From: Steve Ong [mailto:SteveOng@HKEX.COM.HK]
Sent: Monday, July 09, 2012 7:05 PM
To: Chris Joy; Winnie Chan
Cc: ComMem-DICKENS Mark; Elce Lee
Subject: IFRIC - Proposed Draft Interpretation on Levies Charged by Public Authorities on Entities that Operate in a Specific Market

Dear Chris and Winnie,

IFRIC - Proposed Draft Interpretation on Levies Charged by Public Authorities on Entities that Operate in a Specific Market – Invitation to Comment

Thank you for the HKICPA letter dated 21 June 2012 on the subject matter to our Mr. Mark Dickens, Head of Listing, which has been passed to me for my attention as the HKEx representative member on the HKICPA Financial Reporting Standards Committee.

I have the following comments on the proposed IFRIC Draft Interpretation:

1) It is my understanding that levies have become more common in recent years with public authorities in a number of jurisdictions introducing levies to raise additional income. The key question for those who have to pay the levy is when to recognize a liability. The IFRS Interpretations Committee was asked to consider how an entity would account for the payment of levies, other than income taxes, in its financial statements, specifically, when the liability to pay a levy should be recognized.

2) The IFRS Interpretations Committee noted that there is diversity in practice in how entities account for the obligation to pay levies in a number of situations and the issue is widespread.

3) The IFRS Interpretations Committee confirms that an entity recognizes a liability for a levy when and only when the triggering event specified in the relevant legislations occurs. An entity does not recognize a liability at an earlier date, even if it has no realistic opportunity to avoid the triggering event.

4) In general, I agree with the consensus view of the IFRS Interpretations Committee which is consistent with the principles in the IASB Conceptual Framework and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.* Furthermore, I am also agreeable to the proposed transition requirements. However, it is my understanding that the detailed rules-based scope exemptions in the proposed IFRIC Draft Interpretation risk creating artificial bright-line distinctions between levies that might be quite similar. For example, a levy payable on revenue in excess of a de minimis level would appear to be scoped out whereas levies that rely on a minimum threshold other than revenue are in the scope.. There does not appear to be a conceptual reason why the rationale set out in the Draft Interpretation would not apply to levies due only if a minimum revenue threshold is achieved. Accordingly, I would recommend that the scope of the Draft Interpretation should be further clarified to draw out a key principle to facilitate better understanding rather than creating complexity with a set of detailed rules which may result in other unintended diversity in practice.

I hope my above comments are useful. Should you require any further clarification, please let me know.

Thanks.

Kind regards,
Steve

Steve Ong, FCA, FCPA
Vice President, Head of Accounting Affairs (Listing)
HKEx