

Amendments to HKAS 40 Transfers of Investment Property

Introduction

Paragraph 57 of HKAS 40 “Investment Property” requires that “Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by 4 circumstances listed in sub-paragraphs (a) to (d). The list of circumstances is therefore exhaustive (as shown by the references to ‘when and only when’ and ‘evidenced by’).

The Amendments clarify that, to transfer to or from, investment properties, there must be a change in use and evidence of the change. The Amendments re-characterised the list of circumstances as a non-exhaustive list of examples to allow for other circumstances to be accounted for as a transfer.



Effective Date and Transitional Provisions

An entity shall apply the Amendments for annual periods beginning on or after 1 January 2018 subject to certain transitional provisions. Earlier application is permitted.

An entity shall apply the Amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the Amendments (the date of initial application). At the date of initial application, an entity shall reassess the classification of property held at that date and, if applicable, reclassify the property to reflect the conditions that exist at that date. Any amount that would have been recognised in profit or loss on reclassification is recognised as an adjustment to the opening retained earnings at the date of initial application.

An entity is also permitted to apply the Amendments retrospectively if, and only if, that is possible without the use of hindsight.



Summary of Amendments

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. Only 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.

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