



# Technical Accounting Alert

## IASB issues new interpretation on levies

### Introduction

The International Accounting Standards Board (IASB) has published *IFRIC Interpretation 21: Levies* (IFRIC 21). It addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. A number of such levies were raised following the global financial crisis, particularly on banks. As these levies were not based on taxable profits, they fell outside the scope of IAS 12 *Income Taxes*.

The Australian Accounting Standards Board (AASB) is yet to issue this interpretation in Australia.

### IFRIC 21

IFRIC 21 is an interpretation of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. It addresses the accounting for a liability to pay a levy that is within the scope of that Standard, in particular when an entity should recognise a liability to pay a levy. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain.

Under IFRIC 21, 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. For example, if the activity that triggers the payment of the levy is the generation of revenue in the current period and the calculation of that levy is based on the revenue that was generated in a previous period, the obligating event for that levy is the generation of revenue in the current period. Where the activity that triggers the payment of the levy occurs over a period of time, the liability to pay a levy is recognised progressively. For example, if the obligating event is the generation of revenue over a period of time, the corresponding liability is recognised as the entity generates that revenue.

IFRIC 21 also clarifies that an entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.

### Effective date and transition

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. It is to be applied retrospectively.

### Action required

Entities should consider whether this interpretation will have any impact on their financial statements for annual periods beginning on or after 1 January 2014.

All TA alerts can be found on GTAssist ([http://gtassist.au.gt.local/?page\\_id=4215](http://gtassist.au.gt.local/?page_id=4215)) under Professional Services/Audit & Assurance/Alerts & News/Technical Accounting (TA) Alerts for Grant Thornton staff only and the Grant Thornton website ([www.grantthornton.com.au](http://www.grantthornton.com.au)) under Publications & News/Tools and resources/Technical publications/Local technical and financial reporting alerts. This alert is not a comprehensive analysis of the subject matter covered and is not intended to provide accounting or auditing advice. All relevant facts and circumstances, including the pertinent authoritative literature, need to be considered to arrive at accounting and audit decisions that comply with matters addressed in this alert. Grant Thornton is a trademark owned by Grant Thornton International Ltd (UK) and used under licence by independent firms and entities throughout the world. Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

Liability limited by a scheme approved under Professional Standards Legislation.

**Further information**

For further information on any of the information included in this TA alert, please contact your local Grant Thornton Australia contact or a member of the National Audit Support team at [NAS@grantthornton.com.au](mailto:NAS@grantthornton.com.au).