



稅務局
香港灣仔告士打道 5 號
稅務大樓

INLAND REVENUE DEPARTMENT

REVENUE TOWER,
5 GLOUCESTER ROAD, WAN CHAI,
HONG KONG.

網址 Web site: www.ird.gov.hk

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COMMISSIONER OF INLAND REVENUE,
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來函請敘明本局檔案號碼

IN ANY COMMUNICATION PLEASE QUOTE OUR FILE NO.

檔案號碼： HQ 502/141 Pt.25
File No.:

Mr. Simon Riley
Director, Standard Setting
Hong Kong Institute of
Certified Public Accountants
37/F, Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

電話：

Tel. No.: 2594 5037

傳真：

Fax No.: 2511 7414

電郵：

E-mail:

發出日期：

Date of Issue: 12 August 2014

Dear Mr. Riley,

**Re: IASB Exposure Draft
of Investment Entities: Applying the Consolidation Exception
(Proposed Amendments to IFRS 10 and IAS 28)**

I refer to HKICPA's letter dated 10 July 2014 inviting for comments on the above Exposure Draft.

The Exposure Draft proposes to clarify three issues about the application of requirement for investment entities to measure subsidiaries at fair value instead of consolidating them. The proposed amendments:

Confirm that an entity can apply the consolidation exemption even if its parent entity measures its subsidiaries at fair value in accordance with IFRS 10;

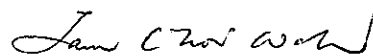
Clarify that an investment entity parent should consolidate a subsidiary instead of measuring it at fair value, if the subsidiary provides services related to the parent's investment activities and the subsidiary is not itself an investment entity; and

Simplify the application of equity method by a non-investment entity investor to an investment entity investee. [i.e. when applying the equity method, a non-investment entity retains the fair value measurement applied by the investment entity associate to its interests in subsidiaries, unless the non-investment entity investor is a joint venturer where the joint venture is an investment entity.]

I welcome the IASB's proposed amendments in the Exposure Draft to clarify issues on the application of consolidation exemption. However, different treatments have been proposed for the application of equity method by a non-investment entity investor for its investments in joint ventures or associates that are investment entities. It is hoped that after seeking inputs from interested parties, an accounting model could be formulated with accounting disparity reduced.

I appreciate the opportunity to comment on the Exposure Draft.

Yours sincerely,



(Mrs WU LAM Choi-wah)
for Commissioner of Inland Revenue