IFRS Accounting

Staff paper

Agenda reference: 1

Accounting Standards Advisory Forum meeting

Date	**December 2025**
Project	**Provisions—Targeted Improvements**
Topic	**Introduction and questions for ASAF members**
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Purpose of session

1. In this session, we will discuss aspects of the International Accounting Standards Board's (IASB's) proposals to amend IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. We will:

   (a) seek Accounting Standards Advisory Forum (ASAF) members' views on ideas for possible application requirements for levies; and

   (b) invite comments and questions from ASAF members on the IASB's recent tentative decisions on discount rates.

Background

2. The IASB published Exposure Draft *Provisions—Targeted Improvements* (Exposure Draft) in November 2024, with a comment deadline of 12 March 2025.

3. The Exposure Draft proposes amendments to three aspects of IAS 37:

   (a) one of the criteria for recognising a provision—the requirement for the entity to have a present obligation as a result of a past event (the present obligation criterion); and

(b) two aspects of the requirements for measuring a provision—those relating to:

   (i) the costs an entity includes in estimating the future expenditure required to settle an obligation; and

   (ii) the rate an entity uses to discount that future expenditure to its present value. The Exposure Draft proposes to require entities to use a rate that reflects the time value of money—represented by a risk-free rate—and excludes the effect of non-performance risk (the risk that the entity will not settle its obligation).

4. Feedback on the Exposure Draft proposals was broadly positive. However, some respondents to the Exposure Draft raised concerns about the implications of the proposed present obligation criterion for some levies—both the difficulty of applying the requirements and the possible accounting outcomes.

5. These concerns led some respondent to suggest:

   (a) developing application requirements or guidance for levies; or

   (b) excluding levies from the scope of IAS 37 and either:

      (i) leaving IFRIC 21 *Levies* in place; or

      (ii) developing a separate IFRS Accounting Standard for levies (and other non-reciprocal transactions).

6. Before we evaluate these options, we are considering the feasibility of developing application requirements for levies—that is, specific requirements that would:

   (a) apply the general requirements proposed in the Exposure Draft;

   (b) be clear and straightforward to apply; and

   (c) produce accounting outcomes that faithfully represent the expenses and liabilities incurred by levy-paying entities.

7. Concurrently with this work, we are analysing the feedback on other aspects of the proposed amendments, and asking the IASB to redeliberate these aspects in the light of the feedback. At its September 2025 meeting, the IASB redeliberated the proposals relating to the rate an entity uses to discount future expenditure to its present value.

Ideas for possible application requirements for levies (Agenda papers 1A and 1B)

Introduction

8. At its October 2025 meeting, the IASB started to discuss ideas for possible application requirements for levies that would meet the objectives set out in paragraph 6.

9. Agenda Paper 22 *Levies—Ideas for application requirements* for that meeting (reproduced as **Agenda Paper 1A** for this meeting):

   (a) explains the reasons for exploring possible application requirements for levies;

   (b) reminds you of relevant Exposure Draft proposals;

   (c) summarises stakeholder feedback on these proposals; and

   (d) sets out staff ideas for possible application requirements.

10. Agenda Paper 22A *Levies—Illustrative examples* for the IASB meeting (reproduced as **Agenda Paper 1B** for this meeting) contains illustrative examples setting out fact patterns of five levies with features like those discussed in Agenda Paper 22 / **1A**.

11. The IASB was not asked to make any decisions at its October 2025 meeting. However, IASB members were invited to comment on the ideas in Agenda Paper 22 for that meeting, and their comments will help us develop recommendations for the IASB to decide on at a future meeting.

12. We would also like to hear your views before developing those recommendations.

Actions required before the levy year

13. Most of the discussion at the IASB's October 2025 meeting focused on ideas relating to levies with a specific feature—levies:

    (a) that are payable by an entity that conducts a specific activity in one period (the levy year); but

    (b) where the obligation to pay the levy, or the amount an entity pays, depends on an action the entity takes before the levy year.

14. In paragraphs 42–56 of **Agenda Paper 1A** we:

    (a) discuss why the terms of a levy might refer back to actions an entity takes before the levy year;

    (b) having identified the reasons, suggest that these actions are not actions that give rise to a liability, and hence that they can be disregarded in determining when to recognise a provision; and

    (c) suggest ways of promoting consistent application, for example, by setting criteria for determining the levy year, or specifying types of actions an entity could disregard.

15. In commenting on the ideas in paragraphs 42–56 of **Agenda Paper 1A**:

    (a) IASB members generally agreed with the idea of disregarding actions that occur before the levy year;

    (b) some IASB members disagreed with the idea of setting prescriptive criteria for determining the levy year. These IASB members noted that in many cases, the levy year is obvious from the legislation. One member suggested including guidance on factors entities could consider *if* the levy year is not obvious or could be open to debate (for example, in a fact pattern like that of Example 1 in **Agenda Paper 1B**).

(c) several IASB members expressed a desire to avoid over-complicating or over-engineering application requirements or trying to address all circumstances. Some noted that the terms of levies are diverse, both across and within regions and the requirements should allow for that diversity—the issue is just one of timing and the most important outcome is that all entities subject to the same levy account for it in the same way. One IASB member expressed a view that any exceptions or practical expedients should be scoped as narrowly as possible to avoid unintended consequences.

16. In discussing when and how an entity should recognise a provision within a levy year, some IASB members suggested that the requirements should focus on the objectives of the legislation imposing the levy (identifying the activity the legislation is aiming to tax), while others suggested a need to consider both the objectives and the specific terms of the legislation.

Question for ASAF members

Question 1—Ideas for possible application requirements—actions required before the levy year
• Do you have any questions or comments on the ideas set out in paragraphs 42–56 of **Agenda Paper 1A**? • Do you have any other ideas for application requirements relating to actions an entity takes before the levy year?

Other matters

17. The table below paragraph 57 of **Agenda Paper 1A** sets out ideas for other matters that could be covered in application requirements for levies.

18. The discussion at the IASB meeting focused on the idea—in row (d) of the table—of listing some features of a levy that might indicate that the obligation to pay the levy accumulates over time (and hence that a provision would be recognised progressively over the levy year, rather than at a point in time during the levy year):
    (a) some IASB members agreed that identifying such features could be helpful;
    (b) others said they thought such a list could be limiting—it could lead to a conclusion that in the absence of such features, the levy should be recognised at a point in time; and
    (c) one IASB member suggested that features like those listed could be incorporated in illustrative examples, rather than in application requirements.

19. Two IASB members also commented on the idea—in row (f) of the table—of stating that identifying relevant actions requires an assessment of all the terms of the mechanism imposing the levy, and that all entities subject to one mechanism should identify the same relevant actions and reach the same conclusions on whether these actions are conducted at a point in time or over a period of time. One IASB member expressed reservations about such a statement, while another thought an explicit statement of the IASB's expectations was important and would be helpful.

Question for ASAF members

Question 2—Ideas for possible application requirements—other matters
• Do you have any questions or comments on the ideas set out in the table below paragraph 57 of **Agenda Paper 1A**? • Are there any other matters you would wish to see covered in application requirements for levies?

Recent tentative decisions on discount rates (Agenda Paper 1C)

20. At its September 2025 meeting, the IASB redeliberated the Exposure Draft proposals relating to the rate an entity uses to discount a provision to its present value.

21. The IASB's tentative decisions are set out in **Agenda Paper 1C *Provisions—Discount rates*** for this meeting.

Question for ASAF members

Question 3—Recent tentative decisions on discount rates
Do you have any questions or comments on the IASB's tentative decisions set out in **Agenda Paper 1C**?