

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

Ref: The IFRS Interpretations Committee's tentative agenda decision on IFRIC 21 Levies - levies raised on production property, plant and equipment

Dear Mr Upton,

The European Securities and Markets Authority (ESMA) thanks you for the opportunity to respond to the IFRS Interpretations Committee's (IFRS IC) publication in the September 2014 IFRIC Update of the tentative decision related to the application of IFRIC 21 *Levies*. We are pleased to provide you with the following comments with the aim of improving the consistent application and enforceability of IFRSs.

ESMA has considered the IFRS IC's tentative decision not to add to its agenda the requests to clarify accounting for the costs arising from recognising a levy.

Whereas ESMA agrees that the submission raised a broader issue that could only be addressed by the Board as part of developing concepts in the *Conceptual Framework*, ESMA has serious concerns that the wording of the tentative agenda decision could have unintended consequences. In particular, ESMA is concerned that the tentative agenda decision fails to clearly address the question whether a fixed production overhead can be recognised as part of the cost of a service provider's inventory. In our view the current wording taken together with the staff analysis, implying that inventory recognised by service providers need not relate to physical inventories, could create diversity in practice with impact on enforceability.

Therefore, ESMA urges the IFRS IC to clarify in its agenda decision whether a fixed production overhead can be recognised as part of the cost of the inventory of a service



provider, and conclude whether the staff analysis of this issue is the correct understanding of the existing IFRS requirements.

We would be happy to discuss these issues further with you.

Yours sincerely,

A handwritten signature in blue ink, consisting of a large, stylized 'S' followed by a vertical line and a horizontal stroke.

Steven Maijor
Chair
European Securities and Markets Authority