Scenario A – NRR zeroised on current tax basis

Phase In – NRR zeroised for SVM - Rm	Ex 1	Ex 2	Ex 3	Ex 4	
				Yr 1	Yr 2
Total Negative Liabilities	-100	-100	-100	-100	-100
IFRS recognition as:					
- Reduction of policyholder liabilities	-100		-90	-100	
- Assets under insurance contracts		-100	-10		-100
NRR recognised in 'value of liabilities' for tax	0	0	0	0	0
Amount referred to in par (a) of Phase in	**100**	**0**	**90**	**100**	**0**
Amount referred to in par (b) of Phase in	**0**	**0**	**0**	**0**	**0**
Check					
Tax payable / (refundable) over phase in period	28	0	25.2	28	
SVM liabilities	0	0	0	0	0
IFRS liabilities	-100	0	-90	-100	0
IFRS liabilities + Phase in 100%	0	0	0	0	100
Incr / (decr) in liabilities with phase in at 100%	0	0	0	0	100

Change in IFRS disclosure from liability to asset side in Yr 2

Result – scenario A where negative liabilities were zeroised for SVM

Ex 1 : R28m of tax payable will be phased in as R100m of negative liabilities now recognised – acceleration of tax vs current basis
Ex 2 : No implications – same treatment under SVM and adjusted IFRS – neutral compared to current tax basis
Ex 3 : R25.2m of tax payable will be phased in as R90m of negative liabilities now recognised – acceleration of tax vs current basis

Ex 4: Yr 1 – Outcome as per Ex 1
Then assume a theoretical accounting policy change Yr 2 (auditors to sign off – not IFRS compliant if only reason for change is tax)
Yr 2 –The phase in amount from Yr1 is added to a higher value of IFRS liabilities in Yr 2 – benefit obtained

Scenario B – NRR fully recognised on current tax basis

Phase In – NRR recognised for SVM - Rm	Ex 1	Ex 2	Ex 3	Ex 4	
				Yr 1	Yr 2
Total Negative Liabilities	-100	-100	-100	-100	-100
IFRS recognition as:					
- Reduction of policyholder liabilities	-100		-90	-100	
- Assets under insurance contracts		-100	-10		-100
NRR recognised in 'value of liabilities' for tax	-100	-100	-100	-100	-100
Amount referred to in par (a) of Phase in	**0**	**0**	**0**	**0**	**0**
Amount referred to in par (b) of Phase in	**0**	**100**	**10**	**0**	**100**
Check					
Tax payable / (refundable) over phase in period	0	-28	-2.8	0	
SVM liabilities	-100	-100	-100	-100	-100
IFRS liabilities	-100	0	-90	-100	0
IFRS liabilities + Phase in 100%	-100	-100	-100	-100	0
Incr / (decr) in liabilities with phase in at 100%	0	0	0	0	100

Change in IFRS disclosure from liability to asset side in Yr 2

Result – scenario B where negative liabilities were recognised for SVM

Ex 1 : No implications – same treatment under SVM and adjusted IFRS – neutral compared to current tax basis
Ex 2 : R28m of tax recoverable will be phased in as R100m of negative liabilities no longer recognised - postponement of tax compared to current tax basis
Ex 3 : R2.8m of tax recoverable will be phased in as R10m of negative liabilities no longer recognised - postponement of tax compared to current tax basis

Ex 4: Yr 1 – Outcome as per Ex 1
Then assume a theoretical accounting policy change Yr 2 (auditors to sign off – not IFRS compliant if only reason for change is tax)
Yr 2 –No phase in amount from Yr1, however higher value of IFRS liabilities in Yr 2 –benefit obtained

Scenario C – NRR partially recognised on current tax basis

Phase In – some NRR recognised for SVM - Rm	Ex 1	Ex 2	Ex 3	Ex 4	
				Yr 1	Yr 2
Total Negative Liabilities	-100	-100	-100	-100	-100
IFRS recognition as:					
- Reduction of policyholder liabilities	-100		-90	-100	
- Assets under insurance contracts		-100	-10		-100
NRR recognised in 'value of liabilities' for tax	-10	-10	-10	-10	-10
Amount referred to in par (a) of Phase in	**90**	**0**	**80**	**90**	**0**
Amount referred to in par (b) of Phase in	**0**	**10**	**0**	**0**	**10**
Check					
Tax payable / (refundable) over phase in period	25.2	-2.8	22.4	25.2	
SVM liabilities	-10	-10	-10	-10	-10
IFRS liabilities	-100	0	-90	-100	0
IFRS liabilities + Phase in 100%	-10	-10	-10	-10	90
Incr / (decr) in liabilities with phase in at 100%	0	0	0	0	100

Change in IFRS disclosure from liability to asset side in Yr 2

Result – scenario C where some negative liabilities were recognised for SVM

Ex 1 : R25.2m of tax payable will be phased in as R90m of negative liabilities now recognised – acceleration of tax vs current basis
Ex 2: R2.8m of tax recoverable will be phased in as R10m of negative liabilities no longer recognised - postponement of tax compared to current tax basis
Ex 3 : R22.4m of tax payable will be phased in as R80m of negative liabilities now recognised - acceleration of tax vs current basis

Ex 4: Yr 1 – Outcome as per Ex 1
Then assume a theoretical accounting policy change Yr 2 (auditors to sign off – not IFRS compliant if only reason for change is tax)
Yr 2 –The phase in amount from Yr1 is added to a higher value of IFRS liabilities in Yr 2 – benefit obtained