customers, revenue from transactions with other operating segments of the same entity, interest revenue, interest expense, depreciation and amortisation, material items of income and expense disclosed, the entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method, income tax expense or income, and material non-cash items other than depreciation and amortisation.

# IFRIC agenda decisions

The Interpretations Committee received a request to clarify three main points:

- Whether an entity is required to disclose the specified amounts if they are not reviewed separately by the CODM
- Whether an entity is required to disclose the specified amounts if the entity presents or discloses them by applying a requirement in NZ IFRS, other than paragraph 97 of IAS 1 *Presentation of Financial Statements*
- How an entity determines 'material items'

The committee observed the following:

- IFRS 8 requires an entity to disclose the specified amounts for each reportable segment when those amounts are:
  - Included in the measure of segment profit or loss reviewed by the CODM, even if they are not separately provided to or reviewed by the CODM

    Or
  - Regularly provided to the CODM, even if they are not included in the measure of segment profit or loss
- When IAS 1 refers to materiality, it is in the context of 'information' being material. An entity applies judgement in considering whether disclosing, or not disclosing, information in the financial statements could reasonably be expected to influence decisions that users of financial statements make on the basis of those financial statements.

Finally, when disclosing material items of income and expense, entities should:

- Assess whether information about an item of income and expense is material in the context of its financial statements taken as a whole, by applying paragraph 7 of IAS 1.
- Consider how to aggregate information in its financial statements, by applying paragraph 7 of IAS 1.
- Consider the nature or magnitude of information.
- Consider the circumstances, including but not limited to, those in paragraph 98 of IAS 1, which lists examples of transactions that might warrant disclosure.

## Classification of cash flows related to variation margin calls on 'collateralised-to-market' contracts (IAS 7) – January 2025

The IFRIC received a question about how an entity presents, in its statement of cash flows, the cash flows related to variation margin call payments made on contracts to purchase or sell commodities at a predetermined price and time in the future.

The fact pattern involved a contract to purchase or sell commodities at a predetermined price and at a specified time in the future. Such contracts:

- May be for different purposes, such as to receive commodities in accordance with expected usage requirements, to hedge against fluctuations in prices or for trading purposes
- Typically have a maturity of up to three years
- Can be physically or net-cash settled and are both centrally cleared and collateralised-to-market. That is, during the life of the contract, the counterparties make or receive daily payments based on fluctuations in the fair value of the contract. These variation margin call payments represent a transfer of cash collateral rather than a partial settlement

Based on evidence gathered, the IFRIC concluded that the matters above do not have widespread effect and decided not to add a standing-setting project to the work plan.

# IFRIC agenda decisions

## Recognition of revenue from tuition fees (IFRS 15)

The IFRIC received a request about the period over which an educational institution recognises revenue from tuition fees.

In the fact pattern considered:

- Students attend an educational institution for approximately 10 months of the year (academic year) and have a summer break of approximately two months.
- During the summer break, the academic staff take a four-week holiday and use the rest of the time to wrap up the previous academic year and to prepare for the next academic year.
- During the four-week holiday period, the academic staff are employed by, and receive salary from, the educational institution. Non-academic staff provide some administrative support, and the educational institution continues to receive and pay for IT and cleaning services.

Applying IFRS 15, the educational institution recognises revenue from tuition fees over time. The request asks whether the educational institution is required to recognise that revenue

- Evenly over the academic year (10 months)
- Evenly over the annual reporting period (12 months)
- Or over a different period.

The IFRIC concluded that evidence gathered by the Committee indicated:

- No diversity in accounting for revenue from tuition fees
- Any differences in the period over which tuition fee revenue is recognised results from differing facts and circumstances and do not reflect diversity in accounting for revenue from tuition fees

Accordingly, the IFRIC concluded that the matters above do not have widespread effect and decided not to add a standing-setting project to the work plan.

## Recognition of Intangible Assets from climate-related expenditure (IAS 38)

The IFRIC received a request about whether an entity's acquisition of carbon credits and expenditure on research and development activities meet the requirements in IAS 38 to be recognised as intangible assets.

The fact pattern considered an entity that:

- Committed in 2020 and 2021 to reducing a percentage of its carbon emissions by 2030, known as the "2030 commitment"
- Took several affirmative actions including creating a transition plan, engaging with net zero-focused investors, publishing its commitment and plans on its website, investing in innovation programs (which will involve creating expert teams of people), to name a few.
- Has concluded that its 2030 commitment and subsequent affirmative actions have created a constructive or legal obligation applying IAS 37.

As described in the April 2024 Climate related commitments (IAS 37) agenda decision (refer above), the entity considers the criteria in paragraph 14 of IAS 37 for recognising a provision.

Observing that the entity separately assesses whether it recognises an asset or an expense, the IFRIC:

- Noted that the IASB has been researching and engaging with stakeholders about the prevalence and significance of pollutant pricing mechanisms (PPMs), including the use of carbon credits
- Chose to not consider the question about accounting for acquisitions of carbon credits, and considered only the question about accounting for expenditure on research and development activities

# IFRIC agenda decisions

Based on evidence gathered, the IFRIC observed no material diversity in accounting for expenditure on research and development activities. Based on its findings, the IFRIC concluded that the matter described in the request does not have widespread effect. Consequently, the Committee decided not to add a standard-setting project to the work plan.

## Guarantees issued on obligations of other entities

The IFRIC received a request about how an entity accounts for guarantees that it issues. The request described three fact patterns in the context of an entity's separate financial statements.

In the fact patterns considered:

- An entity issues several types of contractual guarantees on obligations of a joint venture
- The entity guarantees to make payments to a bank, a customer, or another third party in the event the joint venture fails to meet its contractual obligations and fails to make payments when due

The request asks whether the guarantees issued are financial guarantee contracts to be accounted for in accordance with IFRS 9 or another IFRS accounting Standard, such as IFRS 17 *Insurance Contracts*, IFRS 15 *Revenue from Contracts with Customers* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

Evidence gathered by the IFRIC indicated that, in practice:

- Entities issue guarantees on obligations of their joint ventures and other entities (such as associates, subsidiaries or third parties)
- Those guarantees have a variety of terms and conditions
- Questions relating to the accounting for issued guarantees arise both in the context of separate and consolidated financial statements

The IFRIC observed that an entity:

- Accounts for a guarantee it issues based on the scoping and accounting requirements in IFRS Accounting Standards, not based on the nature of the entity's business activities
- Applies judgement in determining which IFRS Accounting Standard applies
- Applies judgement in considering the specific facts and circumstances and the terms and conditions of the guarantee contract, analysing all terms and conditions—whether explicit or implicit—unless they have no substance.

The IFRIC noted that based on the scoping requirements of the accounting standards listed earlier:

- An entity first considers whether a guarantee it issues is a 'financial guarantee contract' as defined in IFRS 9
- A 'financial guarantee contract' is 'a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument'.
- However, the term 'debt instrument' is not defined in IFRS Accounting Standards.

The IFRIC noted that the IASB has discussed diversity in practice in the interpretation of the term 'debt instrument'. The IFRIC therefore concluded that an entity applies judgement in interpreting the meaning of that term when determining whether a guarantee is accounted for as a financial guarantee contract.

With regards to the scoping requirements in IFRS Accounting Standards, the IFRIC concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for an entity to determine how to account for a guarantee that it issues.

The Committee decided not to add a standard-setting project to the work plan.

## IFRS Professional Practice

**Lara Truman**
Partner
Lara.Truman@nz.ey.com

**Alex Knyazev**
Associate Director
Alex.Knyazev@nz.ey.com

## Assurance Auckland

**Graeme Bennett**
Partner
Graeme.Bennett@nz.ey.com

**Simon Brotherton**
Partner
Simon.Brotherton@nz.ey.com

**Lloyd Bunyan**
Partner
Lloyd.Bunyan@nz.ey.com

**Neil Calder**
Partner
Neil.Calder@nz.ey.com

**Susan Jones**
Partner
Susan.Jones@nz.ey.com

**Brent Penrose**
Partner
Brent.Penrose@nz.ey.com

**Emma Winsloe**
Partner
Emma.Winsloe@nz.ey.com

**Rob Yeardley**
Partner
Rob.Yeardley@nz.ey.com

## Assurance Wellington

**Lianne Austin**
Partner
Lianne.Austin@nz.ey.com

**David Borrie**
Partner
David.Borrie@nz.ey.com

**Sam Nicolle**
Partner
Sam.Nicolle@nz.ey.com

**Stuart Mutch**
Partner
Stuart.Mutch@nz.ey.com

## Assurance Christchurch

**Brendan Summerfield**
Partner
Brendan.Summerfield@nz.ey.com

**EY | Building a better working world**

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multidisciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.



EYSCORE 005918-25-AUNZ
ED None