

Accounting for government grants

April 2020

Isle of Man

Introduction

COVID-19 is causing significant disruption to business operations and economic activity, particularly in countries that have implemented stringent measures to contain or delay the spread of the virus, with cascading impacts on both upstream and downstream supply chains in other countries; a significant increase in economic uncertainty, reflected in more volatile capital, commodity and foreign exchange markets.

Isle of Man

The Isle of Man Government has set out a package of measures to support local businesses throughout the unprecedented disruption caused by COVID-19 for employers, self-employed and employees. Some of the schemes for employers:

- COVID-19 Salary Support Scheme to help businesses retain staff.
- Coronavirus Business Support Scheme to support local business in designated sectors (extended to include small retail businesses (including self-employed people) in certain eligible sectors).
- Strategic Capacity Scheme for tourist accommodation providers.
- Isle of Man Disruption Loan Guarantee Agreement working with banks.
- Business Adaptation Grant for existing businesses looking to evolve in current climate with matched funding available.
- Temporary Work Permit Relaxation.
- Employers National Insurance holiday for relevant sectors in respect of March 2020 remittances.
- Non-Government support providing a range of support mechanisms to encourage relief to households and remove any eviction threat for individuals and businesses affected.

More information about the government schemes can be found at this link: [covid19.gov.im](https://www.gov.im/covid19).

Accounting for government grants

Companies need to evaluate all of the government assistance they may receive to determine the appropriate accounting – for example, by asking the following questions:

- Does the assistance meet the definition of a government grant?
- When should the grant be recognised?
- How should the grant be measured and presented in the financial statements?

Government assistance that meets the definition of a government grant is accounted for under the specific requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance.

Companies that have not previously received government grants may need to develop new accounting policies and procedures, and significant judgement may be required to address newly implemented government programmes. Recognition, Measurement and presentation of government grants depends on the nature of the grant and the company's accounting policies. For example, companies may need to develop accounting policies for:

- Grants in the form of non-monetary assets: whether to measure at nominal or fair value.
- Grants related to other assets measured at fair value through profit or loss.
- Grants in form of waiver of expenses: Recognition principles apply to grants in the form of a waiver of expenses.
- Repayment: Subsequent changes after the grant is recognised may result in a change of estimate.
- Low-interest loans: Measurement principles for the benefit of a government loan at a below-market interest rate accounted for as a government grant.

Actions for management to take now

- Monitor government actions and legislation to identify all assistance that may meet the definition of a government grant.
- Develop accounting policies and procedures for government grants.
- Consider expanding disclosures on the accounting policies for government grants and the impact of grants and other assistance on the financial statements.

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