

IASB® meeting

Date	February 2026
Project	Provisions—Targeted Improvements
Topic	Levies—Application requirements
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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 the session

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. The IASB is now redeliberating aspects of the proposals in the light of feedback received on the Exposure Draft.
3. At this meeting, we will ask the IASB to redeliberate aspects of the proposals relating to one of the criteria in IAS 37 for recognising a provision—the requirement for the entity to have a present obligation as a result of a past event (present obligation recognition criterion).
4. That criterion comprises three conditions—‘obligation’, ‘transfer’ and ‘past-event’ conditions. This paper asks for a decision on the **past-event** condition—specifically on requirements for applying that condition to levies.

Staff recommendations

5. We 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.
6. If the IASB agrees with this recommendation, we will ask the IASB to discuss whether the presumption should be rebuttable in some circumstances—see Agenda Paper 22B *Levies—Rebuttable or non-rebuttable presumption?*

Contents of this paper

7. This paper contains:
 - (a) background information summarising:
 - (i) existing IFRS accounting requirements for levies (paragraphs 9–10);
 - (ii) changes to these requirements proposed in the Exposure Draft (paragraphs 11–14);
 - (iii) feedback on the proposed changes from respondents to the Exposure Draft (paragraphs 15–18);
 - (iv) subsequent IASB discussions of initial staff ideas for application requirements (paragraphs 19–27);
 - (v) feedback on the ideas from the IASB’s Accounting Standards Advisory Forum (ASAF) (paragraphs 28–29);
 - (b) a staff analysis discussing:
 - (i) the merits of application requirements for levies, as opposed to a new IFRS Accounting Standard for non-reciprocal transactions (paragraphs 30–33);
 - (ii) our new idea for possible application requirements for levies (paragraph 34);
 - (iii) the rationale for these possible requirements (paragraph 35);
 - (iv) how a preparer of financial statements would apply the requirements (paragraphs 36–39); and
 - (v) our view of the implications for practice (paragraphs 40–42 and the appendix).
8. The staff recommendation and question for the IASB are at paragraph 43.

Background information

Existing IFRS accounting requirements for levies

9. At present, levies are recognised in accordance with IFRIC 21 *Levies*, an interpretation of IAS 37. Under IFRIC 21, the action that meets the present obligation criterion for recognising a liability is ‘the activity that triggers the payment of the levy, as identified by the legislation’. Accordingly, if two or more activities are required for a levy to be payable, an entity recognises a liability for the levy only when it has conducted the last of these activities.
10. IFRIC 21 has been criticised for leading to outcomes that fail to reflect the economics of some levies—especially levies where the government is seeking to levy one economic benefit or activity (for example, revenue generated in a year) but, perhaps for administrative purposes, has drafted the legislation so that an entity’s liability to pay the levy is triggered only when the entity meets a later condition (for example, exceeding a revenue threshold or operating in a market on the first day of the following year). An entity cannot recognise a liability for the levy until it has met that later condition.

Changes proposed in the Exposure Draft

11. The Exposure Draft proposes to update the wording of the present obligation recognition criterion in IAS 37 and to identify and explain three separate conditions within the present obligation criterion:
 - (a) an ‘obligation’ condition—the entity has an obligation;
 - (b) a ‘transfer’ condition—the nature of the entity’s obligation is to transfer an economic resource; and
 - (c) a ‘past-event’ condition—the entity’s obligation is a present obligation that exists as a result of a past event.

12. Paragraphs 14M–14R of the Exposure Draft explain the proposed past-event condition. Notably:
 - (a) paragraph 14N states that the past-event condition is met when an entity:
 - (i) has obtained specific economic benefits or taken a specific action; and
 - (ii) as a consequence, will or may have to transfer an economic resource it would not otherwise have had to transfer.
 - (b) paragraph 14Q states that if the requirement to transfer an economic resource is a consequence of taking two or more actions, the past-event condition is met when the entity has taken any of the actions and has no practical ability to avoid the remaining actions.
13. The proposed past-event condition would change the timing of recognition of some levies. If a requirement to pay a levy is a consequence of taking two or more actions, the past-event condition could be met when the entity has taken *any* of the actions, not only when it has taken *all* the actions.
14. Because the requirements of IFRIC 21 are inconsistent with the proposed past-event condition, the Exposure Draft includes a proposal to withdraw IFRIC 21.

Feedback from respondents to the Exposure Draft

15. Many respondents—from all stakeholder groups and regions—expressed outright or broad agreement with the proposed amendments relating to past-event condition and with the withdrawal of IFRIC 21.

16. However, some respondents expressed concerns about the implications of the past-event condition for some levies. Their concerns focused on four European levies with a common feature:

- (a) the levy is payable by entities that conduct a specific activity in a given (usually 12-month) period (the levy year); but
- (b) the amount each entity pays is calculated by reference to a measure of the entity's assets or liabilities in an earlier period.

17. Respondents expressed concern that:

- (a) it is unclear which types of actions meet the past-event condition (are 'relevant actions'), so the proposed requirements could be complex to apply and lead to long debates; and
- (b) if all types of actions are relevant actions and the first action is enough to satisfy the past-event condition, entities would recognise provisions for some levies at a point in time before they take the action the government is seeking to levy—possibly even before the levy year. Recognising a provision at this time would mis-represent the economics of the levy.

18. These concerns lead some respondents to suggest:

- (a) developing (simplified) application requirements or guidance for levies; or
- (b) excluding levies from the scope of IAS 37 and either:
 - (i) leaving IFRIC 21 in place; or
 - (ii) developing a separate IFRS Accounting Standard for levies (and other non-reciprocal transactions).

Subsequent IASB discussions of initial staff ideas*October 2025 IASB meeting*

19. At its meeting in October 2025, the IASB discussed initial staff ideas for application requirements for levies that could resolve the problems identified by respondents.
20. [Agenda Paper 22 Levies—Ideas for application requirements](#) for that meeting describes in more detail ideas discussed at that meeting.
21. The paper focused on levies that depend in part on one or more actions an entity takes *before* the levy year. Ideas included:
 - (a) requiring entities to ignore *all* actions taken before the levy year;
 - (b) requiring entities to ignore *some* actions taken before the levy year—for example those that serve only to restrict the scope of the levy, or to provide a basis for estimating the scale of the entity's activity during the levy year; and
 - (c) defining the levy year—possibly as the period during which a levy-payer takes the actions that determine the extent of its obligation.
22. IASB members generally agreed that, in identifying relevant actions, an entity should disregard actions it takes before the levy year. However, several IASB members cautioned against over-complicating or over-engineering application requirements.

Meetings of small groups of IASB members during November 2026

23. During November 2025, we held follow-up meetings with IASB members in small groups, to explore views on whether, in identifying relevant actions for a levy, an entity should focus on the terms of the levy legislation (the activities required by the

legislation for the levy to be payable) or the government's policy objective for the levy (the activity the government is seeking to levy).¹

24. In most cases, the terms and policy objective are aligned—an activity required for the levy to be payable is the activity the government is seeking to levy. But in a few cases, alternative (proxy) activities are required by the legislation, usually to simplify the administration or accelerate the collection of the levy.
25. Some IASB members expressed concerns about requiring an entity to identify relevant actions purely by reference to the terms of the legislation. They noted that the resulting accounting could mis-represent the economics of a levy in some cases.
26. In contrast, other IASB members expressed concerns about permitting entities to identify relevant actions by reference to the government's policy objective, noting that:
 - (a) the policy objective is not always stated explicitly in the legislation and might be open to subjective interpretation ('opening a Pandora's box'); and
 - (b) the costs (complexity and unintended consequences) of requirements to identify the policy objective for a levy could exceed the benefits (better outcomes in relatively rare cases)
27. Some IASB members suggested ways of mitigating risks created by entities to identify relevant actions by reference to the government's policy objective. Suggestions included:
 - (a) including a presumption that the terms of the legislation reflect the policy objective; and
 - (b) permitting entities to consider the policy objective only if that objective is stated within the legislation.

¹ Small group meetings conducted in accordance with paragraph 3.40 of the IFRS Foundation *Due Process Handbook*.

Feedback from the ASAF

28. In December 2025, members of the ASAF discussed the initial staff ideas for application requirements the IASB had discussed in October.
29. As explained in paragraphs 3–6 of the [meeting summary](#) for the December ASAF meeting:
 - (a) the OIC² and ASBJ³ representatives expressed a view that the application requirements discussed by the IASB could be so complex to apply that they would not be an improvement on IFRIC 21.
 - (b) because of their concerns about complexity, the UKEB⁴, OIC and FASB⁵ representatives suggested removing levies and other non-reciprocal transactions from the scope of IAS 37 and developing a new standard for those transactions. The UKEB representative suggested retaining IFRIC 21 until a new standard for levies is issued—noting that its stakeholders, although generally disagreeing with the outcome of applying IFRIC 21 to some levies, have worked out how to apply it and get information to investors.
 - (c) however, the AcSB⁶, ANC⁷, AOSSG⁸, EFRAG⁹ and SOCPA¹⁰ representatives expressed concerns about scoping levies out of IAS 37. The EFRAG representative suggested that if levies were excluded from the scope of IAS 37, scope-related issues could become acute. The AcSB representative said a

² Organismo Italiano di Contabilità, Italy

³ Accounting Standards Board of Japan

⁴ UK Endorsement Board

⁵ Financial Accounting Standards Board, US

⁶ Canadian Accounting Standards Board

⁷ Autorité des Normes Comptables, France

⁸ Asian-Oceanian Standard-Setters Group

⁹ European Financial Reporting Advisory Group

¹⁰ Saudi Organization for Chartered and Professional Accountants

separate standard for levies would need to be developed concurrently with the amendments to IAS 37 because it would be impossible to finalise the amendments to IAS 37 while retaining IFRIC 21.

- (d) the AcSB representative said he liked the notion reflected in comments from a respondent to the Exposure Draft (a group of European preparers of financial statements)—that the action giving rise to an obligation to pay a levy is the activity the legislator is ‘seeking to tax’.¹¹ The AcSB representative expressed a view that requirements should focus on the objective of a levy—some terms of levy legislation reflect the mechanism, not the objective.
- (e) the PAFA¹² representative reiterated PAFA’s disagreement with the outcome of applying IFRIC 21 and said that any solution the IASB develops should be principle-based. Similarly, the ANC representative said any application requirements should align with the underlying principles of IAS 37.

¹¹ As reported in paragraphs 31 – 33 of IASB October 2026 meeting [Agenda Paper 22 Provisions—Targeted Improvements—Levies—Ideas for application requirements](#)

¹² Pan African Federation of Accountants

Staff analysis

Application requirements for levies or a new IFRS Accounting Standard for non-reciprocal transactions?

30. To develop a new IFRS Accounting Standard for non-reciprocal transactions, the IASB would need to define the scope of the standard and then develop recognition, measurement and disclosure requirements for transactions within its scope. The IASB would also need to decide whether to postpone the amendments to IAS 37 in the meantime, or to finalise them with a recognition exemption for levies (placing increased stress on the definition of a levy).
31. Furthermore, a new standard for non-reciprocal transaction could give rise to new application issues for preparers of financial statements—for example, in deciding whether a transaction is within the scope of the new standard or IAS 37.
32. Adding application requirements for levies to IAS 37 could be achieved more quickly and simply and create less disruption for preparers and users of financial statements.
33. Accordingly, in responding to the feedback from IASB and ASAF members, we have focused on developing new ideas for application requirements for levies that could be included in an amended IAS 37.

A new idea for possible application requirements for levies

34. Building on ideas provided by IASB and ASAF members, we have developed an idea for application requirements that would be simpler than those we previously presented for discussion. These requirements would:
 - (a) apply the general past-event condition proposed in paragraph 14N of the Exposure Draft:

General past-event condition

Paragraph 14N of the Exposure Draft proposes that the past-event condition is met when an 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.

(b) specify a simple principle for applying that general past-event condition to levies:

Principle for levies

For a levy, the relevant 'economic benefit' or 'action' is the economic benefit or activity the government is seeking to levy.

(c) reduce the subjectivity of the conclusions reached in applying the principle by supporting it with a constraining presumption:

Constraining presumption

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.

(d) provide no further guidance on which economic benefits or activities would be those the government is seeking to levy. Entities subject to the levy would assess the terms of the legislation and the circumstances of its enactment to reach a conclusion.

The rationale for these possible requirements

35. We have developed our new idea for possible application requirements for levies on the basis that:

- (a) investors receive the most useful information about the effects of a levy if entities recognise those effects when they conduct the activity the government is seeking to levy.
- (b) the activity the government is seeking to levy is very likely be one of those required for the levy to be payable. For example, if a government is seeking to redistribute some of windfall revenue earned in a sector, one of the activities required for the levy to be payable is likely to be earning that revenue. So, the constraining presumption would reduce the subjectivity of the assessment—making application easier and promoting consistent application—without compromising the quality of the information entities provide to investors.
- (c) further guidance on identifying which of these activities would be the one the government is seeking to levy could be difficult to develop and is probably unnecessary. We cannot make generalisations because the terms of levies vary so much—in some cases, the activity the government is seeking to levy could be the activity that also determines the scope of the levy; whereas in other cases, it could be the activity that also determines the amount an entity pays. However, it is usually clear which of the activities required for a levy to be payable is the one the government is seeking to levy.
- (d) because the principle and presumption can be expressed simply and would need little further application guidance, they could be only slightly more complex to explain and apply than the requirements in IFRIC 21. The additional complexity would be justified by the better outcomes for cases in which the activity the government is seeking to levy is not the last activity required for the levy to be payable (as described in paragraph 10).

How a preparer of financial statements would apply the requirements

36. To apply the principle and presumption described in paragraph 34, a preparer of financial statements would start by assessing the terms of the levy legislation to identify the economic benefits or activities required for the levy to be payable. Examples of such economic benefits or activities could be:
 - (a) revenue or profits generated in the period for which the levy is payable (the levy year);
 - (b) conducting business activities during the levy year;
 - (c) operating in a specific market on a specific date, or for a specific period; before, during or after the levy year; or
 - (d) owning a specific type of asset or holding a specific type of liability on a specific date.
37. The preparer would then decide which of these identified economic benefits or activities is the one the government is seeking to levy. The past-event condition would be met when the entity obtains that economic benefit or conducts that activity.
38. If the economic benefit is obtained or the activity is conducted over time, the past-event condition would be met, and the resulting present obligation would accumulate, over that time (per paragraph 14O of the Exposure Draft).
39. If the levy is payable only on activity that exceeds a specified threshold in a period, the past-event condition would be met, and the present obligation would accumulate, as the entity conducts activity that contributes to the total on which the levy will be assessed at the end of the period (per paragraph 14P of the Exposure Draft).

Implications for practice

40. The implications for practice would depend on the terms of the levy:
 - (a) if the activity the government is seeking to levy occurs before the activity that triggers the payment of a levy, a provision would be recognised before it is recognised at present applying IFRIC 21; but
 - (b) if the activity the government is seeking to levy also triggers the payment of the levy, a provision would be recognised at the same time as it is recognised at present applying IFRIC 21.
41. The appendix to this paper sets out a fact pattern in which a provision would be recognised before it is recognised at present applying IFRIC 21.
42. The economic benefits or activities required for a levy to be payable are a matter of fact. They would be identified by assessing the precise terms of the legislation imposing the levy and would not depend on the circumstances of the entity subject to the levy. Accordingly, we would expect all entities subject to a specific piece of legislation to identify the same economic benefits or activities.

Staff recommendation

43. On the basis of the views and ideas provided to us by IASB and ASAF members (paragraphs 22–29) and for the reasons set out in paragraphs 30–32 and 35, we 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.

Question for the IASB

Principle and constraining presumption

- Do you agree with the recommendation in paragraph 43?

Next steps

44. If the IASB agrees with this recommendation, we will ask the IASB to discuss whether the presumption should be rebuttable in some circumstances—see Agenda Paper 22B *Levies—Rebuttable or non-rebuttable presumption?*

Appendix—Illustrative example—An electricity windfall levy

Fact pattern

- A1. In 20X2, following a sudden increase in wholesale electricity prices, a country's government imposes a windfall levy on the largest electricity generators selling electricity in that country. Under the terms of the legislation imposing the levy, an electricity generator is within the scope of the levy if:
 - (a) it is operating in that country on 1 January 20X4; and
 - (b) reported global revenue of more than 1 billion currency units in 20X0.
- A2. Electricity generators within the scope of the levy are required to pay 1% of the revenue they earn from selling electricity in the country in 20X3.
- A3. An electricity generator reported global revenue of more than 1 billion currency units in 20X0. In 20X3, it starts to earn revenue from selling electricity in the country.
- A4. Management assesses the terms of the legislation and concludes that:
 - (a) three types of economic benefit / activity are required by the legislation for the levy to be payable:
 - (i) meeting the global revenue condition in 20X0;
 - (ii) revenue earned from selling electricity in the country in 20X3; and
 - (iii) operating in the country on 1 January 20X4;
 - (b) the activity that triggers the payment of the levy is operating in the country on 1 January 20X4; and
 - (c) the economic benefit the government is seeking to levy is revenue earned from selling electricity in the country in 20X3.

Accounting treatment—IFRIC 21

A5. Applying IFRIC 21:

- (a) the past-event condition is met when the entity conducts the activity that triggers the payment of the levy; so
- (b) the entity would recognise on 1 January 20X4 a liability and expense for the levy it expects to pay on the revenue it earned in 20X3.

Accounting treatment—principle and presumption recommended in this paper

A6. Applying the principle and presumption recommended in this paper:

- (a) the past-event condition is met when the entity obtains the economic benefit the government is seeking to levy; so
- (b) the entity would accumulate a provision for the levy over the course of 20X3, as it earns revenue from selling electricity in that year.