



HK(IFRIC) Int 21 – Levies

HKICPA Standard Setting Department Staff Summary (August 2013)

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The HKICPA Standard Setting Department welcomes your comments and feedback, which should be sent to commentletters@hkicpa.org.hk.

Introduction

1. HK(IFRIC) – Int 21 *Levies* is an interpretation of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). HK(IFRIC) – Int 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
2. The Interpretation is effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

Reasons for issuing HK(IFRIC) – Int 21

3. The objective of the Hong Kong Institute of Certified Public Accountants (HKICPA) in issuing HK(IFRIC) – Int 21 is to maintain international convergence arising from the issuance of IFRIC 21 by the International Accounting Standards Board (IASB).
4. HK(IFRIC) – Int 21 provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. The question relates to when to recognise a liability to pay a levy that is accounted for in accordance with HKAS 37.

Main features of the Interpretation

5. 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 the legislation.
6. The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (ie if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).
7. If an obligation to pay a levy is triggered when a minimum threshold is reached, the obligating event is the reaching of a minimum activity threshold (such as a minimum amount of revenue or sales generated or outputs produced), the corresponding liability is recognised when that minimum activity threshold is reached.



Other references on IFRIC 21

1. Deloitte IAS Plus news
<http://www.iasplus.com/en/news/2013/05/levies>
2. Ernst & Young 'IFRS Developments'
[http://www.ey.com/Publication/vwLUAssets/IFRS_Developments,_Issue_59:_IASB_issues_IFRIC_Interpretation_21_Levies/\\$File/Devel59_Levies_May2013.pdf](http://www.ey.com/Publication/vwLUAssets/IFRS_Developments,_Issue_59:_IASB_issues_IFRIC_Interpretation_21_Levies/$File/Devel59_Levies_May2013.pdf)
3. KPMG 'In the headlines'
<http://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Newsletters/In-the-headlines/Documents/In-the-headlines-O-201305-09.pdf>
4. PricewaterhouseCoopers – HKFRS news
http://www.pwchk.com/webmedia/doc/635052540912832647_hkfrs_news_may2013.pdf