

**Q&A  
CNC  
14/003**

**QUESTIONS / ANSWERS:**  
**REVALUATION OF FIXED  
INTANGIBLE ASSETS**

**Question:**

Can the "revaluation model" or "revalued cost model" provided for by the accounting directives<sup>1</sup> and by international financial reporting standards (IFRS)<sup>2</sup> be applied to the measurement of fixed intangible assets under Luxembourg accounting law (DCL)<sup>3</sup> ?

**Key words:** Revaluation, revalued cost, fixed intangible assets, IAS 38, art. 52 LRCS, art. 54 LRCS, section 7bis, art. 64sexies LRCS, fair value, historical cost, art. 72bis LRCS, art. 341bis LSC

**Answer:**

The answer to this question depends on the accounting regime adopted by the undertaking.

**1. The revaluation model under LUX GAAP: not available**

The revaluation model for fixed intangible assets is not available to undertakings preparing their annual and/or consolidated accounts under the LUX GAAP regime. Indeed, even though the legislator has provided for the possibility – within Article 54 LRCS<sup>4</sup> – of authorising or imposing the revaluation of fixed assets by undertakings, the application of this model remains to this day conditional upon the prior adoption of a Grand Ducal regulation.

In the absence of such a Grand Ducal regulation, only the historical cost model provided for in Article 52 LRCS is available under the LUX GAAP regime for the measurement of intangible assets.

<sup>1</sup> Article 33(1) of the Fourth Council Directive of 25 July 1978 (based on Article 54(3)(g) of the Treaty) on the annual accounts of certain types of companies (78/660/EEC) allows Member States to authorise or require all or some of the companies under their jurisdiction to revalue intangible fixed assets.

Article 7 of the "new" Accounting Directive 2013/34/EU provides - in a similar way to the old 4<sup>th</sup> Directive - for an "*alternative measurement basis of fixed assets at revalued amounts*".

<sup>2</sup> International accounting standard IAS 38 "Intangible Assets", as adopted by the European Union, provides for the application of the "revaluation model" to intangible assets as an alternative to the "cost model".

<sup>3</sup> See Q&A CNC 14/001 "Luxembourg accounting law for undertakings: 3 distinct regimes" (formerly Q&A 01/2014).

<sup>4</sup> Article 54 LRCS provides that: "*A Grand-Ducal regulation may, by way of derogation from Article 52, authorise or impose for all undertakings or certain categories of undertakings, the alternative measurement basis of fixed assets at a revalued amount*". To date, no Grand-Ducal regulation has been issued in implementation of Article 54 of LRCS.

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**2. The revaluation model under LUX GAAP – FV: **model not available****

The revaluation model for intangible assets is not available for undertakings preparing their annual and/or consolidated accounts under the LUX GAAP – FV regime. It should be noted that the fair value model should not be confused with the revaluation model<sup>5</sup> and therefore the fair value option is not available for intangible assets<sup>6</sup>.

It must therefore be concluded that only the historical cost model is available under LUX GAAP – FV for the measurement of fixed intangible assets, as section 7bis does not provide any options to depart from the general rules (article 52 LRCS: historical cost) on this point.

**3. The revaluation model under IFRS – EU: **model available****

For Luxembourg undertakings preparing their annual accounts (art. 72bis LRCS) and/or their consolidated accounts (art. 341bis LSC) in accordance with IFRS – EU, the revaluation model for the measurement of fixed intangible assets is available in accordance with IAS 38 "Intangible Assets". IAS 38 provides for two models for measuring fixed intangible assets: the cost model and the revaluation model<sup>7</sup>.

Luxembourg undertakings applying IFRS – EU may therefore use the revaluation model – as permitted by IAS 38 – to measure fixed intangible assets.

<sup>5</sup> The revaluation model is a measurement model that differs from the fair value model in a number of respects. For example, there is a difference in terms of measurement frequency: the fair value model requires at least an annual measurement, whereas the revaluation model does not. Furthermore, the revaluation model differs from the fair value model in that the revalued cost is subject to amortisation (for fixed assets with a definite useful life) between two revaluations, which is not the case in the fair value model, where only the change in fair value generated during the period is recognised. Lastly, the difference is sometimes due to the classification of changes in value: in the case of investment property (IAS 40), the fair value difference is taken to the profit and loss account, whereas in the case of intangible assets (IAS 38), the revaluation surplus is taken directly to reserves.

<sup>6</sup> Article 64sexies LRCS provides that: "By way of derogation from Article 52, undertakings may also measure certain categories of assets other than financial instruments at amounts determined by reference to their fair value, provided that their measurement at fair value is authorised under the international accounting standards (...)". IFRS does not allow property, plant and equipment to be measured at fair value, since IAS 38 Intangible Assets provides only for two models, namely the cost model and the revaluation model.

<sup>7</sup> See : IAS 38, para. 75

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