

17 December 2014

EFRAG  
35 Square de Meeûs  
B-1000 Brussels  
Belgium

Dear Sir/Madam

**EFRAG Short Discussion Series  
LEVIES: WHAT WOULD HAVE TO BE CHANGED IN IFRS FOR A DIFFERENT ACCOUNTING  
OUTCOME?**

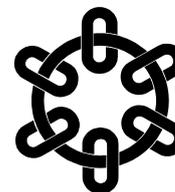
Norsk RegnskapsStiftelse (the Norwegian Accounting Standards Board) welcomes the opportunity to submit its views on EFRAG's Short Discussion Series paper on Levies "What would have to be changed in IFRS for a different accounting outcome?" (hereinafter referred to as the DP)

We welcome EFRAG's initiative to discuss aspects of IFRIC 21 in this manner. We believe the DP will be helpful in order to focus on whether further clarification is needed in order to avoid inconsistent application of the interpretation and undesirable accounting outcomes.

Our comments to the detailed questions are laid out in the appendix to this letter. Please do not hesitate to contact us if you would like to discuss any specific issues addressed in our response, or related issues, further.

Yours faithfully,

Erlend Kvaal  
Chairman of the Technical Committee on IFRS of Norsk RegnskapsStiftelse



## Appendix

### Questions to constituents

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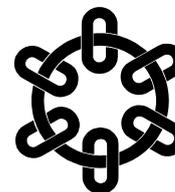
- Q1 Do you have concerns that the application of IFRIC 21 and other relevant Standards may sometimes result in inappropriate outcomes (such as charging immediately to profit or loss the cost of a levy that should be instead recognised over a period)? (see paragraph 3)*

We do have some concerns that the application of IFRIC 21 may sometimes result in inappropriate outcomes. Immediate charging of e.g. licence to operate costs that cover a period would distort earnings in interim (and potentially annual) reporting periods, and require unnecessary note disclosures and adjustments to be made by users of financial statements. However, we do not believe this should warrant a full revision of the principles of IAS 37 by itself.

In our view, the key aspect of the assessment under IFRIC 21 is whether the debit entry is in the income statement or in the balance sheet. Hence, in situations where this is unclear we believe that the focus should be on whether further clarification is needed with regards to this assessment (i.e. whether the debit entry is an asset or not). Therefore it could be necessary to develop further guidance regarding whether an entity is receiving an asset or a service in exchange for the payment of the levy.

- 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 are not convinced that in most instances it would be relatively straight forward to determine the assets (rights) or services received. As discussed under the answer to the previous question we believe it could be necessary to develop further guidance regarding whether an entity is receiving an asset or a service in exchange for the payment of the levy, especially if it turns out that the application is used inconsistently.



- 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 proposed guidance in paragraph 62 is helpful. Whether the counterpart to the levy constitutes an asset or a service to be received or amortised over a time period of e.g. a year should not make a significant difference in most cases, and further guidance may thus not be necessary.

- 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?*

We agree that there may be other elements in the law to designate the obligating event. We have also observed that in some cases the application and interpretation of laws are subject to court decisions that could provide useful insight into whether the liability to pay a levy should be recognised progressively over time, or not. We find paragraph 67 particularly helpful.

In this context we would also like to draw your attention to BC 18 c) of IFRIC 21, which we believe should be removed.

- 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)*

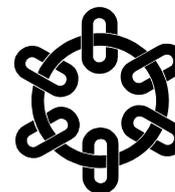
We think the basis for the law or the levy will often lead to the actual levy being linked to an asset (e.g. licence to operate) or service to be received over time even when the measurement is based on asset values at a certain date. The reason for the measurement basis could be that this is considered a good indication of the various entities' involvement and exposure to this particular market or business.

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

The inclusion of an illustrative example dealing with levies in IAS 34 would in our view be helpful.

- 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 not believe the IASB should add such a project to its agenda at present. Further guidance regarding whether an entity is receiving an asset or a service in exchange for the payment of the levy and inclusion of illustrative examples in IAS 34 as discussed in



this DP would be sufficient to overcome the concerns with IFRIC 21. In our view, the accounting for these types of transactions should follow the Conceptual Framework and ordinary IFRSs.

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?

We are not aware of any such alternative.