MASB MALAYSIAN ACCOUNTING STANDARDS BOARD
LEMBAGA PIAWAIAN PERAKAUNAN MALAYSIA

10 September 2012

Mr Wayne Upton
Chairman
IFRS Interpretations Committee
30 Cannon Street
London, EC4M 6XH
United Kingdom

Dear Sir,

DRAFT IFRIC INTERPRETATION DI/2012/1: LEVIES CHARGED BY PUBLIC AUTHORITIES ON ENTITIES THAT OPERATE IN A SPECIFIC MARKET

The Malaysian Accounting Standards Board welcomes the opportunity to provide comments on the Draft IFRIC Interpretation DI/2012/1: Levies Charged by Public Authorities on Entities that Operate in a Specific Market.

We support the proposals in the draft Interpretation. However, we are of the view that the draft Interpretation should also address the accounting for levies due only if a minimum revenue threshold is achieved. Otherwise the diversity in practice will continue to exist if no appropriate guidance is provided.

Our detailed comments are attached in the Appendix to the letter for your consideration.

If you need further clarification, please contact Ms. Tan Bee Leng at +603 2240 9200 or by email at beeleng@masb.org.my .

Thank you.

Yours sincerely,

MOHAMMAD FAIZ AZMI
Chairman

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APPENDIX

Question 1 — Scope

The draft Interpretation addresses the accounting for levies that are recognised in accordance with the definition of a liability provided in the IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Levies that are within the scope of the draft Interpretation are described in paragraphs 3-5.

Do you agree with the scope proposed in the draft Interpretation? If not, what do you propose and why?

We believe the scope of the draft Interpretation should be widened to address the accounting for levies that are due only if a minimum revenue threshold is achieved. Without appropriate guidance, diversity will continue to arise, which is the reason why the Committee took up this issue.

We believe the consensus in the Draft Interpretation DI/2012/1 could be applied in the situation where levies are due only if a minimum revenue threshold is achieved. In this situation, we believe that the generation of revenue before the threshold is met is necessary but is not sufficient to create the present obligation. In other words, the entity does not have a present obligation before the threshold is met because the obligation is still dependant on the entity's future conduct of its business, i.e. the entity could decide to stop business and not pay the levy. The activity that is sufficient to create the present obligation is the activity performed after the threshold is met, in the case where the legislation identifies the specific threshold as the activity that triggers the payment of the levy.

In addition, the term 'levy' should be clearly defined in the draft Interpretation to ensure consistency in its application as some jurisdictions may define or understand the term differently. Although paragraph 5 of the draft Interpretation provides the characteristics of levies, we believe it may not be sufficiently clear to some jurisdictions when it comes to application.

Question 2 — Consensus

The consensus in the draft Interpretation (paragraphs 7-12) provides guidance on the recognition of a liability to pay a levy.

Do you agree with the consensus proposed in the draft Interpretation? If not, why and what alternative do you propose?

We agree with the proposal as it addresses the diversity in practice in accounting for the obligation to pay a levy by entities that operate in a specified market as identified by the legislation. The consensus is also consistent with the principles contained within the Conceptual Framework for Financial Reporting *and IAS 37* Provisions, Contingent Liabilities and Contingent Assets.

However, we noted that there are inconsistent liability recognition principles between the Conceptual Framework *and IFRSs. Therefore, we recommend the IASB to consider expediting its* Conceptual Framework *project to address the inconsistencies in liability recognition principles in the various IFRSs.*

APPENDIX

Question 3 — Transition

***Entities would be required to apply the draft Interpretation retrospectively in accordance with IAS 8* Accounting Policies, Changes in Accounting Estimates and Errors.**

Do you agree with the proposed transition requirements? If not, what do you propose and why?

We agree with the proposal.