

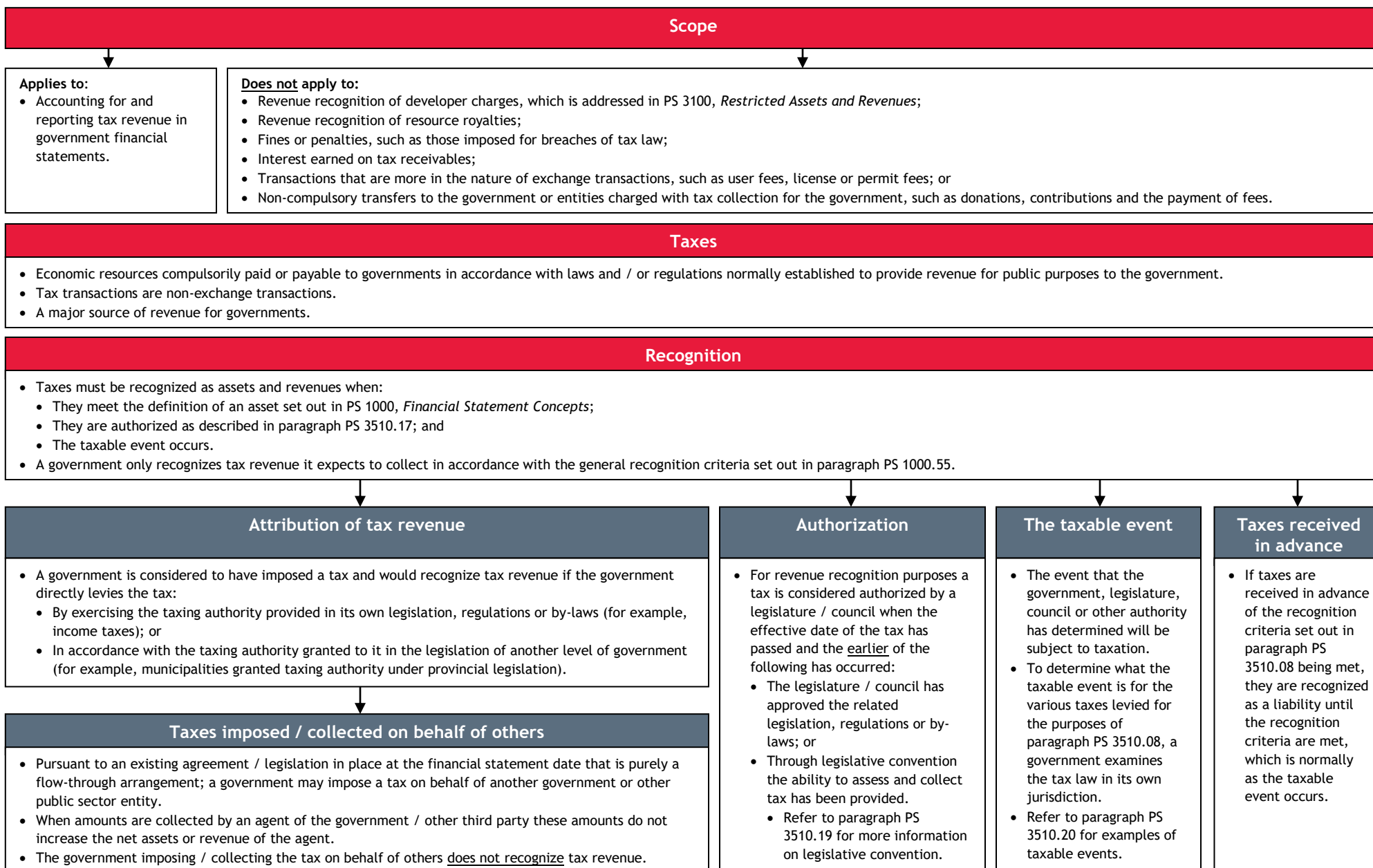
# **PSAB**

# **At a Glance**

Section PS 3510 - Tax Revenue

# Section PS 3510 - Tax Revenue

Effective Date  
Fiscal periods beginning on or after April 1, 2012



## Measurement

### Initial measurement

- An asset that is acquired through a tax transaction must be initially measured at its realizable value at the date of acquisition.
  - Realizable value is the amount of cash or cash equivalents that an asset is expected to be converted into in the due course of operations.
- Any adjustments to tax revenue resulting from a change in estimate are accounted for in accordance with Section PS 2120, *Accounting Changes*.
- If a government receives other types of assets to settle outstanding taxes receivable, these assets are measured at their fair value as at the date of acquisition by the government to determine whether they settle the entire tax receivable or whether a balance receivable remains or a refund is owed.
- Administrative costs or other expenses related to tax revenue transactions are recognized separate from tax revenue as an expense related to the transaction.

### Subsequent measurement

- A government must evaluate the likelihood of having to repay taxes collected under tax measures deemed to be authorized using the concept of legislative convention set out in paragraph PS 3510.17(b) and recognize a liability when required by Section PS 3200, *Liabilities*, at each financial statement date.
- Related refunds must be accounted for as a change in estimate in accordance with PS 2120, *Accounting Changes*.

## Transfers made through a tax system and tax concessions

- Transfers made through a tax system must be recognized as an expense, not as a reduction of tax revenue.
- Tax revenue cannot be grossed up for the amount of tax concessions.
- In determining whether to classify a payment or reduction in taxes payable as a transfer made through a tax system or as a tax concession professional judgment must be applied. The following would be considered by a government when classifying an item:
  - The definitions of tax concessions and transfers made through a tax system set out in paragraph PS 3510.07;
  - The criteria set out in paragraphs PS 3510.37-.44; and
  - The decision tree provided in Appendix A to PS 3510.

### Transfers made through a tax system

- Financial benefits provided or determined through a tax system that are made for a purpose other than the relieving of taxes previously paid or currently owing.
- Refer to paragraphs PS 3510.37-.41 for additional guidance.

### Tax concessions

- Referential provisions of the tax law that are only available to taxpayers and can include exemptions, deductions, deferrals and credits that affect the level and distribution of tax.
- May include special tax rates.
- Provide tax relief of taxes previously paid or currently owing and are seen as "foregone revenue".
- Often referred to as "tax expenditures".
- Refer to paragraphs PS 3510.42-.44 for additional guidance.

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