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## IASB<sup>®</sup> meeting

Date           **February 2026**  
Project       **Provisions—Targeted Improvements**  
Topic         **Recognition—Transfer condition**  
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## 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 decisions on the **transfer** condition, which requires that ‘the nature of the entity’s obligation is to transfer an economic resource’.

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## Staff recommendations

5. 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, clarifying that:
  - (i) an obligation to exchange economic resources with another party combines an obligation to transfer an economic resource to that party with a right to receive another economic resource from that party;
  - (ii) the economic resource an entity receives could be one it will recognise as an asset (for example, goods) or an expense (for example, a service); and
  - (iii) for an entity to have an obligation to exchange economic resources with another party, transferring one economic resource to that party must give the entity a right to receive another economic resource from that party. It is not sufficient that transferring the economic resource to that party could lead to other forms of economic benefit for the entity.
- (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.

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## Contents of this paper

6. This paper:
- (a) provides an overview of:
    - (i) the present obligation recognition criterion proposed in the Exposure Draft and the transfer condition within that criterion (paragraphs 7–10); and
    - (ii) overall feedback on the proposed transfer condition (paragraphs 11–13);
  - (b) explains and analyses three matters raised by respondents:
    - (i) disagreement with the proposal to add an explicit transfer condition to the present obligation recognition criterion (paragraphs 14–23);
    - (ii) requests for a clearer explanation of the transfer condition (paragraphs 24–31); and
    - (iii) requests for application guidance on applying the transfer condition to asset decommissioning and environmental rehabilitation obligations (paragraphs 32–40) and levies (paragraphs 41–50).

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## Exposure Draft proposals (paragraphs 14I–14L)

7. The Exposure Draft proposes to update the wording of the present obligation recognition criterion in IAS 37, to align the wording with the definition of a liability in the IASB’s *Conceptual Framework for Financial Reporting* (*Conceptual Framework*).
8. Following the format of the *Conceptual Framework*, the Exposure Draft also proposes to identify and explain three separate conditions within the present obligation recognition 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.
9. Paragraphs 14I–14L of the Exposure Draft explain the proposed transfer condition:
  - (a) applying paragraph 4.37 of the *Conceptual Framework*, paragraphs 14I and 14J explain that, to meet the transfer condition, it need not be certain or even likely that the entity will be required to transfer an economic resource. It is necessary only that the obligation has the potential to require a transfer—for example, if a specified uncertain future event occurs.
  - (b) applying paragraph 4.38 of the *Conceptual Framework*, paragraph 14K notes that an obligation can meet the present obligation recognition criterion even if the probability of a transfer is low (but that a low probability of a transfer could mean the obligation does not satisfy other recognition criteria in IAS 37).
  - (c) drawing on paragraphs 4.39 and 4.57 of the *Conceptual Framework*, paragraph 14L explains that:

- (i) an obligation to exchange economic resources with another party is not an obligation to transfer an economic resource unless the terms of the exchange are unfavourable to the entity; and
  - (ii) accordingly, the obligations arising under an executory contract are not obligations to transfer an economic resource unless the contract is onerous.<sup>1</sup>
- 10. At present, IAS 37 does not explicitly identify the transfer condition within the present obligation recognition criterion. However, the condition is implicit in various existing IAS 37 requirements. For example:
  - (a) the existing definition of a liability applied in IAS 37 requires that the obligation is ‘expected to result in an outflow from the entity of resources embodying economic benefits’.<sup>2</sup>
  - (b) IAS 37 requires an entity to recognise a provision for an obligation arising under an executory contract only if that contract is onerous.<sup>3</sup> Other executory contracts are excluded from the scope of IAS 37.<sup>4</sup>
  - (c) IAS 37 states that that no provision is recognised for costs that need to be incurred to operate in the future.<sup>5</sup> An obligation to incur such costs would be an obligation to exchange, not transfer, economic resources (for example, to exchange cash for employee services).

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<sup>1</sup> Paragraph 4.39 of the *Conceptual Framework* lists examples of obligations whose nature is to transfer an economic resource. The examples include obligations to exchange economic resources with another party on unfavourable terms. Paragraph 4.57 explains that an executory contract establishes a combined right and obligation to exchange economic resources and that the combined right and obligation constitute a single asset or liability. The entity has an asset if the terms of the exchange are currently favourable; it has a liability if the terms of the exchange are currently unfavourable.

<sup>2</sup> Paragraph 10 of IAS 37.

<sup>3</sup> Paragraph 66 of IAS 37.

<sup>4</sup> Paragraph 1(a) of IAS 37.

<sup>5</sup> Paragraph 18 of IAS 37.

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## Overview of feedback

11. Many respondents—from all stakeholder groups and regions—expressed outright or broad agreement with the proposed amendments relating to the present obligation recognition criterion. Some of these respondents specifically welcomed the proposal to identify and explain separately the three conditions within the present obligation criterion. They said explicitly identifying the three conditions and explaining them separately in this way would provide a clearer framework for analysing obligations.
12. However, even respondents who expressed broad agreement with the proposed amendments to the present obligation recognition criterion overall went on to express concerns about, or suggest refinements to, aspects of amendments. Most of the concerns and suggestions related to the obligation condition (as discussed at the IASB's [December 2025 meeting](#)<sup>6</sup>) or the past-event condition (as discussed in Agenda Paper 22A *Levies—Application requirements* for this meeting). However, some concerns and suggestions related to the transfer condition.
13. The main concerns and suggestions relating to the transfer condition were:
  - (a) disagreement with the proposal to add an explicit transfer condition to the present obligation recognition criterion (see paragraphs 14–23);
  - (b) requests for a clearer explanation of the transfer condition (see paragraphs 24–31); and
  - (c) requests for application guidance on applying the transfer condition to asset decommissioning and environmental rehabilitation obligations (see paragraphs 32–40) and levies (see paragraphs 41–50).

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<sup>6</sup> IASB [December 2025 meeting Agenda Paper 22A Recognition—Legal obligations](#) and [Agenda Paper 22B Recognition—Constructive Obligations](#)

## Whether to add an explicit transfer condition to the present obligation recognition criterion

### *Introduction*

14. This section discusses comments on the proposal to add an explicit transfer condition to the present obligation recognition criterion.

### *Feedback from respondents to the Exposure Draft*

15. Only a few respondents commented specifically on the proposal to add an explicit transfer condition. Of those, some said they agreed with the proposal, and with the guidance proposed to help entities apply it. In explaining their agreement these respondents referred to:
- (a) the explanation of the distinction between transfers and exchanges, a distinction that one respondent described as critical; and
  - (b) the usefulness of the transfer condition in helping to explain the conclusions to some of the existing illustrative examples in the [proposed Guidance on implementing IAS 37](#). Respondents referred to Example 6 (Legal requirement to fit smoke filters), Example 7 (Staff retraining as a result of changes in the income tax system) and Example 11B (Refurbishment costs: legislative requirements).

In the fact patterns of each of these examples, the entity's obligation is to exchange, not transfer, economic resources. Respondents noted that, by referring to the failure to meet the transfer condition, the analysis proposed in the Exposure Draft clarifies why the conclusion in these examples (that no provision is recognised) differs from the conclusions in other fact patterns.

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16. In contrast, others—mainly European standard setters—said they disagreed with the proposal to add an explicit transfer condition to the present obligation recognition criterion. They expressed a view that adding this condition would unnecessarily increase the complexity of IAS 37:
- (a) one European standard setter noted that adding the transfer condition would have no effect on whether a provision is recognised. It noted that any obligation that fails the transfer condition (has *no* potential for a transfer) will automatically fail one of the other recognition criteria in IAS 37—namely the ‘probable transfer’ recognition criterion in paragraph 14(b) of IAS 37.
  - (b) a second European standard setter acknowledged that from a theoretical perspective transfer needs to be assessed twice (first in assessing the nature of the obligation and secondly in assessing the probable outcome). However, that standard setter took the view that assessing the possibility/probability of a transfer twice is unnecessarily complex.
  - (c) a third European standard setter argued that there is no need for the transfer condition because:
    - (i) obligations to exchange economic resources (those arising under executory contracts) are scoped out of IAS 37 except when the obligations are onerous and, consequently, meet the transfer condition; and
    - (ii) adding the transfer condition does not change the conclusions in any of the illustrative examples set out in the *Guidance on implementing IAS 37*.



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**Staff analysis**

17. The respondents who disagreed with adding an explicit transfer condition to IAS 37 did not disagree with the consequences of the condition (that the present obligation recognition criterion is met only if the nature of an obligation is to transfer an economic resource). Rather, they challenged the need to require entities to apply a transfer condition as an extra step in determining whether to recognise a provision. Respondents said they viewed that extra step as adding unnecessary complexity, given the other recognition criteria in IAS 37 and the exclusion of executory contracts from the scope of IAS 37.
18. However, the transfer condition is inherent in the definition of a liability and, hence, in the present obligation recognition criterion. As some respondents said (see paragraph 11), identifying the transfer condition separately from other conditions within the present obligation criterion allows for a more structured step-by-step approach to analysing whether (and why) the present obligation criterion is or is not met. And as other respondents said (see paragraph 15(b)), identifying an explicit transfer condition helps to clarify why no provision is recognised in some circumstances where an entity appears to have a present obligation.
19. It is true that the transfer condition is effectively redundant for the purpose of recognition decisions (any obligation that has *no* potential for a transfer automatically fails the ‘probable transfer’ recognition criterion). However, the transfer condition has an important role to play in disclosure decisions—if an obligation fails the ‘probable transfer’ criterion, the transfer condition must be considered in deciding what information to disclose about the obligation:

- (a) if the obligation meets the transfer condition (and the other conditions in the present obligation recognition criterion), the entity has a contingent liability and must apply requirements in IAS 37 for disclosing information about that contingent liability; whereas
  - (b) if the obligation fails the transfer condition, the entity has neither a liability nor a contingent liability. None of the disclosure requirements in IAS 37 apply.
- 20. A few respondents view the transfer condition as unnecessary because IAS 37 already has specific requirements for executory contracts. However, these existing requirements apply only to *contractual* obligations, not to other types of obligations to exchange economic resources—for example, statutory or constructive obligations. The transfer condition provides general requirements that can be applied to any type of obligation to exchange economic resources. Among other things, it clarifies why no provision should be recognised, or contingent liability disclosed, for such obligations—as illustrated in Example 15 (Climate-related commitments) in the proposed *Guidance on implementing IAS 37*.

### **Staff conclusions**

- 21. For the reasons set out in paragraphs 18–20, we conclude that:
  - (a) identifying an explicit transfer condition within the present obligation recognition criterion can help entities apply that criterion; so
  - (b) to respond to concerns about the adding complexity to IAS 37, the IASB should consider ways of simplifying and clarifying the condition—not withdraw the proposal to add it.

22. In the rest of this paper, we consider ways of clarifying the transfer condition—by improving the way it is explained (see paragraphs 24–31) and by adding implementation guidance for asset decommissioning and environmental rehabilitation obligations (see paragraphs 32–40) and levies (see paragraphs 41–50).

***Staff recommendation***

23. For the reasons set out in paragraphs 21–22, we recommend retaining the Exposure Draft proposal to add an explicit transfer condition to the present obligation recognition criterion in IAS 37.

***Question for the IASB*****Question 1—Adding an explicit transfer condition**

- Do you agree with the recommendation in paragraph 23?

## Requests for a clearer explanation of the transfer condition

### *Introduction*

24. This section considers requests for a clearer explanation of the transfer condition.

### *Feedback from respondents to the Exposure Draft*

25. A few respondents to the Exposure Draft requested a clearer explanation of the difference between an obligation to transfer an economic resource and an obligation to exchange economic resources. These respondents noted that the transfer condition uses the notion of ‘transfer’ in a way that is consistent with its use in the *Conceptual Framework* but is new to IFRS Accounting Standards, and so is difficult to understand. In other IFRS Accounting Standards, the term transfer can be used in the context of exchanges (two-way transfers) of economic resources.
26. Some respondents suggested ways of clarifying the explanation of the difference between an obligation to transfer an economic resource and an obligation to transfer economic resources. Suggestions included:
- (a) defining the terms ‘transfer’ and ‘exchange’ as they are used in IAS 37.
  - (b) adding to IAS 37 more of the explanation of the transfer condition as it is described in paragraphs 4.36–4.41 and 4.57 of the *Conceptual Framework* and explained in illustrative examples in the proposed *Guidance on implementing IAS 37*. These paragraphs and examples clarify that an obligation and right to exchange economic resources with another party combine an interdependent obligation to transfer one economic resource to that other party with a right to receive another economic resource from (or on behalf of) that party.

- (c) explaining the term ‘economic resource’ and specifically:
  - (i) including examples clarifying that an economic resource can encompass both resources recognised as assets and resources (such as services) recognised as expenses when received; and
  - (ii) explaining the need for the entity to receive a right to an economic resource, not just an expectation of other economic benefits.
- (d) explaining the interaction between the transfer condition and the measurement requirements in IAS 37:
  - (i) the transfer condition prevents the recognition of provisions for obligations to exchange economic resources—for example, obligations to pay for goods or services not yet received; but
  - (ii) it does not prevent the costs of such goods or services from being included in the measurement of other provisions that will be settled using those goods or services.

### **Staff analysis and conclusions**

- 27. Respondents’ requests for a clearer explanation of the transfer condition focused on the need for a fuller explanation of the difference between an obligation to transfer an economic resource and an obligation to exchange economic resources. This difference is explained in paragraph 4.57 of the *Conceptual Framework* but using relatively new concepts that have not yet been widely applied in IFRS Accounting Standards. Consequently, we think it could be helpful to include more of the explanation in IAS 37.
- 28. To address the questions raised by respondents, and drawing on paragraph 4.57 of the *Conceptual Framework*, we could expand paragraph 14L of the Exposure Draft, to clarify that:

- (a) an obligation to exchange economic resources with another party combines an obligation to transfer one economic resource to that party with a right to receive another economic resource from that party;
  - (b) the economic resource an entity receives could be one it will recognise as an asset (for example, goods) or an expense (for example, a service); and
  - (c) for an entity to have an obligation to exchange economic resources with another party, transferring one economic resource to that party must give the entity a *right* to receive another economic resource *from that party*. It is not sufficient that transferring the economic resource to that party could lead to other forms of economic benefit for the entity.
29. The Appendix to this paper sets out illustrative drafting for the additional explanation described in paragraph 28.
30. Respondents also asked for clarification of the interaction between the transfer condition and the measurement requirements in IAS 37. We think this interaction could be explained most simply via an illustrative example in the *Guidance on implementing IAS 37*, as discussed further in the next section.

### **Staff recommendation**

31. For the reasons set out in paragraph 27, we recommend 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, clarifying the matters explained in paragraph 28.

### **Question for the IASB**

#### Question 2—Transfer versus exchange

- Do you agree with the recommendation in paragraph 31?

## Asset decommissioning and environmental rehabilitation obligations

### *Introduction*

32. This section considers requests for application guidance on applying the transfer condition to asset decommissioning and environmental rehabilitation obligations.

### *Feedback from respondents to the Exposure Draft*

33. Some respondents—mainly preparers of financial statements—said they had been unable to reconcile the transfer condition proposed in the Exposure Draft with existing requirements in IAS 37 to recognise provisions for asset decommissioning and environmental rehabilitation obligations. Respondents' reasons varied:
- (a) some respondents said obligations to decommission assets or rehabilitate land seemed (or could be argued) to be obligations to exchange economic resources, not obligations to transfer an economic resource:
    - (i) some noted that the corresponding entry for an asset decommissioning provision is an addition to property, plant and equipment (PPE) in the statement of financial position, not an expense recognised in the income statement. They equated this increase in the carrying amount of an entity's assets with the receipt of an economic resource.
    - (ii) other respondents noted that rehabilitating land can produce economic benefits for an entity—the land might have greater amenity and potentially higher value. They said such economic benefits could be viewed as economic resources received in exchange for rehabilitating the land.

- (b) some respondents said that whether a decommissioning obligation meets the transfer condition might depend on how the entity will settle its obligation. They noted that an entity might engage a subcontractor to decommission an asset. They said that, until the subcontractor has carried out the decommissioning, the entity's obligation is an obligation to exchange economic resources (decommissioning services for cash) with the subcontractor, not an obligation to transfer an economic resource.
34. Several large accounting firms suggested that, to avoid unnecessary questions and misunderstandings, IAS 37 needs to clarify both:
- (a) why the transfer condition is met for asset decommissioning and environmental rehabilitation obligations (the existing obligation to society is different from any future obligation to subcontractors engaged to settle the obligation to society); and
- (b) why that conclusion is independent of the method of settling the obligation (whether the entity carries out the work itself or outsources it to a subcontractor).
35. The firms suggested these matters could be clarified by expanding the analysis of the transfer condition in Illustrative Examples 2 (Contaminated land) and 3 (Offshore oilfield) in the proposed *Guidance on implementing IAS 37*.

### **Staff analysis**

36. As some accounting firms noted, there is no tension between the proposed transfer condition and existing requirements in IAS 37 to recognise provisions for asset decommissioning and environmental rehabilitation obligations. Typically, if an entity has such an obligation:



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- (a) it has an obligation to society at large to transfer a resource (decommissioning or rehabilitation services) *without* receiving any economic resource from society in exchange for settling that obligation:
- (i) an entity obtains the right to use an item of PPE when it buys, leases or constructs that PPE. Typically, it will receive no new rights in exchange for settling an obligation to decommission the PPE at the end of its useful life. Any increase in the value of the land resulting from its rehabilitation is an increase in the value of the entity's existing rights over the land, not a new right received in exchange for decommissioning the asset.
  - (ii) a decommissioning provision is debited to the cost of the PPE because IAS 16 *Property, Plant and Equipment* requires PPE to be measured at an amount that includes all directly attributable costs—not because the entity has received a new economic resource.
- (b) the entity might subsequently incur a second obligation when it signs a contract to purchase the goods or services it needs to settle its obligation to society. That second obligation will be an obligation to exchange economic resources with the provider of the goods or services. However, that second obligation is assessed separately—when the entity recognises a decommissioning provision, it is recognising its first (transfer) obligation to society, not its second (exchange) obligation to the provider.
- (c) the entity measures the asset decommissioning or environmental rehabilitation provision at an amount that includes the expected costs of the goods or services the entity will need to purchase to settle the obligation. In including these costs, an entity is not recognising an obligation to the provider of the goods or services (an obligation that does not yet exist)—rather, it is measuring its obligation to society at an amount that reflects the expenditure it expects to incur to settle that obligation.

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37. Little of this analysis is spelled out in the Exposure Draft. The proposed *Guidance on implementing IAS 37* includes two examples illustrating asset decommissioning and environmental rehabilitation obligations: Example 2 (Contaminated land) and Example 3 (Offshore oilfield). However, in each of these examples, the analysis of the transfer condition explains only that:
- (a) the party to whom the entity owes an obligation is the government acting on behalf of society (Example 2) or the licensor (Example 3); and
  - (b) the transfer condition is met because the entity's obligation is to provide clean up services (Example 2) or oil rig removal and seabed restoration services (Example 3).
38. Expanding the analysis in one or both of Examples 2 and 3 to explain the points made in paragraph 36 could be a simple means of explaining both:
- (a) why obligations to decommission assets and rehabilitate land meet the transfer condition; and
  - (b) the relationship between the transfer condition and the measurement requirements in IAS 37 (as requested by some respondents—see paragraph 26(d)).
39. A simple environmental rehabilitation example could also be included in the application guidance discussed in paragraph 28. It could be used to help explain the point described in paragraph 28(c) that, for an entity to have an obligation to exchange economic resources with another party, it must have a right to receive an economic resource from that other party. The illustrative drafting set out in the Appendix to this paper includes a simple environmental rehabilitation example.

**Staff recommendation**

40. For the reasons set out in paragraphs 33–38, we recommend expanding examples in the *Guidance on implementing IAS 37* to clarify:
- (a) why asset decommissioning and environmental rehabilitation obligations meet the transfer condition; and
  - (b) the relationship between the transfer condition and the measurement requirements in IAS 37.

**Question for the IASB**

## Question 3—Asset decommissioning and environmental rehabilitation obligations

- Do you agree with the recommendation in paragraph 40?

## Levies

### ***Feedback from respondents to the Exposure Draft***

41. A few respondents to the Exposure Draft questioned whether an obligation for a levy meets the transfer condition. They said they had heard differing views about whether paying a levy involves:
- (a) a transfer of an economic resource—because an entity receives no new rights in exchange for paying the levy (a levy is a non-reciprocal charge); or
  - (b) an exchange of economic resources—because paying a levy gives an entity access to a market and hence is akin to paying for an operating licence.
42. Some respondents asked for further guidance on whether and why, or in what circumstances, an obligation for a levy meets the transfer condition. One respondent noted that the analysis of the levy examples the proposed *Guidance on implementing IAS 37* included a statement that the entity receives no economic resources in exchange for paying the levy, but did not explain how such a conclusion might be reached.

### ***Staff analysis***

43. The Exposure Draft uses the term ‘levy’ with the same meaning as that intended in IFRIC 21 *Levies*—that is, to refer to a non-reciprocal charge imposed by a government on an entity that receives specific benefits (for example, windfall profits) or conducts specific activities (for example, operates in a specific market).<sup>7</sup>

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<sup>7</sup> See paragraphs 4–5 of IFRIC 21. Paragraph 5 states that ‘a payment made by an entity for the acquisition of an asset, or for the rendering of services under a contractual agreement with a government, does not meet the definition of a levy.’

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44. Paying such a levy might be a *consequence* of exercising a right (for example, using a licence to operate as a bank in a specific jurisdiction). However, the fact that paying the levy (or, indeed, incurring any cost) is a consequence of exercising a right does not mean that the entity has gained that right *in exchange for* paying the levy (or incurring the cost). The entity already had the right before it paid the levy, and the levy legislation does not grant the entity any new rights. If levy legislation does not grant an entity any new rights in exchange for paying the levy, the obligation to pay the levy is an obligation to transfer an economic resource, not to exchange economic resources. General application guidance of the type described in paragraph 28 could help clarify this point.
45. A conclusion that an obligation to pay a levy is an obligation to transfer an economic resource is consistent with the way in which entities apply IFRIC 21 at present. Paragraph 3 of IFRIC 21 states that ‘entities should apply other Standards to decide whether the recognition of a liability to pay a levy gives rise to an asset or an expense’. In practice, entities applying IFRIC 21 recognise liabilities to pay levies as expenses, not as assets.
46. There are circumstances in which an entity makes a payment to acquire a right (a licence) to operate in a market—a reciprocal transaction. Such a payment would not usually be described as a levy. However, to be clear that any application requirements for levies do not apply to payments to acquire a right, IAS 37 could define a levy to include only non-reciprocal charges.
47. A possible definition would be:
- A *levy* is a non-reciprocal charge that a government imposes on entities that obtain a specific economic benefit or conduct a specific activity.

48. IAS 37 could also reproduce the definition of a government that is set out in IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* (and currently reproduced in paragraph 4 of IFRIC 21):

*Government* refers to government, government agencies and similar bodies whether local, national or international.

49. If IAS 37 defines a levy as a non-reciprocal charge, application requirements in IAS 37 for levies could include a clarification that an obligation for a levy would, by definition, meet the transfer condition.

### **Staff recommendations**

50. For the reasons set out in paragraphs 43–49, we recommend clarifying the implications of the transfer condition for levies by:
- (a) defining the term ‘levy’ to include only non-reciprocal charges; and
  - (b) stating within application requirements for levies that an obligation for a levy will, by definition, meet the transfer condition.

### **Questions for the IASB**

#### Question 4—Definition of a levy

- Do you agree with our recommendation to define the term ‘levy’ to include only non-reciprocal charges?

#### Question 5—Application of the transfer condition to levies

- Do you agree with our recommendation to state within application requirements for levies that an obligation for a levy will, by definition, meet the transfer condition?

## Appendix—illustrative drafting

A1. This appendix sets out possible drafting for the additional explanation recommended by the staff in paragraph 28 of this paper.

14L An obligation to exchange economic resources with another party (for example, to pay cash to another party in exchange for receiving goods or services from that other party) combines an obligation to transfer one economic resource to that party with a right to receive another economic resource from that party. The combined right and obligation constitute ~~is not~~ an obligation to transfer an economic resource ~~to that party unless~~ only if the terms of the exchange are unfavourable to the entity. Accordingly, the obligations arising under an executory contract ~~—for example, a contract to receive goods in exchange for paying cash—~~ are ~~not~~ obligations to transfer an economic resource ~~unless only if~~ the contract is onerous.

14LA For an entity to have an obligation to exchange economic resources with another party, transferring an economic resource to that other party must give the entity a right to receive an economic resource from the other party. It is not sufficient that transferring the economic resource to the other party could lead to other forms of economic benefit for the entity. For example, a statutory obligation to rehabilitate land would be an obligation to exchange economic resources if the statute granted an entity new rights over the land in exchange for rehabilitating it. It would not be sufficient that rehabilitating the land could increase the value of the entity's existing rights over the land or enhance the entity's reputation.