



Accounting Standards Board

**ANALYSIS AND RESPONSES TO VERBAL COMMENT  
RECEIVED ON THE**

**PROPOSED INTERPRETATION OF THE STANDARDS  
OF GRAP ON *LIABILITIES TO PAY LEVIES***

**(ED 153)**



## **RESPONSES TO THE VERBAL COMMENT RECEIVED ON THE PROPOSED INTERPRETATION OF THE STANDARDS OF GRAP ON *LIABILITIES TO PAY LEVIES* (ED 153)**

The Accounting Standards Board (Board) approved the Exposure Draft of the proposed Interpretation of the Standards of GRAP on *Liabilities to Pay Levies* (ED 153) in September 2016 for comment. A Notice was also published in the Government Gazette on the 14<sup>th</sup> of October 2016 (Notice 40346). The comment period closed on 31 January 2017.

The proposed Interpretation of the Standards of GRAP was discussed with preparers, auditors and consultants by way of workshops, roundtable discussions or other meetings as listed in the table on the next page. In addition, a presentation was also made during a SAICA webcast.

The comments received from stakeholders at these engagements are summarised in this document and include the Board's responses to the comment received.



**CLASSIFICATION OF VERBAL COMMENT RECEIVED ON THE PROPOSED INTERPRETATION OF THE STANDARDS OF GRAP ON *LIABILITIES TO PAY LEVIES* (ED 153)**

<b>No.</b>	<b>Name/Organisation</b>	<b>Total</b>	<b>Preparers</b>	<b>Users</b>	<b>Auditors</b>	<b>Other interested parties</b>
1.	Roundtable discussion		√			
2.	Public Entity CFO Forum		√			
3.	SAICA webcast					√
4.	Western Cape Technical Forum		√			
5.	Non-delegated municipal CFO Forum		√			
	<b>TOTAL</b>	<b>5</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>1</b>



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No.	Comment	Board's response
1.	<b>Roundtable discussion</b>	
1.1	<b>Definition of a levy and scope of ED 153</b>	
1.1.1	<p><i>Application to statutory, non-exchange expenses</i></p> <p>A number of questions were raised by participants about the types of transactions that would be included in the definition of a levy and in the scope of ED 153.</p> <p>Concerns were raised that all statutory non-exchange expenses, particularly appropriations or transfers are included in the definition of a levy. Participants noted that there is a potential overlap between the scope of ED 153 and the non-exchange expense project being undertaken by the IPSASB.</p> <p>If the intention is to deal with a limited set of transactions, then the scope and Basis for Conclusions need to be modified.</p>	<p>Noted. The objective of this Interpretation of the Standards of GRAP is to provide guidance on the accounting for the liability to pay a levy that is within the scope of the Standard of GRAP on <i>Provisions, Contingent Liabilities and Contingent Assets</i> (GRAP 19).</p> <p>GRAP 19 describes social benefits as “goods, services and benefits provided in the pursuit of the social policy objectives of government ...” This description is seen to include appropriations or transfers between public sector entities. Appropriations or transfers could be interpreted as meeting the definition of a levy in this Interpretation of the Standards of GRAP. However, since social benefits are outside the scope of GRAP 19, it can be concluded that appropriations or transfers are also outside the scope of this Interpretation of the Standards of GRAP.</p> <p>Therefore, the Board agrees that the scope of this</p>



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No.	Comment	Board's response
		<p>Interpretation of the Standards of GRAP should be limited to exclude social benefits (including intergovernmental transfers).</p> <p>The basis of conclusions has been updated to reflect the application of the scope.</p>
1.1.2	<p><i>Application to rights to use assets</i></p> <p>Participants noted that paragraph .07 indicates that "Items that are considered levies....for example, taxes, fees (including license fees)..." The wording is too prescriptive as it seems to indicate that all license fees are non-exchange transactions, when in fact some are exchange transactions.</p> <p>The following two amendments were suggested:</p> <p>Paragraph .07 should be amended as follows: "Items that <u>may be</u> <del>are</del> considered levies..."</p> <p>Paragraph .08 should be amended to include the possibility of rights to use assets (licenses) being exchange transactions and outside the scope of ED 153: "A payment made by an entity for the acquisition of an asset, <u>or the right to use an asset or resource, or undertake a certain activity,....</u>"</p>	<p>Noted. Agreed. The paragraphs have been amended as proposed.</p>
1.1.3	<p><i>Practical application</i></p> <p>Participants generally noted that establishing which levies are within the scope of ED 153 may be difficult and that sufficient guidance should be developed by the OAG.</p> <p>It was suggested that the research done by the ASB on the types of levies that may exist in the South African public sector should be provided to the OAG as a basis for developing the</p>	<p>Noted. The comment will be submitted to the OAG for its consideration when developing implementation guidance.</p>



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No.	Comment	Board's response
	implementation guidance.	
<b>1.2</b>	<b>Rationale for excluding VAT</b>	
1.2.1	<p>Some participants were of the view that, for non-VAT vendors, the payment of VAT is no different to any other levy paid. As a result, any VAT paid should be in the scope of ED 153.</p> <p>Participants suggested that the rationale in the Basis for Conclusions regarding the exclusion of VAT from ED 153 may need to be revisited.</p>	<p>Noted. The Board agreed that although VAT paid by non-VAT vendors meets the definition of a levy, it may be impractical to implement this, particularly when recognising long term provisions. Applying the principles in the proposed IGRAP to long term provisions would mean that there is a difference between the obligating event that gives rise to the recognition of the provision and the obligating event that gives rise to the recognition of VAT. VAT is only recognised as a liability when the goods and services are provided.</p> <p>The Board agreed that this treatment would not achieve fair presentation, and as a result, VAT paid by non-registered vendors should be excluded from the scope of ED 153. The basis of conclusions was revised to reflect the Board's rationale.</p>



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No.	Comment	Board's response
<b>1.3</b>	<b>Other comments</b>	
1.3.1	The reference to GRAP 20 <i>Related Party Disclosures</i> was questioned as there is no mention of related parties or related party transactions in ED 153.	Noted. The IFRS Interpretations Committee included a reference to the International Accounting Standard on <i>Related Party Disclosures</i> as the definition of "government" is provided in the IFRIC Interpretation 21 on <i>Levies</i> . However, the Standard of GRAP on <i>Related Party Disclosures</i> does not define government. As a result, the Board agrees that the reference to GRAP 20 should be removed.
<b>2.</b>	<b>SAICA webcast</b>	
2.1	General support expressed for the overarching principles.	Noted. No further action required.
<b>3</b>	<b>Western Cape Technical Committee</b>	
3.1	General support expressed by municipalities for the principles in the Exposure Draft.  It was however noted that current practice is not aligned with the proposals in ED 153. Although a number of these levies are paid by municipalities, it is likely that only the timing of the recognition of liabilities for the levies that may differ.	Noted. No further action required.



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No.	Comment	Board's response
<b>4</b>	<b>Public Entity CFO Forum</b>	
4.1	No comments were raised on the Exposure Draft.	Noted. No further action required.
<b>5</b>	<b>Non-delegated municipal CFO Forum</b>	
5.1	No comments were raised on the Exposure Draft.	Noted. No further action required.