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IN ANY COMMUNICATION PLEASE QUOTE OUR FILE NO.

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File No.:

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Dear Ms Ng,

**IASB Exposure Draft
ED/2019/3 Reference to the Conceptual Framework
(Proposed Amendments to IFRS 3)**

Thank you for your letter dated 5 June 2019 inviting our comments on the exposure draft ED/2019/3 (“the Exposure Draft”) issued by the International Accounting Standards Board (“IASB”) in respect of the proposed amendments to IFRS 3 *Business Combinations*.

IFRS 3 specifies how a company should account for the assets and liabilities it acquires when it obtains control of a business. It refers companies to the Conceptual Framework to determine what constitutes an asset or a liability. In the Exposure Draft, the IASB proposes to update IFRS 3 so it refers to the latest version of the Conceptual Framework (“2018 Conceptual Framework”) instead of the old version (“1989 Framework”).

As the definition of liability in the 2018 Conceptual Framework is broader than that in the 1989 Framework, updating the reference without making any other changes to IFRS 3 could change the accounting requirements for business combinations. Companies would need to record provisions and contingent liabilities when they acquire a business which they would not record in other circumstances. To avoid this, the IASB proposes that for provisions and contingent liabilities, companies refer to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, instead of the Conceptual Framework, to determine what constitutes a liability.

We broadly support IASB’s proposal to update the Conceptual Framework reference in IFRS 3 without significantly changing its requirements. Insofar as tax administration is concerned, we have no comment on the proposed amendments. We are grateful for the opportunity to provide our comments on the Exposure Draft.

Yours sincerely,


(Ms WONG Pui-ki)

for Commissioner of Inland Revenue