
Provisions—Targeted Improvements

Focusing on possible new application requirements
for levies

World Standard-setters Conference 2026
Breakout session

Presenters



Patrina Buchanan
IASB Member

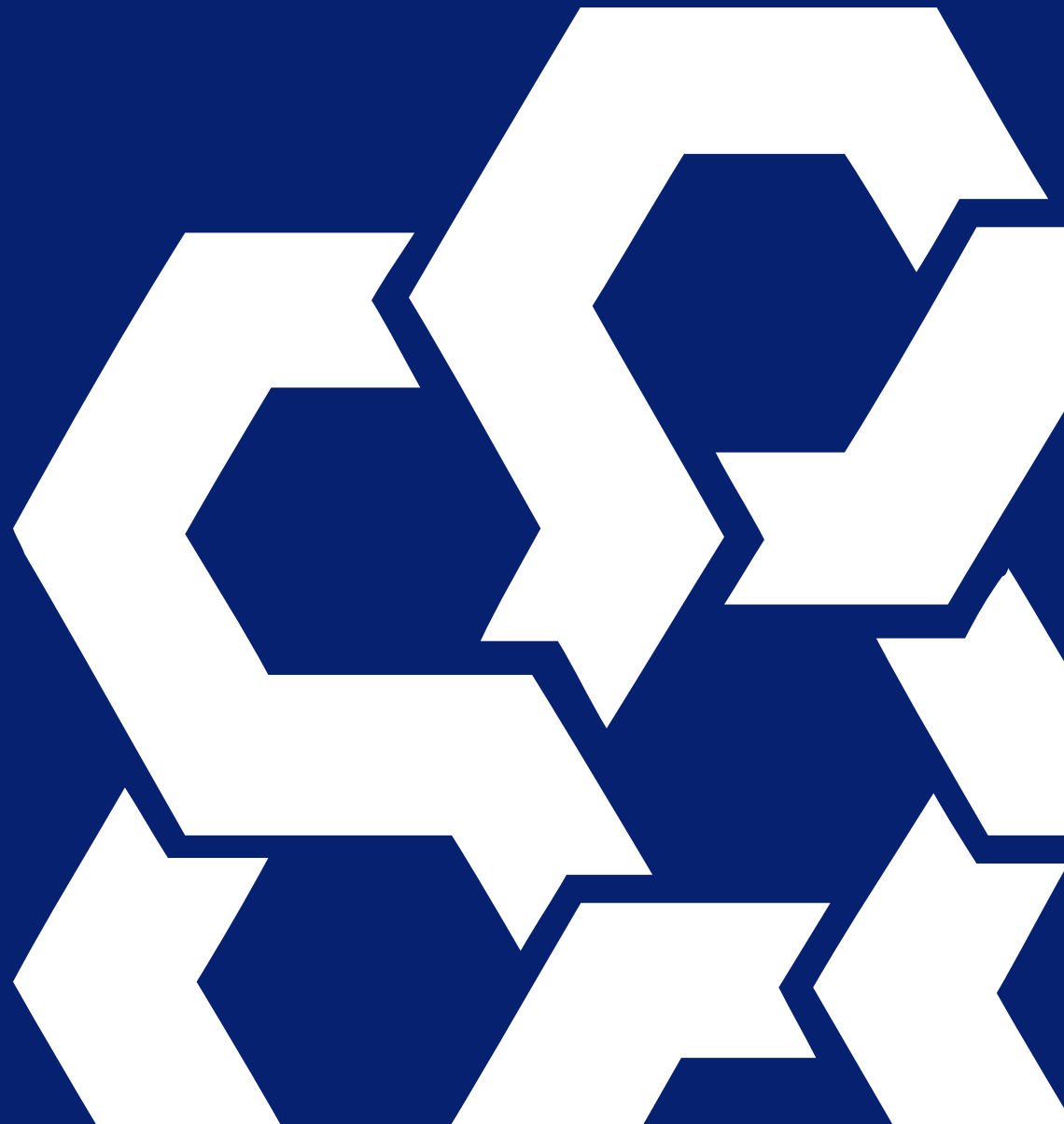


Joan Brown
IASB Technical Staff

Agenda—Possible new application requirements for levies

- 1 Background
- 2 Key aspects of the possible new application requirements
- 3 Implications for practice—illustrative examples for group discussion
- 4 Next steps

Background

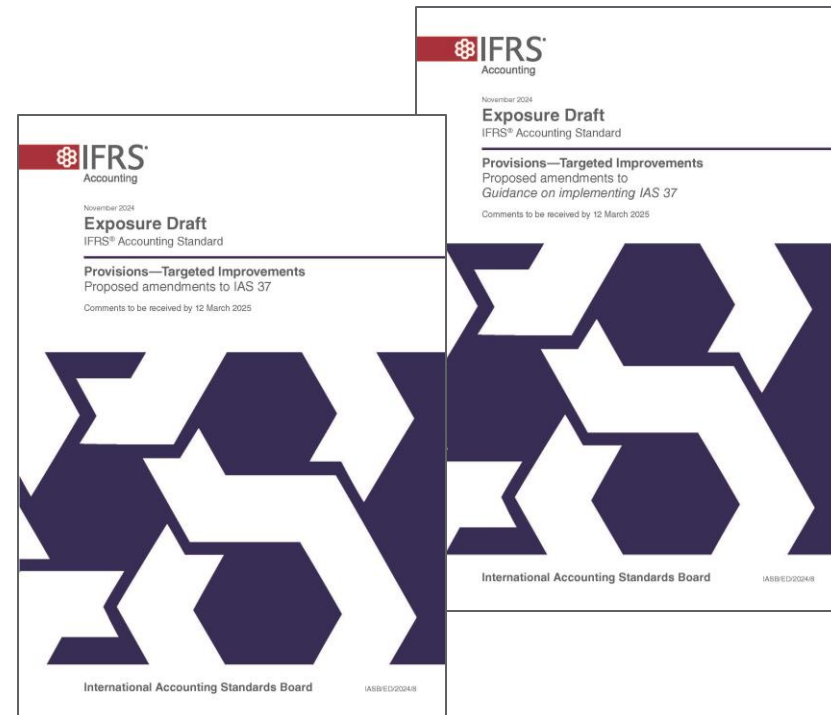


Background—IASB project to amend IAS 37

Targeted improvements to IAS 37 *Provisions, Contingent Liabilities and Contingent assets*

Exposure Draft Provisions—Targeted Improvements

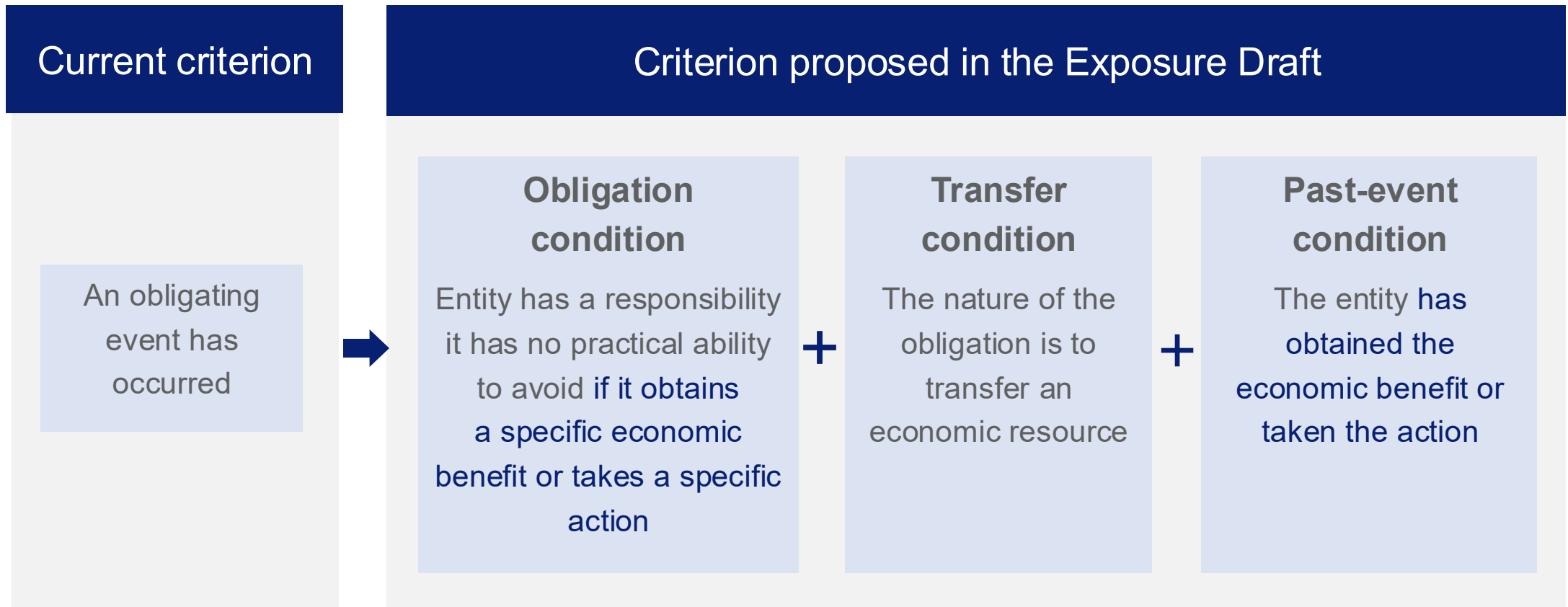
- published 12 November 2024
- comment period ended 12 March 2025



Background—Feedback on proposed amendments

Exposure Draft proposal	Stakeholder feedback
Recognition - alignment with <i>Conceptual Framework</i> - clearer requirements for ‘soft’ obligations - earlier, progressive recognition of some levies	 General support—especially for outcomes for some levies  Suggestions for refinements  Concerns about outcomes for other levies
Measurement requirement to include both incremental costs and allocation of other directly-related costs	 General support  Requests for clarification of scope
Measurement requirement to discount at a risk-free (not credit-adjusted) rate	 General support

Background—Proposed present obligation recognition criterion



Background—Proposed past-event condition

14N General requirement

Past-event condition is met when the entity:

- a. has obtained specific economic benefits or taken a specific action, and
- b. as a consequence, will or may have to transfer an economic resource it would not otherwise have had to transfer.

14P Threshold-triggered costs

- Past-event condition is met progressively as entity conducts activity that contributes to total on which transfer will be assessed—both activity below and activity above the threshold.
- Present obligation is portion of total obligation attributable to activity to date.

14Q Two or more required actions

Past-event condition is met:

- a. when entity has taken any of the required actions, and
- b. has no practical ability to avoid the remaining required actions.

Background—subsequent revisions to Exposure Draft proposals

IASB tentative decision – May 2026

- Omit the requirement proposed in paragraph 14Q of the Exposure Draft
- Replace it with new application requirements for levies

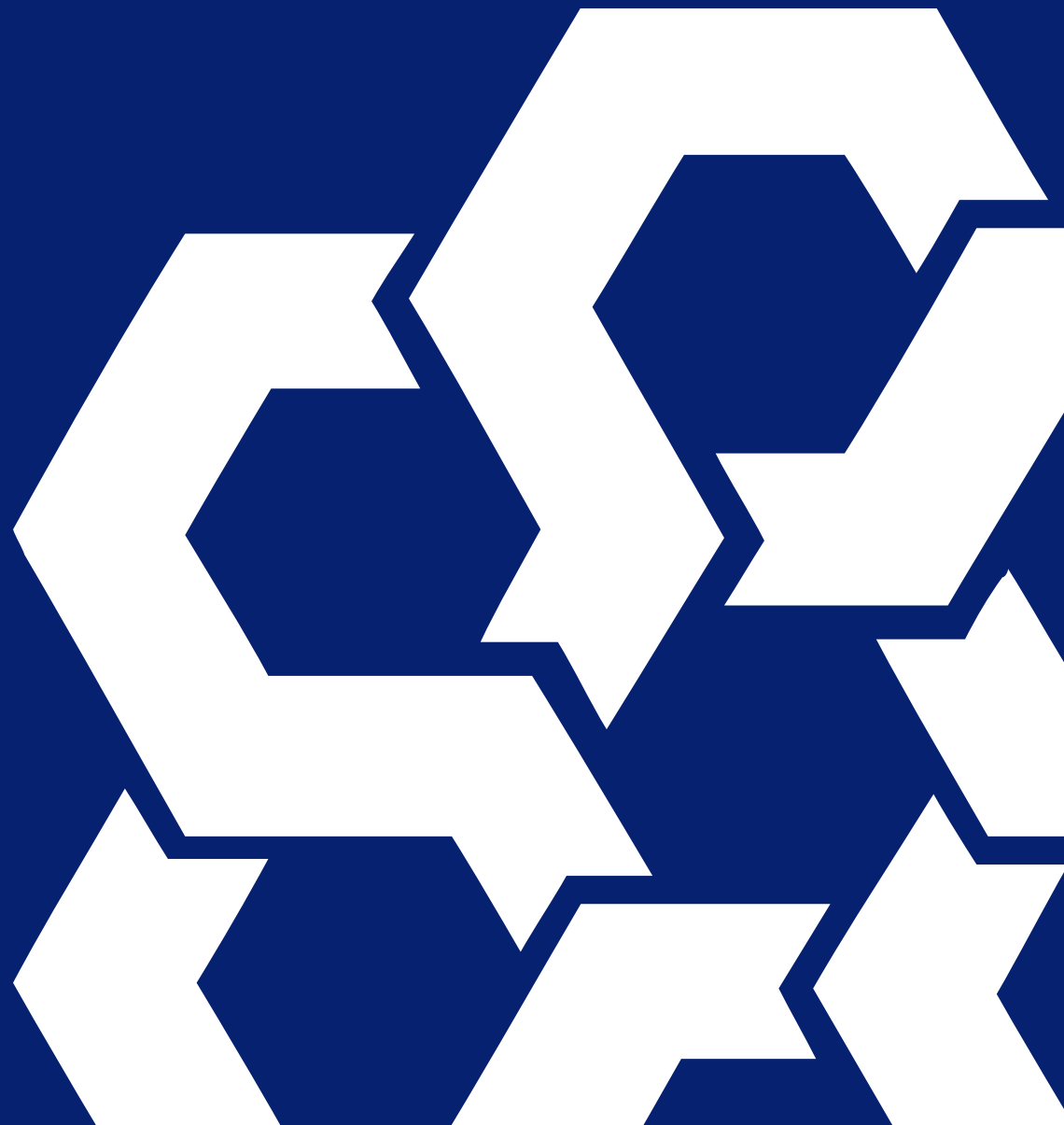
14Q

~~Two or more actions~~

~~Past-event condition is met:~~

- ~~a. when entity has taken any of the required actions, and~~
- ~~b. has no practical ability to avoid the remaining required actions.~~

Key aspects of the possible new application requirements



Key aspects—core requirements

General requirement

Applies the general requirement proposed in paragraph 14N of the Exposure Draft

The past-event condition is met for a levy when the entity has obtained the economic benefit or conducted the activity required by the levy legislation for the levy to be payable (the ‘relevant’ economic benefit or activity).

Supplementary requirement for levies linked to two or more economic benefits or activities

Replaces paragraph 14Q of the Exposure Draft

If two or more separate economic benefits or activities are required for a levy to be payable, the relevant economic benefit or activity is the one that best reflects the economic benefit or activity the government is seeking to levy.

Key aspects—other important requirements and guidance



Clarification—if relevant economic benefit / activity is obtained / conducted **over time**, past-event condition is met (so provision accumulates) progressively over that time



Requirements for **threshold-triggered levies**—apply general requirements for threshold-triggered costs proposed in paragraph 14P of the Exposure Draft

Threshold-triggered levies

If relevant economic benefit / activity must exceed a threshold, past-event condition is met as entity obtains/conducts relevant economic benefit / activity (below and above threshold).



Clarification—if past-event condition is met while requirement to pay levy remains **conditional on a future event**, provision recognised only if it is probable that the condition will be met

➤ A consequence of IAS 37 'probable outflows' recognition criterion

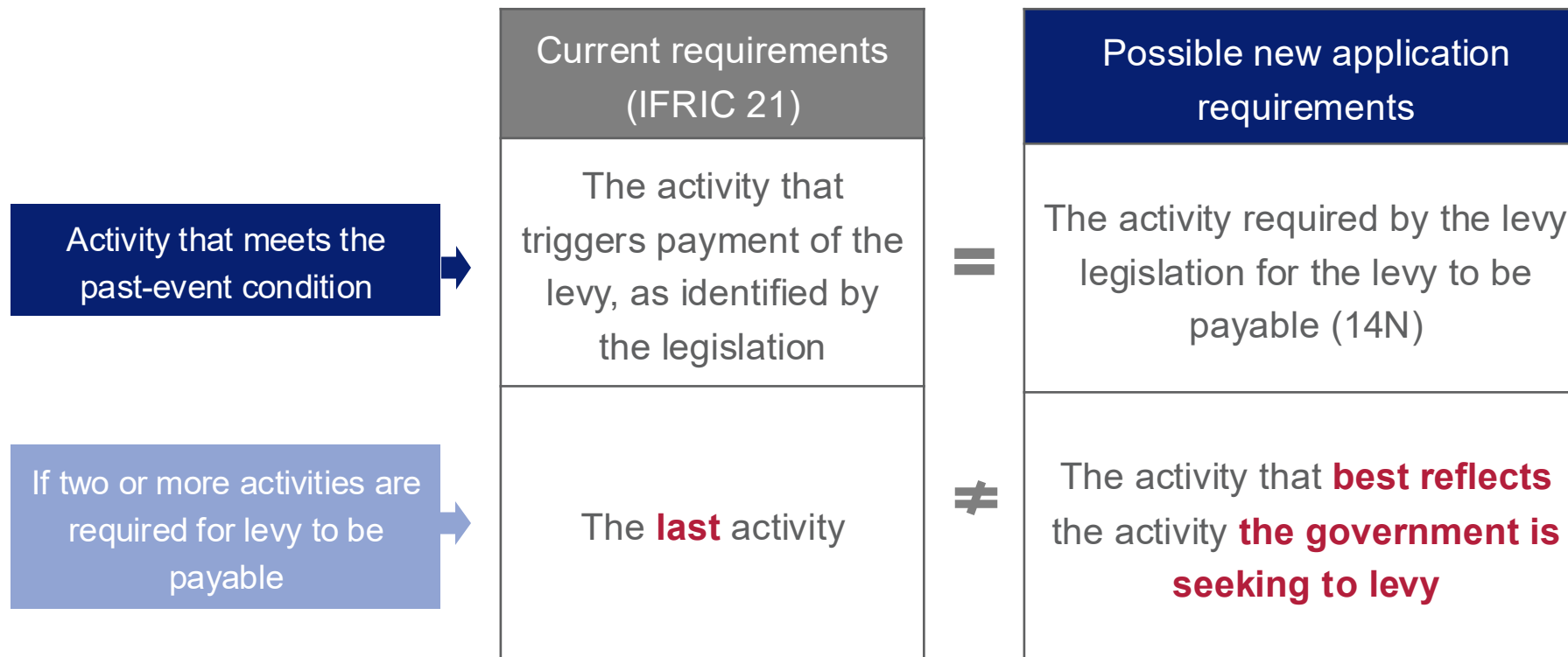
Examples of future events

- further economic benefits / activities required for levy to be payable
- meeting a threshold
- events or circumstances outside entity's control

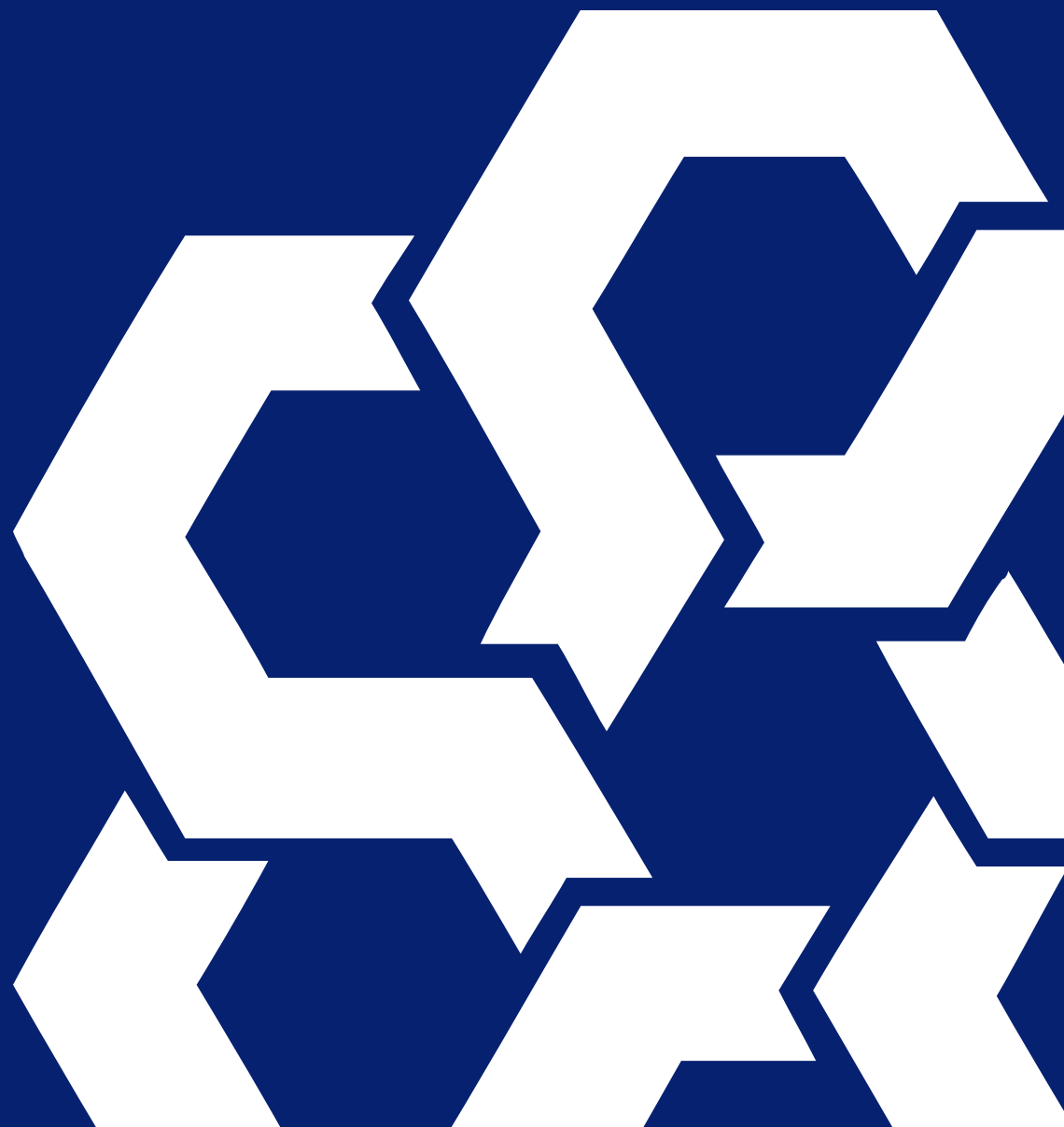


Supporting **illustrative examples**—added to *Guidance on implementing IAS 37*

Key aspects—Implications for practice



Implications for practice— Illustrative examples for group discussion



Example 1—An energy windfall levy

Fact pattern

- Levy on companies selling energy in a market—to redistribute windfall earnings
- 1% of revenue earned in the market in 2023
- Payable only by the largest companies—those that had global revenue >CU1 billion in 2019
- Payable only by companies still operating in market on 1 January 2024

Analysis of the legislation

Three activities are required for the levy to be payable:

1. Earning global revenue > CU1 billion in 2019
2. Earning revenue from selling energy in the market in 2023
3. Operating in the market on 1 January 2024

Questions for group discussion

1. Which of the three activities meets the past-event condition (best reflects the activity the government is seeking to levy)? See page 11
2. Which other requirements would be considered in deciding when to recognise a provision? See page 12

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Relevant activity

Best reflects the activity the government is seeking to levy (judgement)

Other requirements affecting recognition of provision

1. Relevant activity is conducted over 2023, so past-event condition is met **progressively over 2023**
2. Provision is recognised when past-event condition is met if it is probable that entity will still be operating in the market on 1 January 2024 (a consequence of the probable outflows recognition criterion in IAS 37)

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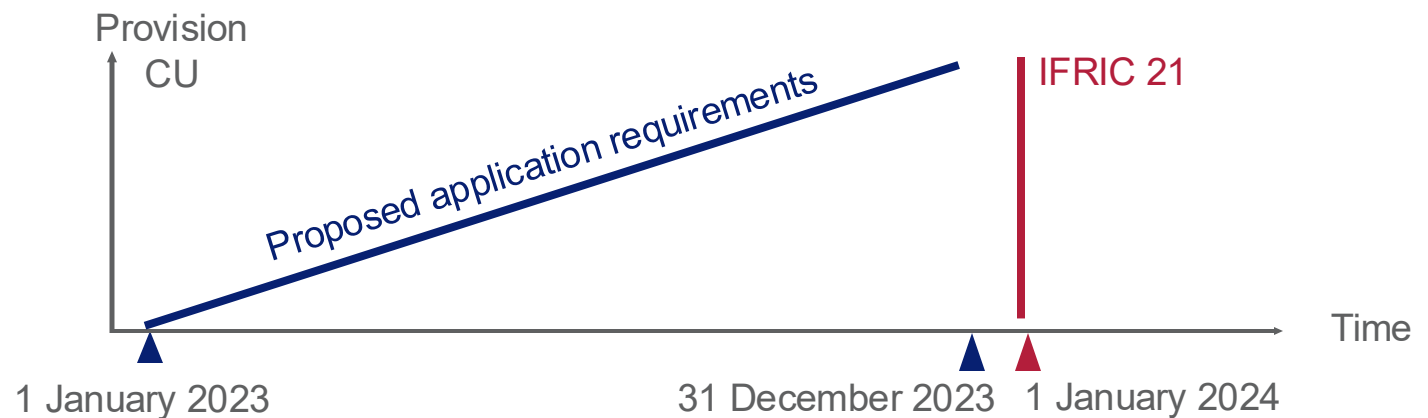
Relevant activity

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Obligating event applying IFRIC 21

Triggers payment of the levy (fact)

Recognition of provision (if probable outflows criterion is met)



Example 2—A digital services levy

Fact pattern

- Levy on large multinational companies selling digital services in a country—those earning in 2026:
 - country revenue > CU25 million
 - global revenue > CU1 billion
- 3% of country revenue > CU25 million earned in 2026
- Government's stated policy objective—to ensure the companies contribute an amount that fairly reflects the value they create for themselves from operating in the country
- A company's revenue meets:
 - country threshold on 31 March 2026
 - global threshold on 30 June 2026

Analysis of the legislation

Two activities are required for the levy to be payable:

1. Earning country revenue > CU25 million in 2026
2. Earning global revenue > CU1 billion in 2026

Questions for group discussion

1. Which of the two activities meets the past-event condition (better reflects the activity the government is seeking to levy)? See page 11
2. Which other requirements would be considered in deciding when to recognise a provision? See page 12

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Relevant activity

Better reflects the activity the government is seeking to levy (judgement)

Other requirements affecting recognition of provision

1. Threshold-triggered levy—past-event condition is met from start of 2026 as entity conducts relevant activity **below and above threshold**
2. Relevant activity is conducted over 2026, so past-event condition is met **progressively over 2026**
3. Provision is recognised when past-event condition is met if it is probable that entity's activity will exceed both revenue thresholds (a consequence of the probable outflows recognition criterion in IAS 37)

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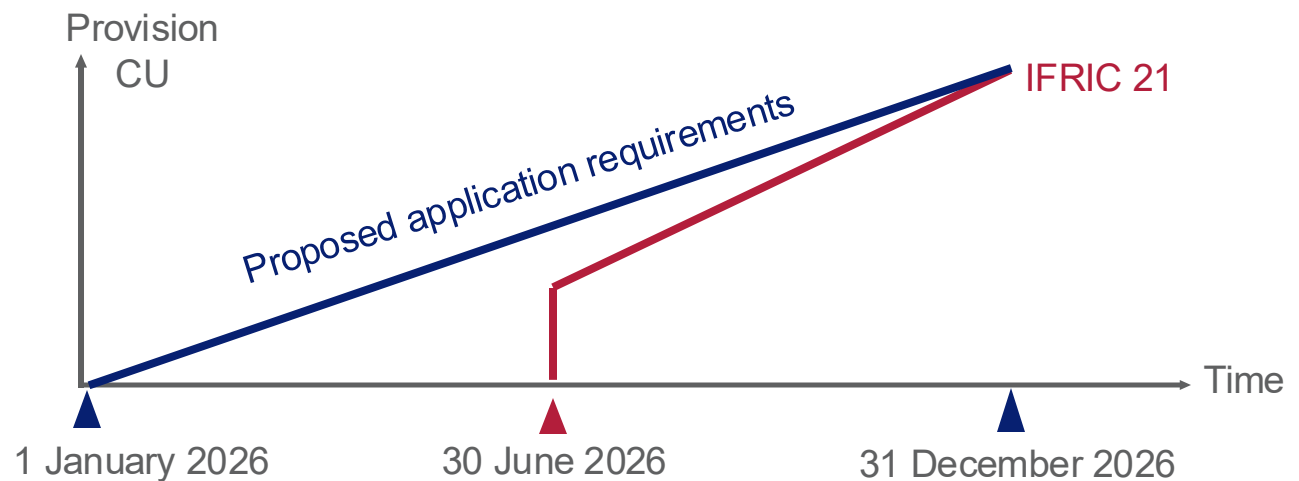
Relevant activity

Better reflects the activity the government is seeking to levy (judgement)

Obligating event applying IFRIC 21

Triggers payment of the levy (fact)

Recognition of provision (if probable outflows criterion is met)



Example 3—A property levy

Fact pattern

- Annual levy on entities that own property used for specified activities
- Payable by the entity that owns the property on 1 January in the levy year
- The amount (variable) is notified to owners in March and must be paid by 30 June in the levy year
- **Variation A:** The owner is liable for a full year's levy even if it sells the property or ceases the specified activities after 1 January
- **Variation B:** The owner is liable for the levy only for the months in the levy year in which it continues to own the property for use in the specified activities.

Analysis of the legislation

Only one activity is required for the levy to be payable.

The activity is owing property used for the specified activities:

- on 1 January in a levy year—**Variation A**, or
- for a period beginning on 1 January in a levy year—**Variation B**

Questions for group discussion

1. When is the past-event condition met?
Is it met at different times for variation A and variation B?
2. Would the outcome under the possible new application requirements differ from the outcome under IFRIC 21?

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Analysis of the legislation

Only one activity is required for the levy to be payable.

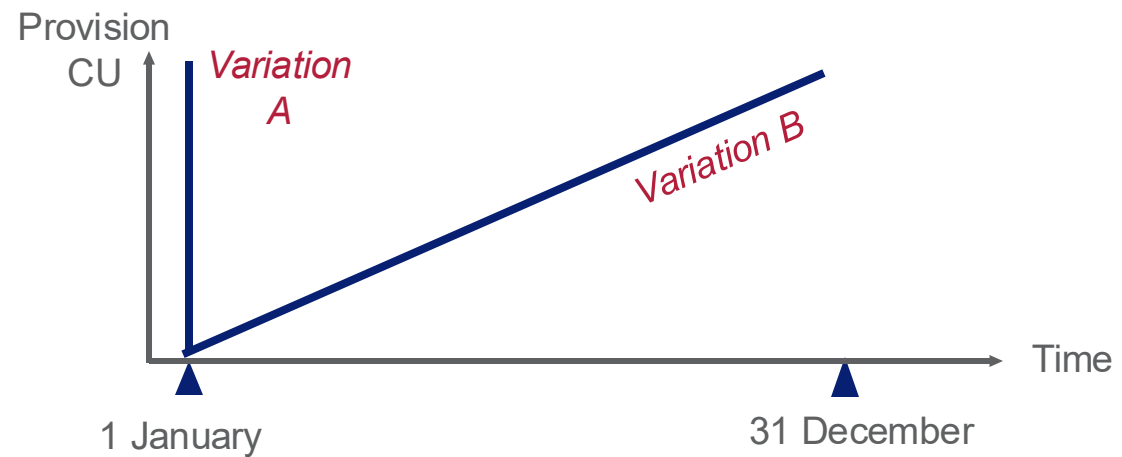
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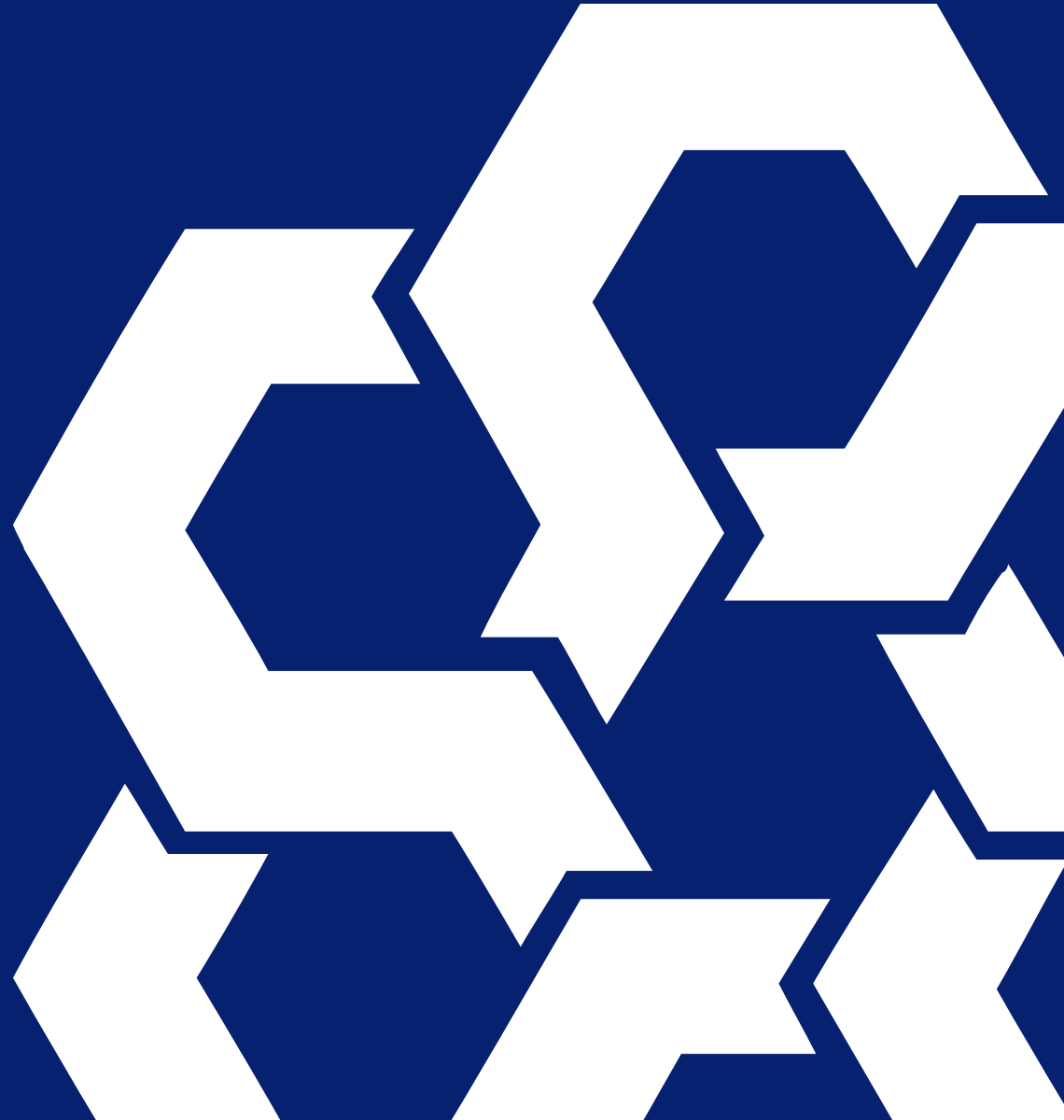
Relevant
activity

Obligating
event
applying
IFRIC 21

Recognition of provision



Next steps



Next steps

		Expected date
Further work	• Complete technical decisions • Review due process	Q4 2026
Next milestone	• Issue amendments to IAS 37	H1 2027

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