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Deloitte.

Heads Up

IFRS Interpretations Committee issues Draft Interpretation on the Accounting for Levies

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"In summary"

The IFRS Interpretations Committee has issued Draft Interpretation DI/2012/1 *Levies Charged by Public Authorities on Entities that Operate in a Specific Market*. The draft Interpretation was developed in response to a request to clarify when a liability should be recognised for levies that are conditional on an entity participating in an activity on a specified date.

The draft Interpretation proposes the following underlying principles associated with the recognition of a liability:

- Obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy as identified by relevant legislation.
- Neither economic compulsion nor the going concern principle would create or imply a constructive obligation to pay a levy.
- A liability and the related expense would be recognised progressively only if the obligating event occurs over a period of time.

An effective date is yet to be determined but it is expected to apply retrospectively. The comment period on the proposals ends on 5 September 2012.

Impact:

- Australian entities (mainly computer and television manufacturers and importers) presently use the guidance in Interpretation 6 *Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment* to account for government imposts such as state royalties and levies for re-cycling waste.
- These entities may need to assess whether the proposed guidance under the draft interpretation may impact the current accounting practices specifically around identification of obligating events.

IFRS in Focus

- IFRS Interpretations Committee issues Draft Interpretation on the Accounting for Levies

External Resources

- Draft IFRIC Interpretation DI/2012/1