

IFRIC 6

Liabilities arising from participating in a specific market - waste electrical and electronic equipment

REFERENCES

- IAS 8 Accounting policies, changes in accounting estimates and errors
IAS 37 Provisions, contingent liabilities and contingent assets

ISSUE

As a reminder, IAS 37 requires that a provision must be recognized when:

- the company has a current obligation (legal or constructive) resulting from a past event;
- it is probable that an outflow of resources embodying economic benefits will be necessary to settle the obligation; and
- the amount of the obligation may be estimated reliably.

In the specific case of the application of the European Union Directive on Waste Electrical and Electronic Equipment (WE&EE), the issue is identifying the obligating event resulting in the recognition of a provision for waste management expenses.

POSITION ADOPTED

IFRIC 6 specifies that **participation in the market during the measurement period** is the obligating event in accordance with IAS 37. The manufacturing or sale of “historical” household equipment prior to August 13, 2005 does not result in a liability for waste management expenses produced by this equipment. The IFRIC states that the timing of the obligating event may differ from the period during which the waste management–related activities are undertaken. In practice, the tax is due at the time the equipment referred to in the WE&EE is sold to end users.