

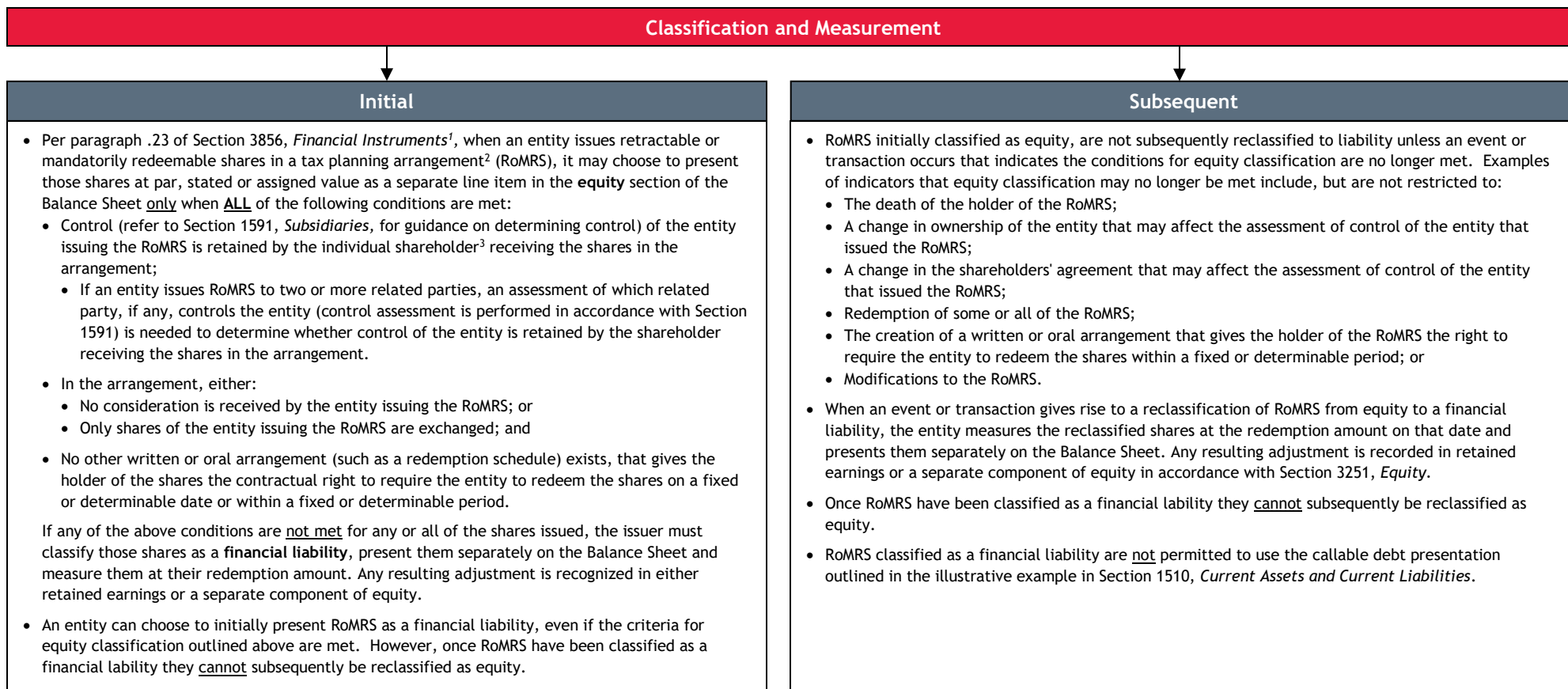
ASPE

At a Glance

Retractable or Mandatorily
Redeemable Shares Issued in a Tax
Planning Arrangement (RoMRS)

Retractable or Mandatorily Redeemable Shares Issued in a Tax Planning Arrangement (RoMRS)

Effective Date
Fiscal years beginning on or after January 1, 2021



¹ See also our publication ASPE At a Glance: Section 3856, *Financial Instruments*

² If an entity issues RoMRS through a series of transactions in contemplation of one another, the transactions are viewed as one tax planning arrangement when assessing the conditions in paragraph 3856.23.

³ Refer to the example in paragraph 3856.23C.



Transition Options

- The amendments made to Section 3856 for RoMRS are effective for fiscal years beginning on or after January 1, 2021. An entity can choose to apply the amendments either at:
 - The **beginning of the fiscal year in which the amendments are first applied**, with the cumulative effect of applying the amendments recorded in opening retained earnings or a separate component of equity of the fiscal year in which the amendments are first applied; or
 - The **beginning of the earliest period presented**, with the cumulative effect of applying the amendments recorded in opening retained earnings or a separate component of equity of the earliest period presented. In this situation, the entity is not required to make retrospective adjustments in respect of RoMRS that were extinguished prior to the beginning of the fiscal year in which the amendments are first applied.

Shares Issued on or After January 1, 2018

- When the amendments are applied for the first time, an enterprise that issued RoMRS can choose to present the shares as:
 - A **financial liability** measured at their redemption amount; or
 - In a **separate line in the equity section** of the balance sheet if:
 - The RoMRS were issued on or after January 1, 2018, and all the following conditions are met:
 - Control (refer to Section 1591, *Subsidiaries*, for guidance on determining control) of the entity issuing the RoMRS is retained by the individual shareholder receiving the shares in the arrangement;
 - In the arrangement, either:
 - No consideration is received by the entity issuing the RoMRS; or
 - Only shares of the entity issuing the RoMRS are exchanged; and
 - No other written or oral arrangement (such as a redemption schedule) exists, that gives the holder of the shares the contractual right to require the entity to redeem the shares on a fixed or determinable date or within a fixed or determinable period.
- If any of the above conditions are not met for any or all of the shares issued, the issuer must classify those shares as a **financial liability**, present them separately on the Balance Sheet and measure them at their redemption amount.

Shares Issued Prior to January 1, 2018

- When the amendments are applied for the first time, an enterprise that issued RoMRS can choose to present the shares as:
 - A **financial liability** measured at their redemption amount; or
 - In a **separate line in the equity section** of the balance sheet if:
 - The RoMRS were issued prior to January 1, 2018, and all the following conditions are met:
 - Control (refer to Section 1591, *Subsidiaries*, for guidance on determining control) of the entity that issued the RoMRS is held by the party that owns the shares in the arrangement at the date of initial application. The entity does not need to assess if control has been retained from the date of the initial transaction that gave rise to the shares.
 - No other written or oral arrangement (such as a redemption schedule) exists that gives the holder of the shares the contractual right to require the entity to redeem the shares within a fixed or determinable period.
- If both of the above conditions above are not met for some or all of the shares issued, the issuer must classify those shares as a **financial liability**, present them separately on the Balance Sheet and measure them at their redemption amount.

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