

Explanatory Statement

Accounting Standard AASB 20 ***Regulatory Assets and Regulatory Liabilities***

October 2026



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Main Features of AASB 20

Background

In May 2026, the International Accounting Standards Board (IASB) issued International Financial Reporting Standard IFRS 20 *Regulatory Assets and Regulatory Liabilities*. IFRS 20 aims to help investors and other stakeholders better understand how “rate regulation” affects an entity’s financial performance, financial position and its prospects for future cash flows. AASB 20 *Regulatory Assets and Regulatory Liabilities* is the Australian equivalent of IFRS 20.

The Standard applies to entities subject to rate regulation that determines how much and when they can charge customers for goods or services supplied under a regulatory agreement, in sectors such as electricity, water and gas. Differences in timing arise when compensation for regulatory goods or services supplied in one reporting period is reflected in regulated rates charged in another period. The Standard requires entities to provide information about the effect of these timing differences on their financial performance and financial position.

Main Requirements

AASB 20 requires an entity to account for the effects of differences in timing through the recognition of regulatory assets and regulatory liabilities and related regulatory income and regulatory expense. The Standard focuses on a type of rate regulation that:

- (a) entitles an entity to an amount of compensation for the goods or services supplied under a regulatory agreement in a period (the ‘total allowed compensation’); and
- (b) specifies the timing of when that compensation is charged to customers through the regulated rates.

A difference in timing arises if part or all of the total allowed compensation for the goods or services supplied in one reporting period is included in determining the regulated rates charged to customers in a different period.

AASB 20 supersedes AASB 14 *Regulatory Deferral Accounts*. As a result, the requirements in AASB 14 have been replaced by new requirements in AASB 20.

Application Date

This Standard applies to annual periods beginning on or after 1 January 2029. Earlier application is permitted.

Standards Amended by AASB 20

This Standard makes amendments to six Australian Accounting Standards and two Interpretations, as set out in Appendix D to the Standard. Appendix D incorporates marked-up text to identify the amendments clearly. All amendments are incorporated using clean text into the compilations of the affected pronouncements when they are prepared, based on the legal commencement date of the amendments.

Consultation Prior to Issuing this Standard

In January 2021, the IASB issued Exposure Draft ED/2021/1 *Regulatory Assets and Regulatory Liabilities*. The AASB issued the same proposals in Australia for public comment in Exposure Draft ED 307 *Regulatory Assets and Regulatory Liabilities*. Comments were due to the AASB by 10 May 2021 and to the IASB by 30 June 2021.

Between February 2021 and October 2025, the IASB technical staff consulted the IASB’s advisory bodies in 17 meetings and held more than 200 meetings with stakeholders, which included some Australian entities that operate under regulatory agreements that would require them to comply with AASB 20. The IASB completed two rounds of fieldwork in the form of surveys with 54 entities and received:

- (a) 48 completed survey responses about assessing the relationship between a company’s regulatory capital base and related items (to obtain feedback on significant changes to the Exposure Draft proposals); and
- (b) 34 completed survey responses on the likely effects of IFRS 20.

In developing its views on the proposal, the AASB undertook various outreach activities to obtain feedback from stakeholders, which included 11 preparers/auditors, four regulators/professional bodies, one standard setter and the AASB’s User Advisory Committee (UAC), which comprises a range of primary users of financial statements. Seven Australian stakeholders submitted formal comment letters to the IASB, as did the AASB.

After considering the feedback from Australian stakeholders, the AASB expressed support for the IASB’s proposed new requirements, which the AASB considered would provide general purpose financial statement users with information that would help them understand which fluctuations in the relationship between an entity’s revenue and

expenses are caused by differences in timing due to regulatory rates. The AASB did have some concerns with the proposals, however the AASB's significant concerns were addressed by the IASB in finalising IFRS 20.

The AASB considered the changes made by the IASB to the proposals and decided to adopt IFRS 20 as an Australian Accounting Standard. The AASB set an effective date of annual reporting periods beginning on or after 1 January 2029, with earlier application permitted, the same as for IFRS 20.

A Policy Impact Analysis has not been prepared in connection with the issue of AASB 20 as the new requirements are not onerous for entities preparing financial statements under Australian Accounting Standards as a result of changes to the proposed requirements made by the IASB in finalising IFRS 20 and incorporated into AASB 20. The Standard also has limited applicability to entities in Australia, resulting in limited implementation and ongoing application costs.

Legislative Features of Accounting Standards

Power to Make Amendments

Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws), the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such instrument. Accordingly, the AASB has the power to amend the Accounting Standards that are made by the AASB as legislative instruments under the *Corporations Act 2001*.

References to Other AASB Standards

References in this Standard to the titles of other AASB Standards that are legislative instruments are to be construed as references to those other Standards as originally made and as amended from time to time and incorporate provisions of those Standards as in force from time to time.

Copyright

This Standard, like all Accounting Standards promulgated by the AASB, is published with Commonwealth of Australia copyright. Educational, commercial and other publishers are able to request the AASB for permission to reprint all or parts of this Standard, which is given without charge.

Exemption from Sunsetting

Accounting Standards promulgated by the AASB that are legislative instruments are exempt from the sunseting provisions of the *Legislation Act 2003* through section 12 of the *Legislation (Exemptions and Other Matters) Regulation 2015* (Item 18(a)).

The AASB's Australian Accounting Standards incorporate Standards set by the International Accounting Standards Board in respect of publicly accountable for-profit entities. The AASB's Accounting Standards are exempt from sunseting because a more stringent review process than sunseting applies to the Standards. This review process ensures Australia's Accounting Standards regime remains consistent with international Standards. Typically, the AASB Standards are revised at least once within a ten-year period, with most of the Standards subject to much more frequent revisions. Each revision follows the stringent review process (which includes the opportunity for public comment) in order to remain consistent with international Standards. It is very unlikely that any AASB Standard would not have been amended (or else considered for amendment) within a ten-year period through these review processes. Therefore, if it applied, a ten-year sunseting regime would have very limited practical application to AASB Standards. Parliamentary oversight is retained whenever a Standard is replaced or amended since the Standards are disallowable instruments and subject to the normal tabling and scrutiny process as required by the *Legislation Act 2003*.

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the
Human Rights (Parliamentary Scrutiny) Act 2011

Accounting Standard AASB 20 *Regulatory Assets and Regulatory Liabilities*

Overview of the Accounting Standard

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Human Rights Implications

This Standard is issued by the AASB in furtherance of the objective of facilitating the Australian economy. It does not diminish or limit any of the applicable human rights or freedoms, and thus does not raise any human rights issues.

Conclusion

This Standard is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.