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

For 31 March 2025 year-end reports

## New and changed requirements

We provide you with an overview of the accounting pronouncements, for Public Benefit Entities (PBEs), issued as of 31 March 2025, which:

- **Must** be applied for the first time for 31 March 2025 year-ends
- **May** be applied early for 31 March 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 31 March 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.



The better the question.  
The better the answer.  
The better the world works.

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# Catalogue of new accounting pronouncements issued as of 31 March 2025

New pronouncements <sup>1</sup> that must be applied for 31 March 2025 year-ends	Commencement date <sup>2</sup>	Application date <sup>3</sup>	Page
<a href="#">Amendments to PBE IPSAS 1 - Disclosure of fees for audit firms' services</a>	1 January 2024	1 April 2024	5
<a href="#">2024 Omnibus Amendments to PBE Standards - Amendments to PBE IAS 12 Income Taxes</a>	1 January 2024	1 April 2024	6

New pronouncements that may be applied early for 31 March 2025 year-ends if specific requirements are met <sup>4</sup>	Commencement date <sup>2</sup>	Application date <sup>3</sup>	Page
<a href="#">Amendments to PBE IFRS 17 - Insurance Contracts in the public sector</a>	1 January 2026	1 April 2026	7
<a href="#">2024 Omnibus Amendments to PBE Standards - Amendments to PBE IPSAS 1 Presentation of Financial Reports</a>	1 January 2026	1 April 2026	8
<a href="#">PBE Conceptual Framework Update</a>	1 January 2028	1 April 2028	8

<sup>1</sup> For full access to PBE Standards please visit <https://www.xrb.govt.nz/>.

<sup>2</sup> Commences annual reporting periods beginning on or after this date.

<sup>3</sup> Assuming that the entity has not early adopted the pronouncement according to specific provisions in the Standard.

<sup>4</sup> 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

IFRIC agenda decisions published from 1 January 2024 to 31 March 2025	Month of issue	Page
<a href="#">Merger between a parent and its subsidiary in separate financial statements</a>	January 2024	9
<a href="#">Payments contingent on continued employment during handover periods (IFRS 3)</a>	April 2024	9
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# 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.

## Key requirements



## 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 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 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)] 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<sup>5</sup> to assess impacts and make required changes.

Below we summarise all IFRIC agenda decisions published during the period from 1 January 2024 to 31 March 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

<sup>5</sup> 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.

## IFRIC agenda decisions



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 their 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<sup>6</sup> 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

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

<sup>6</sup> 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



- 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. Such contracts are centrally cleared and 'collateralised-to-market,' where the counterparty makes or receives daily payments based on fluctuations in fair value during the life of the contract, rather than making partial settlements of the contract.

Based on the evidence gathered, the IFRIC observed that relevant requirements in IFRS Accounting Standards should be applied. The IFRIC concluded that the matter does not have a widespread effect and decided not to add a standard-setting project to the work plan.

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