
Accounting Standards Advisory Forum meeting

Date **December 2025**
Project **Provisions—Targeted Improvements**
Topic **Levies—Illustrative examples**
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Accounting Standards Advisory Forum, December 2025, Agenda Paper 1B

This paper was prepared for discussion at the International Accounting Standards Board's (IASB's) October 2025 meeting as Agenda Paper 22A. The agenda papers referred to in this paper are the other agenda papers for the IASB's October 2025 meeting.

Paper overview

1. This paper contains illustrative examples setting out fact patterns of five levies with features like those discussed in Agenda Paper 22 *Levies—Ideas for application requirements*.
2. The examples are for reference only. There are no questions for the IASB in this paper.

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In the examples, the letters CU denote currency units.

Example 1—An energy generator levy

Policy objective	A one-off charge imposed by legislation enacted in 20X3 on companies generating energy and selling it in a country's domestic market. The purpose of the levy is to redistribute windfall revenues earned by those companies in 20X3, after geopolitical events cause a sharp increase in energy prices. The levy is used to offset households' high energy bills.
Levy year	The identification of the levy year is open to debate. The liability to pay the levy arises on 1 January 20X4 , and the levy is widely described as the '20X4 levy'. But the levy is charged on energy generators' 20X3 revenue.
Scope of levy	An energy generator is within the scope of the levy if it: (a) had worldwide revenue exceeding CU1 billion in 20X0 ; and (b) operates in the country's domestic energy market on 1 January 20X4 .
Amount payable	The levy is 1% of the energy generator's revenue from its sales in the country's domestic energy market in 20X3 .
Current accounting treatment	Applying IFRIC 21, an energy generator recognises a liability for the full amount of the levy on 1 January 20X4 . (An energy generator with an annual reporting period ending on 31 December 20X3 recognises no provision or expense in its financial statements for that period.)
Features to consider for application requirements	Requiring an entity to disregard scope conditions it meets before the start of the levy year (as described in paragraph 50(a) and 56(b)(i) of Agenda Paper 22) would avoid a conclusion that an energy generator's liability to pay the levy arose from meeting the 'worldwide revenue' size criterion in 20X0. A provision would be accumulated during 20X3 if: (a) the levy year is defined as the period during which an entity takes actions that determine the extent of its obligation to pay the levy (as described in paragraph 52 of Agenda Paper 22); or (b) an entity is required to disregard only specific types of actions that it takes before the levy year (as described in paragraph 56(b) of Agenda Paper 22), and earning revenue in 20X3 is not that one of those actions.

Example 2—A business property tax

Policy objective	A recurring annual tax levied by a local authority to help fund its public service obligations.
Levy year	The tax is charged for each calendar year—year N .
Scope	It is charged on businesses operating in the locality on 1 January N .
Amount payable	The tax is a proportion of the rental value of premises used by the business in a reference period. The reference period varies: - For an established business, the reference period is year N-2. - For a new business (either newly created or newly moved into the area): no tax is payable for the levy year in which the business starts; and for the following levy year, the reference period is year N-1. A business can apply for a refund of some of the tax if either: - it ceases activity during year N—a refund is given for the months after activity ceases; or - the rental value of its premises has reduced since the reference period.
Current accounting treatment	Applying IFRIC 21, businesses accumulate a provision progressively over year N .
Features to consider for application requirements	Two features of the tax indicate that the rental value of a business's premises before the levy year is no more than a basis for estimating the scale of the entity's business activities during the levy year (as described in paragraph 48 of Agenda Paper 22): - if the business was not operating in year N-2, a more recent measure of rental value is used; and - a business can apply for a refund of some of the tax if the rental value of its premises has reduced since year N-2. The refund given to businesses whose activities cease during the levy year could indicate that the present obligation accumulates over time (as discussed in paragraph 57(d) of Agenda Paper 22).

Example 3—A levy on banks

Policy objective	A recurring levy to ensure a country's banks contribute fairly to the country's public finances, reflecting the risks they pose to its financial system.
Levy year	The levy is charged for a bank's annual financial reporting period . Thus, the levy year varies from one bank to another.
Scope	An entity is in the scope of the levy if it is authorised to provide banking services on the last day of its annual financial reporting period .
Amount payable	The amount of the levy each bank pays is determined by reference to the bank's chargeable liabilities and equity on the last day of its annual financial reporting period. The amount charged is: $0.1\% \times (\text{chargeable equity \& liabilities exceeding CU20 million}) \times (D / 365).$ D = length of annual reporting period in days.
Current accounting treatment	Applying IFRIC 21, a bank recognises a liability for the levy on the last day of its annual financial reporting period . (The full year's charge is recognised as an expense in the bank's 4 th quarter results.)
Features to consider for application requirements	The dependence of the levy on the length of a bank's annual reporting period could indicate that the present obligation starts to arise from the beginning of the annual reporting period and accumulates over that period (as described in paragraph 57(d) of Agenda Paper 22).

Example 4—A central bank Levy

Policy objective	A recurring annual levy to fund specific costs incurred by a country's central bank—the costs of its financial stability and monetary policy functions.
Levy year	The legislation defines the 'levy year' as the 12-month period from 1 March in one year (N) to the last day of February in the next year (N+1).
Scope	An entity is within the scope of the levy if it: (a) is licensed to operate as a bank within the central bank's jurisdiction on the first day of the levy year—1 March N; and (b) was also licensed to operate as a bank and had eligible liabilities averaging in excess of CU600 million in the final quarter of the previous calendar year—October–December N-1. (A bank that obtains a licence any time after 1 March N is outside the scope of the levy.)
Levy amount	The total levy payable by all levy payers is: (a) the central bank's forecast as at June N of its costs for the levy year; +/- (b) true-up adjustments, if the previous year's levy under- or over-recovered the central bank's actual costs in the previous levy year. The total levy is determined and allocated among levy payers in proportion to the average amount of their eligible liabilities in the final quarter of the previous calendar year—October–December N-1. The central bank announces the total amount of the levy in June N and invoices levy-payers in July N. A bank that gives up its licence after 1 March N remains liable for the full amount of the levy it is allocated for the levy year commencing on that date.

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Example 4—A central bank Levy (continued)

Current accounting treatment	Applying IFRIC 21, levy payers recognise a provision and expense for the full amount of the levy on 1 March N. This means: - levy-payers with annual reporting periods ending on 31 March recognise the provision in the 4th quarter of the year ending 31 March N. - levy-payers with annual reporting periods ending on 31 December recognise the provision in the 1st quarter of the year ending 31 December N. The amount each levy payer recognises on 1 March N is an estimate of the amount it will be invoiced in July N.
Features to consider for application requirements	It might be argued that the way in which the total levy is determined indicates that each bank is being charged for the impact of its activities on the central bank's costs throughout the levy year—with the earlier measure of a bank's liabilities being no more than a means of estimating that impact (as discussed in paragraphs 50(b) and 56(b)(ii) of Agenda Paper 22). The levy lacks features that might indicate that the present obligation accumulates over time in the levy year (as discussed in paragraph 57(d) of Agenda Paper 22).

Example 5—A resolution fund levy

Policy objective	A levy to establish by 31 December 20X9 a fund totalling 1% of customer deposits held by banks operating within a jurisdiction. The fund can be called upon to help resolve a bank failure, eg by guaranteeing a failing bank's assets. The levy ensures that banks pay for the stabilisation of the banking system and that taxpayers will not be first in line to provide funds to a failing bank.
Levy year	Calendar years N (starting with 20X3 and ending in 20X9 when the funding objective is achieved).
Scope	Each year's levy is payable by entities that hold banking licences on or after 1 January N .
Levy amount	Each bank pays an allocation of the total amount that the government determines should be raised in year N—the amount being notified to the bank in the middle of year N. Each bank's allocation is proportional to a risk-adjusted measure of the deposits it holds. The deposits are normally measured as at 31 December N-2 (the date of the most recent audited financial statements). However, an alternative measurement date can be substituted in some circumstances—for example, if no data is available at the normal measurement date. If a bank holds a banking licence on 1 January N, it pays a full year's levy even if its licence is cancelled later in N. If a bank obtains a licence during N, it pays a pro-rata contribution, proportional to the number of full months in which it holds a licence in N.
Current accounting treatment	Applying IFRIC 21, a bank holding a licence on 1 January N recognises the full year's levy on that date. The bank measures the provision at its best estimate of the amount it will be allocated for the year. It remeasures the provision in the middle of year N, when it receives notification of the amount it has been allocated.

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Example 5—A resolution fund levy (continued)

Features to consider for application requirements	The levy has a feature that could indicate that the measure of a bank's deposits in year N-2 is used purely to estimate the scale of the bank's activities in levy year N (as described in paragraphs 50(b) and 56(b)(ii) of Agenda Paper 22). This feature is the possibility of a different measure being substituted in some circumstances (as discussed in paragraph 48(a)). The levy also has a feature that could indicate that the entity's present obligation arises from its activities through the levy year, with the present obligation accumulating over time (as discussed in paragraph 57(d) of Agenda Paper 22). This feature is the pro-rating of the charge for an entity that obtains a banking licence part-way through the levy year.
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