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Date: Amsterdam, December 22nd 2014

Re: Comment on SDS 3 Levies: What would have to be changed in IFRS for a different accounting outcome?

Dear members of the EFRAG Technical Expert Group,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to respond on your short discussion paper dated August 1, 2014 on 'Levies: What would have to be changed in IFRS for a different accounting outcome?'

We are not in favour of making changes to IAS 37 without further research on how the proposed change would affect provisions and liabilities other than levies. In fact, it might be worthwhile to research the necessity of a new IFRS standard on levies, given the unique characteristics of levies.

Our answers to the specific questions in your draft comment letter, are described below.

Q1 Do you have concerns that the application of IFRIC 21 and other relevant Standards may sometimes result in inappropriate outcomes (such as charging immediately to profit or loss the cost of a levy that should be instead recognised over a period)? (see paragraph 3)

We share the concerns expressed by constituents. We recognize the examples and related concerns expressed in this discussion paper. In general, we believe that inclusion of the term 'no realistic alternative' in IAS 37 might have an effect on other provisions, and might increase the magnitude of provisions. For example, a company might reason that it has no realistic alternative but to continue its service for the next 10 years and provide for the levy for these 10 years. We would like to suggest that the IASB considers to develop a new standard on levies. We consider the nature of levies comparable to the nature of income taxes. Therefore we suggest to look also at the recognition and measurement provisions of IAS 12 Income Tax.

Q2 Based on the existing applicable Standards, do you think that entities will be able in practice to identify assets or services received in exchange for levies? (see paragraphs 58-64)

We believe that it is possible to identify an asset or service in practice, but, it might be difficult for that asset to meet the recognition criteria. The current definition of an asset requires that the entity has control over the asset. It will be difficult to argue that an entity controls the activities performed by the government in relation to the levy. Furthermore, as indicated in the paper, we agree with EFRAG that it might be difficult to identify the future economic benefits related to the levy.

Q3 Is the proposed guidance in paragraph 62 helpful in this respect? And, should the guidance also include criteria to distinguish if an entity has received an asset rather than a service (or vice versa)? (see paragraph 64)

The guidance proposed in paragraph 62 is helpful. We understand the guidance provided. However, we believe that even if the characteristic in paragraph 62a is met, this does not necessarily mean that the definition of an asset is met. We would suggest that the research project takes into account the definition of an asset as well.

Q4 For those levies where the law indicates a point-in-time obligation, do you agree that there may be other elements in the law to designate the obligating event? If so, do you agree with the elements described in paragraphs 65 to 68?

This depends on the requirements of each specific law for the levy. We would like to point out that there are additional elements to be considered in addition to paragraphs 65-68.

Q5 In which cases, if any, can a levy measured on a balance sheet figure be linked to an activity performed over time? (see paragraphs 56 and 74)

Based on the specific requirements of a levy it is possible that the levy is recognized over the year. When this levy is measured based on a balance sheet figure at the end of the year we agree that it will be difficult to measure the levy during the year. We believe that it might be possible in situations where an entity has no realistic alternative but to continue its business, as described in paragraphs 56 and 74, to base the levy on a balance sheet figure at the end of the year.

Q6 Do you agree with the inclusion of a specific requirement in IAS 34 as a short term solution? (see paragraph 76)

Inclusion of a specific requirement in IAS 34 would provide a short term solution. This would also require adjustment of IFRIC 21. DASB is not in favor of short-term solutions. We believe that the principles of IAS 12 Income Tax might provide a better reference.

Q7 Do you agree that the IASB should add to its agenda a Research project to deal with transactions with Government authorities in their capacity as authorities? (see paragraphs 82-83)

We do agree that this could be useful. However, as indicated with question 2, we would suggest that this Research project also takes into account the accounting treatment of prepaid levies, including the definition of an asset when recognizing an asset or service in relation to a levy.

Q8 Do you think that other different alternatives could be explored in the paper in order to reach a different outcome when accounting for levies?

A better alternative could be creation of a separate accounting standard which addresses specifically the accounting for levies.

Yours sincerely,

A handwritten signature in black ink, consisting of a vertical line on the left, a loop at the bottom left, and a long horizontal stroke extending to the right with a small upward tick at the end.

Hans de Munnik
Chairman Dutch Accounting Standards Board