

Material published to accompany**SIC Interpretation 21**

Income Taxes—Recovery of Revalued Non-Depreciable Assets

This version includes amendments resulting from IFRSs issued up to 31 December 2009.

The text of the unaccompanied Interpretation is contained in Part A of this edition. Its effective date when issued was 15 July 2000. The effective date of the most recent amendment is 1 January 2009. This part presents the following accompanying material:

BASIS FOR CONCLUSIONS*page***B1688**

**Basis for Conclusions on
SIC Interpretation 21 *Income Taxes—Recovery of Revalued
Non-Depreciable Assets***

This Basis for Conclusions accompanies, but is not part of, SIC-21.

- 6 The *Framework* indicates that an entity recognises an asset if it is probable that the future economic benefits associated with the asset will flow to the entity. Generally, those future economic benefits will be derived (and therefore the carrying amount of an asset will be recovered) through sale, through use, or through use and subsequent sale. Recognition of depreciation implies that the carrying amount of a depreciable asset is expected to be recovered through use to the extent of its depreciable amount, and through sale at its residual value. Consistent with this, the carrying amount of a non-depreciable asset, such as land having an unlimited life, will be recovered only through sale. That is, because the asset is not depreciated, no part of its carrying amount is expected to be recovered (that is, consumed) through use. Deferred taxes associated with the non-depreciable asset reflect the tax consequences of selling the asset.
- 7 The expected manner of recovery is not predicated on the basis of measuring the carrying amount of the asset. For example, if the carrying amount of a non-depreciable asset is measured at its value in use, the basis of measurement does not imply that the carrying amount of the asset is expected to be recovered through use, but through its residual value upon ultimate disposal.