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Paris, 29 April 2019

EFRAG Board  
Jean-Paul Gauzès  
35 Square de Meeûs  
B-1 000 Bruxelles

Chairman  
PDC N°29/19

Re: EFRAG's discussion paper on "Non-exchange transfers: a role for societal benefit?"

Dear Mr Gauzès, *Cher Jean-Paul,*

I am writing on behalf of the Autorité des Normes Comptables (ANC) to express our view on the above-mentioned discussion paper. These views result from the ANC's due process, involving all interested stakeholders.

We do not support undertaking further work on the current project as described in the discussion paper for the reasons detailed below.

*Objective of the project*

ANC supported the objective of the research project when discussing the EFRAG's Agenda in 2016. In our understanding, this objective was to consider whether specific accounting concepts are required to address transactions that affect contractual agreements underpinning the ideal of perfect competition and free market conditions. For instance, mandatory charges (taxes, regulation) or benefits (grants) that create incentive or disincentive to contractual agreements in order to improve or create conditions that the market may not spontaneously reach.

We believe that the approach explored in the discussion paper provides a rules-based approach rather than a comprehensive conceptual approach, which does not meet our initial expectations.

### *Scope and definitions in the project*

The project focuses on certain types of transactions such as levies (IFRIC 21) and grants (IAS 20). It excludes other types of "NET" such as income taxes (IAS 12), rate-regulated activities (IFRS 14) and transactions between an entity and its majority shareholders (IFRS 2). The reasons why certain transactions are excluded are not clearly explained. Conversely, focusing on IAS 20 which was not identified as raising conceptual or practical issues is not justified. We are therefore not in agreement with the scope of the project.

In addition, the concept of "non-exchange" is defined in a very broad way since it relates to transactions in which "*an entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange*". Such a large definition may have unintended consequences since many contractual transactions may not be equal or even balanced at the level of the contract but may prove fair considering a broader unit of account. Moreover, the "societal benefit" notion is not precisely defined and does not really help in conceptually supporting the derived accounting approaches.

### *Proposed four-step approach*

Chapter 3 of the discussion paper summarises the approach key features and provides a four-step approach. It often remains unclear whether the proposed treatments address recognition or measurement and the allocation of costs over a period is rather rules-based than conceptually supported. Finally, the merits of the developed new approach compared to current standards are not demonstrated.

As a conclusion, we do not support EFRAG undertaking further work on the reporting of NETs. However, regarding levies, ANC we would positively consider further targeted work on IFRIC 21 that still raises issues.

If you require any further information on our response, please do not hesitate to contact us.

Yours sincerely,

*Bien à toi.*



Patrick de CAMBOURG