STAFF PAPER

March 2012

IFRS Interpretations Committee Meeting

Project	**IAS 37 Provisions, Contingent liabilities and Contingent assets**
Paper topic	Supplementary document: IFRIC Interpretation X *Levies charged by public authorities on entities that participate in a specific market*

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Introduction

1. At the January 2012 meeting, the IFRS Interpretations Committee ('the Committee') tentatively decided to develop an interpretation on the accounting for levies charged by public authorities on entities that participate in a specific market. For the March Committee meeting, the staff propose a draft interpretation in Agenda Paper 2 (Appendix A).

2. With respect to levies that are due only if a minimum revenue threshold is achieved, the Committee did not reach a consensus as to whether:

   (a) reaching the threshold is the obligating event and the liability should be recognised only after the threshold is met; or

   (b) generating revenue during the levy period as identified by the legislation is the obligating event and the liability should be recognised progressively as the entity generates revenue in the levy period, if the threshold is expected to be met.

3. The Committee decided to ask the Board whether the Board thinks that:

   (a) the rationale developed in the example on contingent lease payments of IAS 34 *Interim Financial Reporting* only applies to interim financial statements or also applies to annual financial statements;

(b) the characteristics of the levies that would be within the scope of the interpretation are such that they would warrant special treatment.

4. At the February 2012 Board meeting, the staff consulted the Board on these two matters. The Board tentatively concluded that the rationale in the example of IAS 34 on contingent lease payments applies both in the interim and the annual financial statements. As a result, the Board expressed support for recognising in the annual financial statements levies subject to a revenue threshold progressively as the entity makes progress towards the revenue threshold provided it is probable that the threshold will be met. The Board also tentatively confirmed that levies that are not based on taxable profits should be accounted for in accordance with IAS 37, and not IAS 12 Income taxes.

5. In our view, the main consequence of the Board's decisions is that the Committee might apply the rationale in the example on contingent lease payments by analogy to levies. In that case, if the Committee reaches a consensus on this issue, we think that the draft interpretation presented in Agenda Paper 2 should be revised as proposed in Appendix A below. The Basis for Conclusions on the accounting for a levy subject to a revenue threshold is presented in paragraphs 27-34. Example 4 is added in the Illustrative Examples.

6. Following the Board's decision, we suggest using the word 'activity' (and not the word 'event') when defining the obligating event that gives rise to a liability to pay a levy. As a result, the obligating event is the activity that triggers the payment of the levy.

Questions for the Committee

1. Does the Board agree to apply the rationale in the example of IAS 34 on contingent lease payments by analogy to the accounting for levies both in the interim and annual financial statements? In other words, does the Board agree that the liability to pay a levy subject to a revenue threshold as illustrated in Example 4 of the revised draft interpretation is recognised progressively as the entity generates revenues?

2. Assuming that the Committee can reach a consensus on the accounting for levies subject to a revenue threshold, does the Committee agree with the revised draft interpretation proposed in Appendix A?

Appendix A: Proposed draft interpretation X *Levies charged by public authorities on entities that participate in a specific market*

New text is underlined and text deleted is struck through.

Background

1. Levies are taxes established to provide revenue to a public authority. Levies may take various forms but they share the following characteristics:

    (a) they are resources transferred to public authorities in accordance with the legislation (ie laws and/or regulations);

    (b) they are non-exchange transactions, ie the entity that pays the levy transfers resources to the public authority, without receiving any specific good or service directly in exchange;

    (c) they are due when a specific event identified by the legislation occurs;

    (d) the event that triggers the payment of the levy as identified by the legislation might occur on a specified date or might occur over a specified period;

    (e) they are generally recurring taxes;

    (f) they might be payable in instalments; and

    (g) the calculation basis of the levy is based upon data for the current or a previous reporting period such as the gross amount of sales/revenues, assets or liabilities.

Scope

2. The [draft] interpretation addresses the accounting for levies charged by public authorities on entities that participate in a specific market (other than income taxes that are within the scope of IAS 12 *Income taxes*) in both the annual and interim financial statements of the entity that pays the levy.
3. Specifically, the [draft] interpretation clarifies when the liability to pay a levy should be recognised in accordance with the definition of a liability provided in

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. This [draft] interpretation does not address the accounting for contracts between a private entity and a public authority.

Issues

4. In order to clarify when the liability to pay a levy should be recognised, this [draft] interpretation addresses the following issues:

   (a) Does economic compulsion to continue operating in a future period create a constructive obligation to pay a levy that will arise from operating in a future period?

   (b) Does the going concern principle imply that the entity has a present obligation to continue operating in the future?

   (c) What is the obligating event that gives rise to a liability to pay a levy?

   (d) 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?

   (e) <u>What is the obligating event that gives rise to a liability to pay a levy subject to a revenue threshold?</u>

   (f) Does the recognition of the liability to pay a levy give rise to an expense or an asset?

   (g) Do the same principles apply in both the annual and interim financial statements?

Consensus

5. An entity does not have a constructive obligation to pay a levy that will arise from operating in a future period as a result of being economically compelled to continue operating in that future period.

6. The preparation of financial statements on the going concern principle does not imply that an entity has a present obligation to continue operating in the future and therefore does not lead to the recognition of a liability at a reporting date for levies that will arise from operating in the future.

7. The obligating event that gives rise to a liability to pay a levy is the ~~event~~ activity that triggers the payment of the levy as identified by the legislation. For example, if a levy is due only if the entity ~~undertakes discrete activities~~ generates revenues both in the previous and in the current period, the obligating event for that levy is the ~~activity undertaken~~ generation of revenues in the current period.
8. The liability to pay a levy is recognised progressively if the ~~event that triggers the payment of the levy as identified by the legislation~~ obligating event occurs over a period of time. For example, a liability to pay a levy is recognised progressively if the ~~event that triggers the payment of the levy as identified by the legislation~~ obligating event is the generation of revenues in the current period over a period of time. In such situations, a liability arises even if the levy will be payable only if revenues exceed a specified threshold, because the obligating event is still the generation of revenues in the current period over a period of time. The existence of a revenue threshold is taken into account when assessing whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. As a result, the liability is recognised progressively as the entity generates revenue if it is probable that the threshold will be met.
9. The liability to pay a levy gives rise to an expense, unless the entity paying the levy receives an asset directly in exchange for the payment of the levy.
10. In accordance with IAS 34 *Interim Financial Reporting*, the same recognition principles shall be applied in the interim financial statements as are applied in the annual financial statements.

Effective date and transition

11. An entity shall apply this [draft] interpretation for annual periods beginning on or after xxxx. Earlier application is permitted. If an entity applies this [draft] interpretation for a period beginning before xxxx, it shall disclose that fact.
12. An entity shall apply a change in accounting policy in accordance with IAS 8 from the beginning of the earliest comparative period presented.

Illustrative examples

13. These examples accompany, but are not part of, [draft] IFRIC XX. The objective of these examples is to illustrate when the liability to pay a levy should be recognised in the annual and in the interim financial statements.

Example 1:

Entity A ~~is a calendar year-end entity~~ has an annual reporting period that ends on 31 December. An annual levy is due if Entity A generates revenues in a specific market in 20X1 and the amount of the levy is determined by reference to revenues generated by Entity A in the market in 20X1. In this example, the liability is recognised progressively during 20X1 as the entity generates revenues because the obligating event as identified by the legislation is the generation of revenues progressively during 20X1. At any point in time in 20X1, Entity A has a present obligation to pay a levy on revenues generated to date. Entity A has no present obligation to pay a levy that will arise from generating revenues in the future. In other words, the obligating event occurs progressively during 20X1 because the ~~event~~ activity that triggers the payment of the levy as identified by the legislation occurs progressively during 20X1.In the interim financial report (at 30 June 20X1), Entity A has an obligation to pay the levy on revenues generated from 1 January 20X1 to 30 June 20X1. As a result, an expense is recognised in both the first and second half-year based on revenues generated in the respective half-year periods.

Example 2:

Entity B ~~is a calendar year-end entity~~ has an annual reporting period that ends on 31 December. An annual levy is due as soon as Entity B generates revenues in a specific market in 20X1 and the amount of the levy is determined by reference to revenues generated by Entity B in the market in 20X0. Entity B generated revenues in the market in 20X0. Entity B starts to generate revenues in the market in 20X1 on 3 January 20X1.

In this example, the liability is recognised at a point in time on 3 January 20X1 because the obligating event as identified by the legislation is the first generation of revenues in 20X1. The generation of revenues in 20X0 is a necessary event but is not sufficient to create a present obligation to pay a levy. Before 3 January 20X1, Entity B has no obligation. In other words, ~~the obligating event is~~ the ~~event~~ activity that triggers the payment of the levy as identified by the legislation~~, ie~~ is the generation of revenues at a point in time in 20X1. The generation of revenues in 20X0 is not the activity that triggers the payment of the levy. The amount of revenues generated in 20X0 only affects the measurement of the liability.

As a result, the full liability is recognised on 3 January 20X1 because at that date the amount of the levy is independent of future revenues and is based on revenues generated in 20X0. Because the liability is recognised in full on 3 January 20X1, the expense is recognised in full in the first half-year, ie there is no expense accounted for in the second half-year.

Example 3:

Entity C ~~is a calendar year-end entity~~ has an annual reporting period that ends on 31 December. An annual levy is due if Entity C is a bank at the end of the annual reporting period in a specific market. The amount of the levy is determined by reference to amounts in the balance sheet of Entity C at the end of the annual reporting period. If Entity C changes the end of its annual reporting period and presents financial statements for a period longer or shorter than a year, the amount of the levy is adjusted pro rata in order to reflect the length of the period relative to a 12 month annual period. The end of the annual reporting period of Entity C is 31 December 20X1.

In this example, the liability is recognised at a point in time on 31 December 20X1 because the obligating event as identified by the legislation is to be a bank at the end of the annual reporting period. Before the end of the annual reporting period, Entity C has no present obligation to pay a levy, even if it is economically compelled to continue operating in the future and to be a bank at the end of the annual reporting period. In other words, t~~he obligating event is the event~~ the activity that triggers the payment of the levy as identified by the legislation~~, ie~~ is to be a bank at the end of the annual reporting period, which does not occur until 31 December 20X1.The fact that the amount of the liability is based on the length of the reporting period does not imply that the liability should be recognised progressively, because the obligating event is to be a bank at the end of the annual reporting period (irrespective of whether the reporting period is shorter or longer than one year).

Because the liability is recognised in full on 31 December 20X1, the expense is recognised in full in the second half-year, ie there is no expense accounted for in the first half-year.

Example 4:

Entity D has an annual reporting period that ends on 31 December. An annual levy is due if Entity D generates revenues in excess of CU50 million in a specific market during 20X1. The amount of the levy is determined by reference to revenues in excess of CU50 million, ie the levy rate is 0% of revenues below CU50 million and 3% of revenues above CU50 million. Entity D expects its revenues to exceed the threshold in September 20X1.

The obligating event as identified by the legislation is the generation of revenues progressively during 20X1. In other words, the activity that triggers the payment of the levy is the generation of revenues during 20X1 and the existence of a revenue threshold does not change this fact. The existence of a revenue threshold is taken into account when assessing whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, ie whether the obligation should be recognised (in accordance with paragraph 14 (b) of IAS 37). The liability is recognised progressively during 20X1 as the entity generates revenue because it is probable that the revenue threshold will be met.

In the interim financial report (at 30 June 20X1), Entity D has an obligation to pay the levy on revenues generated from 1 January 20X1 to 30 June 20X1. In other words, an expense is recognised in both the first and second half-year based on revenues generated in that half-year using the average levy rate that would be applicable to the expected total annual revenues. At 30 June 20X1, Entity D expects its revenues for the year to be CU75 million (CU40 million for the first half year and CU35 million for the second half year). Therefore, Entity D expects to pay a levy of CU0.75 million (3% applied to CU25 million). Consequently, the expected average levy rate is 1% and Entity D recognises a liability at 30 June 20X1 of CU0.4 million (1% applied to CU40 million).

Basis for Conclusions

Introduction

14. This Basis for Conclusions summarises the IFRS Interpretations Committee's considerations in reaching its [draft] consensus. The IFRS Interpretations Committee received a request to clarify whether, under certain circumstances, IFRIC 6 *Liabilities arising from participating in a specific market—Waste Electrical and Electronic Equipment* should be applied by analogy to identify the obligating event that gives rise to a liability for other levies charged by public authorities on entities that participate in a specific market. The question relates to when the liability to pay a levy should be recognised and to the definition of a present obligation in IAS 37.

15. More specifically, the concerns expressed in the request are about the accounting treatment applicable to levies for which the calculation is based upon financial data related to a period that precedes the period in which the event that triggers the payment of the levy occurs. For example, the event that triggers the payment of the levy as identified by the legislation occurs in 20X1 and the calculation of the levy is based upon financial data for 20X0 (see Illustrative Example 2 above).

16. The Committee was informed that there was diversity in practice in how entities account for the obligation to pay a levy.

Does economic compulsion to continue operating in a future period create a constructive obligation to pay a levy that will arise from operating in a future period?

17. Some argue that if it would be necessary for an entity to take some unrealistic action in order to avoid the obligation to pay a levy (ie to withdraw from the market), then a constructive obligation to pay the levy exists and a liability should be accounted for. For example, in the case where the event that triggers the payment of the levy occurs in 20X1 and the calculation of the levy is based upon financial data for 20X0 (as in Illustrative Example 2 above), some argue that a liability should be recognised in 20X0. Supporters of this argument emphasise the definition of a constructive obligation in paragraph 10 of IAS 37 and point out

that an entity might in practice have no realistic alternative other than to continue operating in the market in the next period.

18. The Committee noted that a levy charged by a public authority is incurred as a result of operating in a specified period, ie it is an operating cost of the period in which it is triggered according to the legislation. Paragraphs 18 and 19 of IAS 37 state that no provision is recognised for costs that need to be incurred to operate in the future or when the obligation does not exist independently of the entity's future conduct of the business. The Committee observed that when an entity has an economic compulsion to incur operating costs that relate to the future conduct of the business, it does not create a constructive obligation and does not lead to the recognition of a liability as illustrated in the examples accompanying IAS 37. Specifically, no constructive obligation exists for operating costs that relate to the future conduct of the business even if:

    (a) it is economically unrealistic for the entity to avoid the expenditure if it has the intention of continuing in business;

    (b) it would be necessary for an entity to take unrealistic action to avoid the expenditure, such as to sell or stop operating property, plant and equipment; or

    (c) there is a legal requirement to incur the expenditure if the entity does continue in business.

19. Consequently, the Committee concluded that an entity does not have a constructive obligation at a reporting date to pay a levy that will arise from operating in a future period, even if the entity has an economic compulsion to operate in those future periods and there is a virtual certainty that it will do so. This is because this cost relates to the future conduct of the business.

Does the going concern principle imply that the entity has a present obligation to continue operating in a future period?

20. The Committee noted that this issue is related to, but distinct from, the previous issue regarding the existence of a constructive obligation, because it is a question about the fundamental basis of preparation of financial statements. Some question

whether the going concern principle affects the timing of recognition of the liability to pay a levy.

21. The Committee observed that IAS 1 paragraph 28 sets out general features for the financial statements, including the accrual basis of accounting and the going concern principle. The Committee noted that when an entity prepares financial statements on a going concern basis, it shall also apply the accrual basis of accounting and shall comply with all the recognition and measurement provisions of IFRSs. Consequently, the Committee concluded that the going concern principle cannot lead to the recognition of a liability that does not meet the definitions and recognition criteria set out in IAS 37. Specifically, the Committee concluded that the going concern principle cannot give rise to a constructive obligation for costs that will arise from operating in the future or that relate to the future conduct of the business. Paragraphs 18 and 19 in IAS 37 specify that no provision is recognised in these cases.

What is the obligating event that gives rise to a liability to pay a levy?

22. According to the definition in IAS 37 paragraph 10, an obligating event is an event that creates a legal or constructive obligation that results in an entity having no realistic alternative to settling the obligation. The Committee noted that the main consequence of that definition is that there can be only one single obligating event. The Committee acknowledged that for an obligating event to exist, it may in some circumstances be the case that other events must have occurred previously. For example, ~~Nevertheless,~~ for levies charged by public authorities, the Committee ~~noted~~ observed that, in certain circumstances, the entity paying the levy must have undertaken an activity both in the previous and in the current period in order to trigger the payment of the levy. ~~These~~ The Committee noted that the activity undertaken in the previous period is ~~events are~~ necessary but not sufficient to create a present obligation. Consequently, the Committee concluded that the obligating event that gives rise to a liability to pay a levy is the activity ~~event~~ that triggers the payment of the levy as identified by the legislation. In other words, the liability to pay a levy is recognised when the ~~event~~ activity that triggers the payment of the levy as identified by the legislation occurs. As a result, if a levy is due only if the entity undertakes discrete activities both in 20X0 and in

20X1, the obligating event for that levy is the activity undertaken in 20X1 (see Illustrative Example 2 above).

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?

23. The Committee observed that most of the liabilities in IAS 37 and in the Illustrative Examples accompanying IAS 37 are recognised at a point in time, ie at the date when the obligating event occurs. Nevertheless, they noted that in one example accompanying IAS 37, the liability is recognised progressively over time.

24. In Illustrative Example 3 accompanying IAS 37, an entity operates an offshore oilfield and is required to restore the seabed because of the damage that will be caused by extraction of the oil. According to this example, the restoration costs that arise through the extraction of oil are recognised as a liability when the oil is extracted. The Committee noted that in this example, the damage is directly caused by the extraction of the oil, and that more damage occurs when more oil is extracted. Thus, the outcome is that the liability for damage that is caused over time is recognised progressively over time as the entity extracts oil and causes that damage to the environment.

25. The Committee discussed whether this outcome is linked to a recognition issue or to a measurement issue. The Committee concluded that this is a recognition issue, because the obligating event (ie the damage caused by extraction of the oil) occurs progressively over a period of time. In accordance with IAS 37 paragraph 19, the Committee noted that a present obligation exists to the extent of the damage caused to date to the environment, because the entity has no present obligation to rectify the damage that will result from the extraction of the oil in the future (ie the future conduct of its business).

26. Consequently, the Committee concluded that the liability to pay a levy is recognised progressively if the obligating event (ie the activity that triggers the payment of the levy as identified by the legislation) occurs over a period of time. For example, a liability to pay a levy is recognised progressively if the obligating event ~~that triggers the payment of the levy as identified by the legislation~~ is the

generation of revenues in the current period over a period of time (see Illustrative Example 1 above).

What is the obligating event that gives rise to a liability to pay a levy subject to a revenue threshold?

27. The Committee discussed the accounting for a levy that is due only if a revenue threshold is met during a specific period as identified by the legislation. For example, a levy is due if an entity generates revenues in excess of CU50 million in a specific market during 20X1 and the amount of the levy is determined by reference to revenues in excess of CU50 million generated during 20X1 (see Illustrative Example 4). The question is whether the obligating event is:

    (a) the generation of revenues only after the threshold is passed; or

    (b) the generation of revenues progressively during 20X1 (as the entity makes progress towards the revenue threshold).

28. The Committee noted that a similar situation is addressed in IAS 34 *Interim Financial Reporting*. Paragraph B7 of IAS 34 addresses contingent lease payments that are due only if the lessee achieves a specified level of annual sales. It states that a liability can arise in the interim periods of the financial year, ie before the required level of sales has been achieved, if the required level of sales is expected to be achieved.

29. The Committee concluded that the same principles would apply in both the interim and annual financial statements because paragraph 29 of IAS 34 states that the principles for recognising assets, liabilities, income and expenses for interim periods are the same as in annual financial statements.

30. The Committee also noted the recognition requirements in paragraph 14 of IAS 37. These state that a provision shall be recognised when:

    (a) an entity has a present obligation;

    (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

    (c) a reliable estimate can be made of the amount of the obligation.

31. Taking these factors into consideration, the Committee concluded that:

(a) the obligating event that gives rise to a liability to pay contingent lease payments subject to a sales threshold is the generation of sales during the lease period whether there is a sales threshold or not (ie the generation of sales during the lease period creates the obligation); and

(b) the existence of a sales threshold is taken into account when assessing whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation (ie whether the obligation should be recognised).

32. The Committee noted that a common characteristic of contingent lease payments and levies subject to a sales/revenue threshold is that the achievement of the threshold is a progressive event and not a succession of discrete events. For example, in order to reach a sales threshold of CU50 million, the entity has to generate the first CU 50 million of sales. Although each sale is independent from the next, they are all sales that should be generated in the same lease/levy period (ie the period identified by the contract or by the legislation over which the threshold should be met). The revenue threshold is met because sales are followed by other sales. Individual sales are not independent for the purposes of meeting the threshold, ie the sale that reaches the threshold would not do so unless the previous sales had been made. In other words, each sale made in the lease/levy period is a part achievement to meeting the sales threshold for that lease/levy period and is a past event that gives rise to a present obligation.

33. Similarly, the Committee concluded that the obligating event to pay a levy subject to a revenue threshold as illustrated in Example 4 above is the generation of revenues progressively during the levy period. The existence of the revenue threshold is taken into account when assessing whether the obligation to pay the levy should be recognised (ie whether criteria (b) in paragraph 14 of IAS 37 is met). As a result, in Example 4, the liability to pay the levy is recognised progressively during 20X1 as the entity generates revenue, provided that it is probable that the threshold will be met.

34. The Committee noted that this situation is different from the situation where multiple discrete activities are necessary in order to trigger the payment of a levy. For example, in the case where a levy is paid only if an entity generates revenues

both in 20X0 and in 20X1 (as in Illustrative Example 2 above), the obligating event as identified by the legislation is the first generation of revenues in 20X1 and not the generation of revenues in 20X0. The legislation identifies two discrete events in that case. The generation of revenues in 20X0 is not the activity that triggers the payment of the levy. The amount of revenues generated in 20X0 only affects the measurement of the liability.

Does the recognition of the liability to pay a levy give rise to an expense or an asset?

35. The Committee noted that levies are a subset of taxes and are non-exchange transactions because the entity that pays the levy transfers resources to the public authority, without receiving any specific good or service directly in exchange for the payment of the levy. As a result, in most cases, the entity that pays the levy does not receive an asset in exchange for the payment of the levy. The public authority may provide a variety of public services to the entities that pay the levy, but these services are not directly rendered in exchange for the payment of the levies and the public authority does not have any obligation to render those services in exchange for the payment of the levy.

36. The Committee discussed whether an annual levy may be considered in some circumstances as the cost paid for an annual licence to operate in a specific market. The Committee noted that the payment of a levy is not analogous to a licence because:

(a) it is a tax imposed by a public authority on all the entities that participate in the market;

(b) it is not a transaction approved by the entity that pays the levy, ie it is not a contract agreed between the entity that pays the levy and the public authority; and

(c) it is not associated with any additional rights or any additional economic benefits in comparison with the situation that was prevailing before the levy is put in place.

37. The Committee concluded that a levy cannot be considered as the cost paid for a licence. However, the Committee noted that judgment should be applied to

determine whether the levy is in substance a transaction in which the entity paying the levy receives an asset (including rights to receive future goods or services) directly in exchange for the payment of the levy. As a result, the liability to pay a levy gives rise to an expense, unless the entity paying the levy receives an asset directly in exchange for the payment of the levy.

38. If the entity has pre-paid the levy, ie the entity has paid the levy but it does not have yet a present obligation to pay the levy, then the entity accounts for the payment as a prepayment asset.

Do the same principles apply in both the annual and interim financial statements?

39. IAS 34 (paragraphs 29, 31, 32 and B4) states that the same recognition principles should be applied in the annual and the interim financial statements. Applying the requirements of IAS 34 (paragraphs 39, B2 and B11), no liability should be recognised at the end of an interim reporting period if the obligating event has not yet occurred. For example, an entity does not have an obligation at the end of an interim reporting period if the present obligation arises only at the end of the annual reporting period. If there is no present obligation to pay a levy at the end of an interim reporting period, the expense should not be anticipated even if the costs associated with the obligation are incurred irregularly during the financial year and tend to recur from year to year. Similarly, if a present obligation to pay a levy exists at the end of an interim reporting period, the expense should not be deferred (unless it meets the definition of an asset) even if the costs associated with the obligation are incurred irregularly during the financial year and tend to recur from year to year.

40. Consequently, the Committee concluded that the same principles should apply in the annual financial statements and in the interim financial statements for the recognition of a liability to pay a levy that is within the scope of this interpretation.