
IASB® meeting

Date **February 2026**

Project **Provisions—Targeted Improvements**

Topic **Cover paper**

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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB® *Update*.

Purpose of meeting

1. The International Accounting Standards Board (IASB) published [Exposure Draft *Provisions—Targeted Improvements*](#) (Exposure Draft) in November 2024, with a comment deadline of 12 March 2025. The Exposure Draft proposes amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.
2. At its previous meetings in September 2025 and December 2025, the IASB redeliberated some aspects of the proposed amendments in the light of the feedback it received on the Exposure Draft. At this meeting, the IASB will be asked to redeliberate some other aspects of the proposed amendments.

Contents of this paper

3. This paper contains:
 - (a) a reminder of:
 - (i) key aspects of the Exposure Draft proposals (paragraphs 4–5); and
 - (ii) aspects the IASB has already redeliberated and the tentative decisions it has reached (paragraphs 6–8 and Appendix A);
 - (b) an introduction to the papers for discussion at this meeting (paragraphs 9–16) and an explanation of the terms we have used in these papers in quantifying the number of stakeholders expressing a view (Appendix B); and
 - (c) a summary of planned next steps (paragraphs 17–18).

Exposure Draft Proposals

4. The Exposure Draft proposes targeted improvements 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 recognition 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.
5. The proposed amendments to the present obligation recognition criterion include identifying three conditions within that criterion—‘obligation’, ‘transfer’ and ‘past-event’ conditions.

Tentative decisions to date

6. At its meeting in September 2025, the IASB redeliberated the proposals relating to the rate an entity uses to discount future expenditure to its present value.
7. At its meeting in December 2025, the IASB redeliberated proposals relating to:
 - (a) the obligation condition within the present obligation recognition criterion; and
 - (b) the costs an entity includes in estimating the future expenditure required to settle an obligation.
8. The IASB's tentative decisions at those meetings are set out in Appendix A to this paper.

Matters for discussion at this meeting

9. At this meeting, we will ask the IASB to redeliberate two other aspects of the Exposure Draft proposals—application requirements for levies and the transfer condition within the present obligation recognition criterion.

Agenda Paper 22A Levies—Application requirements

10. Agenda Paper 22A asks for a decision on requirements for levies.
11. The staff recommend supplementing the past-event condition proposed in the Exposure Draft with application requirements for levies, that:
 - (a) specify a principle—that the economic benefit or action that meets the past-event condition for a levy is the economic benefit or activity the government is seeking to levy; and
 - (b) support this principle with a constraining presumption—that the economic benefit or activity the government is seeking to levy will be one of those required by the levy legislation for the levy to be payable.

Agenda Paper 22B Levies—Rebuttable or non-rebuttable presumption?

12. Assuming the IASB agrees with the principle and presumption recommended in Agenda Paper 22A, Agenda Paper 22B discusses whether the presumption should be rebuttable in some circumstances.
13. Agenda Paper 22B includes ideas for a possible model for a rebuttable presumption and discusses the relative merits of a rebuttable and a non-rebuttable presumption.
14. IASB members will be invited to comment on the matters discussed this paper but will not be asked to make any decisions.

Agenda Paper 22C Recognition—Transfer condition

15. Agenda Paper 22C asks for decisions on the transfer condition within the present obligation recognition criterion. The transfer condition requires that ‘the nature of the entity’s obligation is to transfer an economic resource’.

16. The staff recommend:

- (a) retaining the Exposure Draft proposal to add an explicit transfer condition to the present obligation recognition criterion in IAS 37.
- (b) expanding paragraph 14L of the Exposure Draft to explain more fully the difference between an obligation to transfer an economic resource and an obligation to exchange economic resources.
- (c) expanding examples in the *Guidance on implementing IAS 37* to clarify:
 - (i) why asset decommissioning and environmental rehabilitation obligations meet the transfer condition; and
 - (ii) the relationship between the transfer condition and the measurement requirements in IAS 37.
- (d) clarifying the implications of the transfer condition for levies by:
 - (i) defining the term 'levy' to include only non-reciprocal charges; and
 - (ii) stating within application requirements for levies that an obligation for a levy will, by definition, meet the transfer condition.

Next steps

- 17. At future IASB meetings, the IASB will be asked to redeliberate the remaining aspects of the Exposure Draft proposals, including:
 - (a) remaining aspects of requirements for levies;
 - (b) other remaining aspects of the past-event condition; and
 - (c) the proposed amendments to the *Guidance on implementing IAS 37*.
- 18. We expect that a decision on the project direction can be made once the IASB has reached tentative decisions on remaining aspects of the requirements for levies.

Appendix A—Tentative decisions to date

A1. This appendix sets out the tentative decisions the IASB has reached to date in its redeliberations on this project, as reported in the [IASB Updates](#).

Topic	Meeting date	Tentative decisions
Recognition		
<u>Recognition—Legal obligations</u>	<u>December 2025</u>	<p>The IASB tentatively decided to revise the criteria proposed in the Exposure Draft for concluding that an entity has no practical ability to avoid discharging a legal responsibility. The revised criteria would require that either:</p> <ul style="list-style-type: none"> a. the counterparty have a right to ask a judicial body to force the entity to discharge the responsibility or to pay a penalty or compensation for failing to do so; or b. the counterparty have a right to take another form of action against the entity for failing to discharge the responsibility and, as a result, the economic consequences for the entity of not discharging the responsibility are expected to be significantly worse than the costs of discharging it. <p>All 12 IASB members agreed with this decision. In reaching this decision, the IASB tentatively decided:</p> <ul style="list-style-type: none"> a. that an entity's practical ability to avoid discharging a responsibility represents a high hurdle; and b. to retain the word 'significantly' in the proposal in paragraph 14F of the Exposure Draft. <p>Ten of 12 IASB members agreed with decision (a). Eleven of 12 IASB members agreed with decision (b).</p> <p><i>(continues on the next page)</i></p>

Topic	Meeting date	Tentative decisions
<u>Recognition—Legal obligations</u>	<u>December 2025</u>	<p data-bbox="652 563 1076 597"><i>(continued from the previous page)</i></p> <p data-bbox="652 631 1076 664">The IASB also tentatively decided:</p> <ul style="list-style-type: none"> <li data-bbox="684 698 1351 799">a. to add no application guidance on how to assess the economic consequences of failing to discharge a responsibility; and <li data-bbox="684 833 1351 934">b. to make no changes to the requirements in IAS 37 that apply to proposed new laws that have yet to be finalised. <p data-bbox="652 979 1335 1046">All 12 IASB members agreed with decision (a). Eleven of 12 IASB members agreed with decision (b).</p>
<u>Recognition—Constructive obligations</u>	<u>December 2025</u>	<p data-bbox="652 1102 1013 1136">The IASB tentatively decided:</p> <ul style="list-style-type: none"> <li data-bbox="684 1170 1351 1394">a. to retain the criterion proposed in the Exposure Draft for concluding that an entity has no practical ability to avoid discharging a constructive responsibility—not to add a reference to the economic consequences of failing to discharge the responsibility; and <li data-bbox="684 1428 1351 1574">b. to add no further guidance on the factors to consider in determining whether an entity's public statement of its climate-related commitments creates a constructive obligation to fulfil these commitments. <p data-bbox="652 1608 1335 1675">Eleven of 12 IASB members agreed with decision (a). All 12 IASB members agreed with decision (b).</p>

Topic	Meeting date	Tentative decisions
Measurement—discount rates		
Discount rates— Required rates	September 2025	<p>The IASB tentatively decided:</p> <ul style="list-style-type: none"> a. to retain the proposal to require an entity to discount a provision at a rate that reflects the time value of money—represented by a risk-free rate—with no adjustment for the effect of non-performance risk; b. to add no application guidance to IAS 37 on how an entity determines an appropriate risk-free discount rate; c. to clarify in IAS 37 that the best estimate of the expenditure required to settle an obligation is not reduced to reflect the effect of non-performance risk; and d. to add no requirements on the use of real or nominal discount rates in measuring a provision.
<p>All 12 IASB members agreed with these decisions.</p>		
Discount rates— Interaction with IFRS 3 Business Combinations	September 2025	<p>The IASB tentatively decided to add to IFRS 3 an exception to its initial measurement principle that:</p> <ul style="list-style-type: none"> a. applies to provisions (other than contingent liabilities) within the scope of IAS 37; and b. requires an acquirer to measure these provisions at the acquisition date in accordance with the measurement requirements in IAS 37, instead of at their acquisition date fair values.
<p>All 12 IASB members agreed with this decision.</p>		

Topic	Meeting date	Tentative decisions
<u>Discount rates— Disclosure</u>	<u>September 2025</u>	<p>The IASB tentatively decided:</p> <ul style="list-style-type: none"> a. to retain the proposal to require an entity applying IAS 37 to disclose: <ul style="list-style-type: none"> i. the discount rate(s) used in measuring a provision; and ii. the approach used to determine the rate(s); b. to add no further disclosure requirements to IAS 37; and c. to retain the proposals: <ul style="list-style-type: none"> i. to require subsidiaries applying IFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i> to disclose the discount rate(s) used in measuring a provision; but ii. not to require them to disclose the approach used to determine the rate(s). <p>All 12 IASB members agreed with these decisions.</p>

Topic	Meeting date	Tentative decisions
Measurement—costs to include		
<u>Measurement— Costs to include</u>	<u>December 2025</u>	<p>The IASB tentatively decided:</p> <ul style="list-style-type: none"> a. to retain the proposed requirement that the expenditure required to settle an obligation comprise the costs that relate directly to the obligation, which consist of both: <ul style="list-style-type: none"> i. the incremental costs of settling that obligation; and ii. an allocation of other costs that relate directly to settling obligations of that type; b. to restrict the scope of the requirement described in (a) to obligations to transfer goods or services, and to clarify that the requirement applies to the measurement of those goods or services; c. not to add a requirement for an entity to disclose whether and how it includes ancillary costs in measuring a provision; and d. to add no application guidance or illustrative examples on the types of costs to include in measuring a provision. <p>All 12 IASB members agreed with decisions (a) and (d). Eleven of 12 IASB members agreed with decisions (b) and (c).</p>

Appendix B—Terminology used in quantifying stakeholder feedback

B1. In the papers for this meeting, we use:

- (a) the term ‘respondent’ for any stakeholder who commented on an Exposure Draft proposal, whether via a comment letter or in a meeting; and
- (b) standard IASB terminology to quantify the number of stakeholders within an identified population:

Term	Meaning
Almost all	All except a very small minority
Most	A large majority, with more than a few exceptions
Many	A small majority or large minority
Some	A small minority, but more than a few
A few	A very small minority