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Dear Mr Ong

## **EXPOSURE DRAFT D1/2012/1 LEVIES CHARGED BY PUBLIC AUTHORITIES ON ENTITIES THAT OPERATE IN A SPECIFIC MARKET**

CPA Australia welcomes the opportunity to comment on the Exposure Draft D1/2012/1: Levies Charged by Public Authorities on Entities that Operate in a Specific Market (ED). CPA Australia is one of the world's largest accounting bodies and represents the diverse interests of more than 139,000 members in finance, accounting and business in 114 countries throughout the world. Our vision is for CPA Australia to be the global professional accountancy designation for strategic business leaders. We make this submission on behalf of our members and in the broader public interest.

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* sets out the requirements for determining when a provision is required for a contractual or constructive obligation. We believe these requirements adequately address the recognition of a provision for levies charged by Public Authorities. However, we recognise the need for specific guidance from the IFRS Interpretations Committee where there is inconsistent application of an IFRS requirement globally across jurisdictions, and accordingly support the main proposals in this ED. We set out our comments below, restricted to the accounting issues raised in Question 1 (Scope) and Question 2 (Consensus).

### **Q1 – Scope**

We note from the Basis of Conclusions paragraph BC7 that the Interpretations Committee did not address the accounting for levies that are due to a minimum revenue threshold being achieved, because the Interpretations Committee did not reach a consensus about whether the obligating event arises after the minimum revenue threshold is passed; or as the entity makes progress towards the revenue threshold. Paragraph 4(b) of the ED reflects this decision by excluding from the scope levies that are due **only** if a minimum revenue threshold is achieved. We have provided below two examples where, based on our reading of paragraphs 4 and 5, the proposed requirements of the ED would apply but the issue raised in paragraph BC7 about when the obligating event arises remains unclarified;

- The obligating event that gives rise to levies is dependent on multiple criteria that not only has the characteristics set out in paragraph 5 of the ED, but is also based on one which is achievement of a minimum revenue threshold.
- Whilst the ED scopes out levies arising when minimum revenue thresholds are met, it is possible that the obligating event that gives rise to levies is based on minimum thresholds based on other criteria. For example, levies could arise when a minimum threshold of costs are incurred, or a minimum threshold of production is achieved. Unlike the revenue

threshold, these other activity thresholds are within the scope of the ED. The reason for this difference in approach is not clear to us.  
We suggest the IFRS Interpretations Committee address these issues.

## **Q2 - Consensus**

According to paragraph 11 only liabilities that give rise to an expense are within the scope of this ED. We contemplate that there are some circumstances where the obligation to pay levies can give rise to an asset rather than an expense. It is not clear as to why levies that give rise to assets are excluded from the scope and we suggest that the scope in the final interpretation includes liabilities that not only give rise to an expense but also liabilities that give rise to an asset.

For the reasons stated above, we consider that the scope within this interpretation tends to be narrow and therefore recommend the Interpretations Committee include the additional considerations in finalising the Interpretation. If you require further information on any of our views, please contact Dr Mark Shying, CPA Australia by email at [mark.shying@cpaaustralia.com.au](mailto:mark.shying@cpaaustralia.com.au) or Deborah Leung, CPA Australia at [deborah.leung@cpaaustralia.com.au](mailto:deborah.leung@cpaaustralia.com.au).

Yours sincerely



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