

# IFRS AT A GLANCE

## IFRIC 21 *Levies*





# IFRIC 21 Levies

Effective Date  
Periods beginning on or after 1 January 2014

ISSUES	SCOPE
<p>IFRIC 21 addresses the following issues:</p> <ul style="list-style-type: none"> <li>• What is the <i>obligating event</i> that gives rise to the recognition of a liability to pay a levy?</li> <li>• Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?</li> <li>• Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?</li> <li>• Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?</li> <li>• What is the <i>obligating event</i> that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?</li> <li>• Are the principles for recognising in the annual financial statements and in the interim financial report a liability to pay a levy the same?</li> </ul>	<p>The interpretation applies to liability to pay a levy:</p> <ul style="list-style-type: none"> <li>• If that liability is within the scope of IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>, or</li> <li>• Whose timing and amount is certain.</li> </ul>
	DEFINITIONS
	<p><b>Levy:</b> a levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:</p> <ol style="list-style-type: none"> <li>a) Those outflows of resources that are within the scope of other Standards (e.g. income taxes within the scope of IAS 12 <i>Income Taxes</i>); and</li> <li>b) Fines or other penalties that are imposed for breaches of the legislation.</li> </ol> <p><b>Government:</b> refers to government, government agencies and similar bodies whether local, national or international.</p>

## CONSENSUS

OBLIGATING EVENT
<p>The <i>obligating event</i> 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.</p> <p>E.g. 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:</p> <ul style="list-style-type: none"> <li>• The obligating event for that levy is the generation of revenue in the <b>current period</b> (even though the generation of revenue in the previous period is necessary to calculate the levy, it does not create the present obligation in the current period).</li> </ul> <p>The following factors do <b>not</b> create (or imply) an <i>obligating event</i>:</p> <ul style="list-style-type: none"> <li>• Preparation of the financial statements under the going concern principle</li> <li>• Economic compulsion of the entity.</li> </ul>

RECOGNITION	LEVY WITH A MINIMUM THRESHOLD	INTERIM FINANCIAL STATEMENTS
The recognition of a levy liability occurs progressively so long as the obligating event itself occurs over a period of time.	If the levy is subject to a minimum threshold, recognition of a levy liability occurs only at the point the minimum threshold is breached, and not before.	The interpretation applies equally to interim financial statements.

ILLUSTRATIVE EXAMPLES	
<p><b>i. Where a levy is triggered progressively as the entity generates revenue</b></p> <p>The levy is recognised progressively from the point at which the entity first begins to generate revenue (i.e. as the generation of revenue is the obligating event).</p>	<p><b>ii. A levy is triggered in full as soon as the entity generates revenue</b></p> <p>The levy is recognised in full as soon as the entity generates revenue (i.e. as the generation of revenue is the obligating event).</p>
<p><b>iii. A levy is triggered in full if the entity operates as a bank [or other specified activity] at a specified date</b></p> <p>The levy is only ever recognised on the specified date, and is only ever recognised in full, subject to the entity operating in the specified activity (the obligating event is operating in a specified activity at a specified date).</p>	<p><b>iv. A levy is triggered if the entity generates revenue above a minimum amount of revenue</b></p> <p>The levy is only recognised once the minimum threshold has been reached (the obligating event is breaching the minimum threshold).</p>

For further information about how BDO can assist you and your organisation, please get in touch with one of our key contacts listed below. Alternatively, please visit <http://www.bdointernational.com/Services/Audit/Pages/default.aspx> where you can find full lists of regional and country contacts.

#### Europe

Caroline Allouët	France	caroline.allouet@bdo.fr
Jens Freiberg	Germany	jens.freiberg@bdo.de
Teresa Morahan	Ireland	tmorahan@bdo.ie
Ehud Greenberg	Israel	ehudg@bdo.co.il
Ruud Vergoossen	Netherlands	ruud.vergoossen@bdo.nl
Reidar Jensen	Norway	reidar.jensen@bdo.no
María Sukonkina	Russia	m.sukonkina@bdo.ru
René Krügel	Switzerland	rene.kruegel@bdo.ch
Brian Creighton	United Kingdom	brian.creighton@bdo.co.uk

#### Asia Pacific

Wayne Basford	Australia	wayne.basford@bdo.com.au
Zheng Xian Hong	China	zheng.xianhong@bdo.com.cn
Fanny Hsiang	Hong Kong	fannyhsiang@bdo.com.hk
Khoon Yeow Tan	Malaysia	tanky@bdo.my

#### Latin America

Marcelo Canetti	Argentina	mcanetti@bdoargentina.com
Luis Pierrend	Peru	lpierrend@bdo.com.pe
Ernesto Bartesaghi	Uruguay	ebartesaghi@bdo.com.uy

#### North America & Caribbean

Armand Capisciolto	Canada	acapisciolto@bdo.ca
Wendy Hambleton	USA	whambleton@bdo.com

#### Middle East

Arshad Gadit	Bahrain	arshad.gadit@bdo.bh
Antoine Gholam	Lebanon	agholam@bdo-lb.com

#### Sub Saharan Africa

Nigel Griffith	South Africa	ngriffith@bdo.co.za
----------------	--------------	---------------------

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact your respective BDO member firm to discuss these matters in the context of your particular circumstances. Neither BDO IFR Advisory Limited, Brussels Worldwide Services BVBA, BDO International Limited and/or BDO member firms, nor their respective partners, employees and/or agents accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

Service provision within the international BDO network of independent member firms ('the BDO network') in connection with IFRS (comprising International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the IFRS Interpretations Committee and the former Standing Interpretations Committee), and other documents, as issued by the International Accounting Standards Board, is provided by BDO IFR Advisory Limited, a UK registered company limited by guarantee. Service provision within the BDO network is coordinated by Brussels Worldwide Services BVBA, a limited liability company incorporated in Belgium with its statutory seat in Brussels.

Each of BDO International Limited (the governing entity of the BDO network), Brussels Worldwide Services BVBA, BDO IFR Advisory Limited and the member firms is a separate legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BVBA, BDO IFR Advisory Limited and/or the member firms of the BDO network.

BDO is the brand name for the BDO network and for each of the BDO member firms.

© 2015 BDO IFR Advisory Limited, a UK registered company limited by guarantee. All rights reserved.

[www.bdointernational.com](http://www.bdointernational.com)