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來函編號 Your Ref.:

30 July 2012

Ms Selene Ho,
Associate Director, Standard Setting,
Hong Kong Institute of Certified Public Accountants,
37th Floor, Wu Chung House,
213 Queen's Road East,
Wanchai, Hong Kong
(Fax: 2865 6776)

Dear Ms Ho,

**Invitation to comment on
IFRS Interpretations Committee Exposure Draft
of Levies Charged by Public Authorities on Entities
that Operate in a Specific Market**

Thank you for your letter of 21 June 2012 inviting the Audit Commission to comment on the captioned subject.

We generally support the proposals mentioned in the Exposure Draft. Specifically, we have the following comments:

- (a) the accounting for levies should be recognised in accordance with the definition of liabilities provided in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, and the guidance provided in the draft Interpretation. We agree that the liability to pay a levy falls outside the scope of IAS 12 *Income Taxes* because the levy charged is not based on taxable profit;
- (b) we agree with the consensus proposed in the draft Interpretation. Specifically, we agree that:
 - (i) the 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 legislation;
 - (ii) the liability to pay a levy that is within the scope of the draft Interpretation gives rise to an expense; and

- (iii) the levy expense should not be anticipated if there is no present obligation to pay the levy at the end of the interim reporting period or deferred if a present obligation to pay the levy exists at the end of the interim period; and
- (c) we agree with the proposed transition arrangements. Changes in accounting policies resulting from the initial application of the draft Interpretation should be accounted for retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Yours sincerely,



(W O TEO)
for Director of Audit