IFRS Accounting

Staff paper

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IASB® meeting

Date	**February 2026**
Project	**Provisions—Targeted Improvements**
Topic	**Levies—Rebuttable or non-rebuttable presumption?**
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Purpose of 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. In Agenda Paper 22A *Levies—Application Requirements* for this meeting, the staff recommend supplementing the recognition criteria proposed in the Exposure Draft with application requirements that specify a principle and constraining presumption for recognising levies.

3. Assuming the IASB agrees with the staff recommendation, this paper discusses whether the presumption should be rebuttable in some circumstances.

4. We will not ask the IASB to make a decision on this matter at this meeting. However, comments from IASB members will help us develop recommendations for the IASB to decide on at a future meeting.

Contents of this paper

5. This paper:

   (a) reminds readers of the principle and constraining presumption recommended in Agenda Paper 22A (paragraph 7):

   (b) sets out ideas for a possible model for a rebuttable presumption (paragraphs 8–27); and

   (c) discusses the relative merits of a rebuttable and a non-rebuttable presumption (paragraphs 28–29).

6. A question for IASB members follows paragraph 29.

The principle and constraining presumption

7. The application requirements recommended in Agenda Paper 22A would specify when the past-event recognition condition is met for a levy. The 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.

A possible model for a rebuttable presumption

Why add a presumption?

8. Governments sometimes impose levies on entities that obtain a specific economic benefit or conduct a specific activity. The levies are imposed via legislation or another mechanism (levy legislation) that links the levy to an economic benefit an entity obtains or an activity it conducts at a specific time or over a specific (often 12-month) period—the 'levy year'.

9. The terms of levy legislation (the activities required by the legislation for the levy to be payable) typically reflect the government's policy objective for the levy (the economic benefit or activity the government is seeking to levy):

    (a) the levy is payable by an entity that (perhaps in addition to meeting other conditions) obtains the economic benefit or conducts the activity the government is seeking to levy; and

    (b) the metric (or one of the metrics) used to determine the amount each entity pays is a measure of the economic benefit the entity obtains, or the scale or duration of the entity's activity, in the levy year.

10. Accordingly, the economic benefit or activity the government is seeking to levy will typically be one of those required for the levy to be payable. A presumption to this effect would limit the options an entity needs to consider when applying the principle, making application easier and promoting consistent application.

Why consider making the presumption rebuttable?

11. In some (possibly quite rare) cases, the terms of the levy legislation do not align with the government's policy objective—none of the economic benefits or activities required for the levy to be payable is the same as the one the government is seeking to levy.

12. Such cases can arise if the activity the government is seeking to levy is difficult to measure directly and the government can achieve its policy objectives more simply, or collect the levy more quickly, by levying a proxy economic benefit or activity.

13. An example could be an annual levy a government imposes on large banks, with the objective of compensating society for the risks these banks pose to society. Banks pose this risk continuously throughout a levy year. However, in a stable banking system (where large banks rarely enter or leave the market or significantly change the scale or their operations), the government can achieve its policy objectives (charge the right banks the right amount) while minimising administrative complexity and collecting the levy promptly by:

    (a) levying only entities that are operating as large banks in the country *on the first day* of the levy year; and

    (b) calculating the amount each bank pays by reference the size of the liabilities it reported in its most recently published financial statements.

14. In this example:

    (a) the activity the government is seeking to levy (the risk a bank poses to society continuously *throughout* a levy year) would occur at a different time from the activity required by the legislation for the levy to be payable (operating as a large bank *on the first day of* the levy year).

    (b) a large bank could recognise a liability and expense for a levy in accordance with the principle only by rebutting the presumption that the activity the government is seeking to levy is one those required for the levy to be payable.

Possible conditions for rebutting the presumption

15. The aim of supporting the principle with a constraining presumption is to reduce the subjectivity of the application requirements for levies, thereby making application easier and promoting consistent application.

16. A *rebuttable* presumption would achieve this aim only if an entity's ability to rebut the presumption is restricted to circumstances in which the entity has reasonable and supportable information demonstrating that the activity the government is seeking to levy is different from any of those required by the legislation for the levy to be payable.

Condition 1—Evidence of the government's policy objective within the legislation

17. Accordingly, one possible condition for rebutting the presumption could be the existence of evidence within the legislation (or an accompanying government statement) of the activity the government is seeking to levy. That condition could be expressed:

    (a) tightly—requiring that the legislation (or accompanying government statement) *specifies* the activity the government is seeking to levy (the government's policy objective for the levy); or

    (b) more loosely—requiring that the legislation (or accompanying government statement) *indicates* through its terms or stated policy objectives that the activity the government is seeking to levy differs from any of the activities required for the levy to be payable.

18. The tighter version of the condition could be more effective in limiting the rebuttal of the presumption to cases where it is clearly justified. However, the tighter version might be unduly restrictive if levy legislation does not always include a statement specifying the government's policy objective.

Condition 2—Evidence that the required economic benefit or activity is an effective proxy

19. A second possible condition could be specified to support the first condition. This second condition could be the existence of reasonable and supportable evidence demonstrating that the government has been able to levy a proxy economic benefit or activity without significantly changing either:

    (a) the scope of the levy (the entities required to pay it); or

    (b) the relative amounts of levy payable by each entity.

20. For the fact pattern described in paragraph 13, such evidence could include information demonstrating that few large banks have entered or left the market in recent years or significantly changed the scale of their operations within a levy year.

21. The basis for this second condition would be that a government would levy an activity other than the one it is seeking to levy only in circumstances where it could substitute that proxy activity without significantly changing either the scope of the levy or the relative amounts payable by each entity.

One or both conditions?

22. Arguments could be made for specifying only the first condition, or for specifying both the first and second conditions:

    (a) specifying only the first condition would make the requirements simpler and could be sufficient, especially if that first condition is expressed tightly (as described in paragraph 17(a)); but

    (b) the second condition could be a means of sense-checking conclusions reached applying the first condition, and could be especially effective if the first condition is expressed more loosely (as described in paragraph 17(b)).

Whether to permit or require rebuttal if the conditions are met

23. The IASB would need to decide whether to permit or require an entity to rebut the presumption (where the conditions for rebuttal are met).

24. *Requiring* an entity to rebut the presumption (where the conditions for rebuttal are met) would impose more cost on preparers of financial statements. We expect that conditions for rebutting the presumption like those described in paragraphs 17–21 would be met for only a few levies. But a requirement to rebut the presumption (where the conditions for rebuttal are met) would require all entities to assess all their levies just to conclude that the conditions are not met in most (perhaps virtually all) cases. Entities operating in multiple jurisdictions might have to assess many levies, each with its own unique terms.

25. *Permitting (without requiring)* an entity to rebut the presumption (where the conditions for rebuttal are met) would impose less cost on preparers of financial statements. Most entities could ignore the possibility of rebuttal. An entity would need to consider the possibility only in the (possibly rare) cases where there is a clear disconnect between the terms of levy legislation and the government's policy objectives for levy.

26. However, permitting (without requiring) an entity to rebut the presumption would create a risk of diversity in practice—with entities paying the same levy recognising provisions and expenses for these levies at different times—impairing comparability.

27. The requirements of several other IFRS Accounting Standards include rebuttable presumptions—as described in the appendix to this paper. The requirements vary in whether and how they permit or require rebuttal (where any conditions for rebuttal are met)—possibly reflecting the varying purposes of the presumptions and the contexts in which they have been specified.

The relative merits of a rebuttable and a non-rebuttable presumption

Arguments for a rebuttable presumption

28. In favour of a rebuttable presumption, it could be argued that:

(a) the requirements would be more principle-based.

(b) the ability to rebut the presumption is necessary to ensure that every levy can be recognised in a way that faithfully represents the economics of the levy.

(c) although a rebuttable presumption would add more complexity for entities applying IAS 37 than a non-rebuttable presumption, the additional complexity could be minimised by permitting but not requiring rebuttal of the presumption (where the conditions for rebuttal are met). Entities could ignore all the requirements around rebuttal except in the (possibly rare) cases where the ability to rebut the presumption is important (where applying the presumption would clearly mis-represent the economics of a levy).

(d) although a rebuttable presumption would create a risk of diversity in practice in theory (as explained in paragraph 26), the risk would probably be low in practice. Robust conditions for rebuttal (like those described in paragraphs 17–21) would narrowly limit the range of levies for which the presumption could be rebutted. And our experience is that entities operating in a sector subject to a specific levy (especially a levy with the complex terms that might meet the conditions for rebuttal) seek a sector-wide consensus on an appropriate accounting policy for the levy and then all apply that policy. Levies can vary widely in their terms and preparers of financial statements have said they can communicate the effects of a specific levy to investors most easily if they adopt the same accounting policy for that levy as other entities in their sector.

Arguments for a non-rebuttable presumption

29. In favour of a non-rebuttable presumption, it could be argued that:

    (a) even if simplified as much as possible, requirements and conditions relating to rebutting the presumption would add significant complexity to the requirements in IAS 37. They would impose costs on all entities, requiring all preparers of financial statements to acquire an understanding of the rebuttal conditions, even though many preparers might never encounter a levy of a type that meets the conditions.

    (b) with a non-rebuttable presumption, there would be no risk of the loss of comparability that could result from permitting but not requiring entities to rebut the presumption (where the conditions for rebuttal are met).

    (c) the benefits of a rebuttable presumption could be marginal. We are aware of only a handful of cases where there is a clear disconnect between the terms of levy legislation (the activities required by the legislation for the levy to be payable) and the government's policy objective for the levy (the economic benefit or activity the government is seeking to levy). In each of these cases, the accounting treatment resulting from applying the presumption might not be perfect, but it would be the same as the current accounting treatment under IFRIC 21 *Levies*. Some entities subject to such levies have said that, although they generally disagree with the outcome of applying IFRIC 21, they have worked out how to apply it and get information to investors.

Question for IASB members

Rebuttable or non-rebuttable presumption?
Do you have any comments or questions on the matters discussed in this paper, including on: • whether the presumption should be rebuttable or non-rebuttable; • the conditions for rebutting the presumption; and • whether rebuttal should be permitted or required (where the conditions for rebuttal are met)?

Appendix—Rebuttable presumptions in other IFRS Accounting Standards

A1. This table describes examples of requirements in other IFRS Accounting Standards that include rebuttable presumptions. The numbers in the table are the paragraph numbers of the relevant requirements in those Standards.

Standard	Affected requirement	Presumption	Rebuttal conditions and consequences
IFRS 2 *Share-based payment*	10. Measure goods or services received from parties other than employees at the fair value of the goods and services unless this fair value cannot be estimated reliably.	13. The fair value of the goods and services can be measured reliably.	If the entity rebuts the presumption it is required to • measure the goods or services by reference to the fair value of the equity instruments granted • disclose the fact that it has rebutted the presumption and explain why.
IFRS 9 *Financial Instruments*	5.5.3. Measure a loss allowance for a financial asset at the lifetime expected credit loss if the credit risk has increased significantly since initial recognition of the asset.	5.5.11. The credit risk has increased significantly when contractual payments are more than 30 days overdue.	An entity can rebut the presumption if it has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly.

Standard	Affected requirement	Presumption	Rebuttal conditions and consequences
IFRS 9	5.5.9. Use the change in the risk of a default to assess whether the credit risk has increased significantly.	B5.5.37. Default will be defined to occur no later than when a financial asset is 90 days overdue.	The presumption exists unless the entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.
IFRS 9	6.3.7. An entity may designate a risk component of a financial instrument as a hedged item. The risk component must be separately identifiable and reliably measurable.	B6.3.13. Unless inflation risk is contractually specified it is not separately identifiable and reliably measurable and cannot be designated as a risk component.	In limited cases, it is possible to identify an inflation risk component that is separately identifiable and reliably measurable because of the particular circumstances of the inflation environment and the relevant debt market. [Examples in B6.3.14].
IFRS 18 *Presentation and disclosure in financial statements*	120–122. Disclose information about management-defined performance measures	119. A subtotal of income and expenses used in public communications meets the definition of a management-defined performance measure.	An entity is permitted to rebut the presumption only if it has reasonable and supportable information available that demonstrates that a subtotal does not meet the definition.

Standard	Affected requirement	Presumption	Rebuttal conditions and consequences
IAS 8 *Basis of Preparation of Financial Statements*	6E. Depart from a requirement in an IFRS Accounting Standard if compliance would be so misleading that it would conflict with the objective of financial statements set out in the *Conceptual Framework.*	6J(b). Compliance with the requirement would not be so misleading if other entities in similar circumstances comply with it.	6F. If an entity departs from a requirement in an IFRS Accounting Standard, it discloses information about the departure, the reasons for the departure, and the financial effects.
IAS 12 *Income Taxes*	51A. Measure a deferred tax asset or liability using the tax rate and tax base consistent with the expected manner of recovery or settlement of the carrying value of asset or liability to which it relates.	51C The carrying value of an investment property measured at fair value will be recovered entirely through sale.	The presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale.

Standard	Affected requirement	Presumption	Rebuttal conditions and consequences
IAS 28 *Investments in Associates and Joint Ventures*	2. The standard applies to investors with joint control of, or significant influence over, an investee.	5. If an entity holds 20% or more of the voting power of the investee, it is presumed to have significant influence. If it holds less than 20%, it is presumed not to have significant influence.	It can be clearly demonstrated that an entity holding 20% or more of the voting power does not have significant influence, or that an entity holding less than 20% does have significant influence.
IAS 38 *Intangible Assets*	97. Amortise the depreciable amount of an intangible asset using a method that reflects the pattern in which the asset's future economic benefits are expected to be consumed.	98A. An amortisation method based on the revenue generated using the intangible asset is inappropriate.	The presumption can be overcome only if either: • the intangible asset is expressed as a measure of revenue; or • it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Standard	Affected requirement	Presumption	Rebuttal conditions and consequences
IAS 40 *Investment Property*	33. An entity that chooses the fair value measurement model shall measure all its investment property at fair value, except those that the entity cannot reliably measure at fair value on a continuing basis.	53. An entity can reliably measure the fair value of an investment property on a continuing basis.	<u>Conditions</u> Exceptional cases, where there is clear evidence to the contrary when at the time of acquisition, ie when and only when the market is inactive and alternative reliable measurements of fair value are not available. <u>Consequences</u> Measure applying the cost model in IAS 16 *Property, Plant and Equipment* (owned property) or IFRS 16 *Leases* (leased property).
IAS 41 *Agriculture*	12. Measure a biological asset at fair value less costs to sell unless the fair value cannot be measured reliably.	30. The fair value of a biological asset can be measured reliably.	<u>Conditions</u> The presumption can be rebutted only on initial recognition of an asset for which quoted market prices are not available and for which alternative fair value measurements are clearly unreliable. <u>Consequences</u> Measure at cost until the value becomes reliably measurable.