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## Emerging Economies Group meeting

Date	<b>June 2026</b>
Project	<b>Provisions—Targeted Improvements</b>
Topic	<b>Project update</b>
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## Purpose of this session

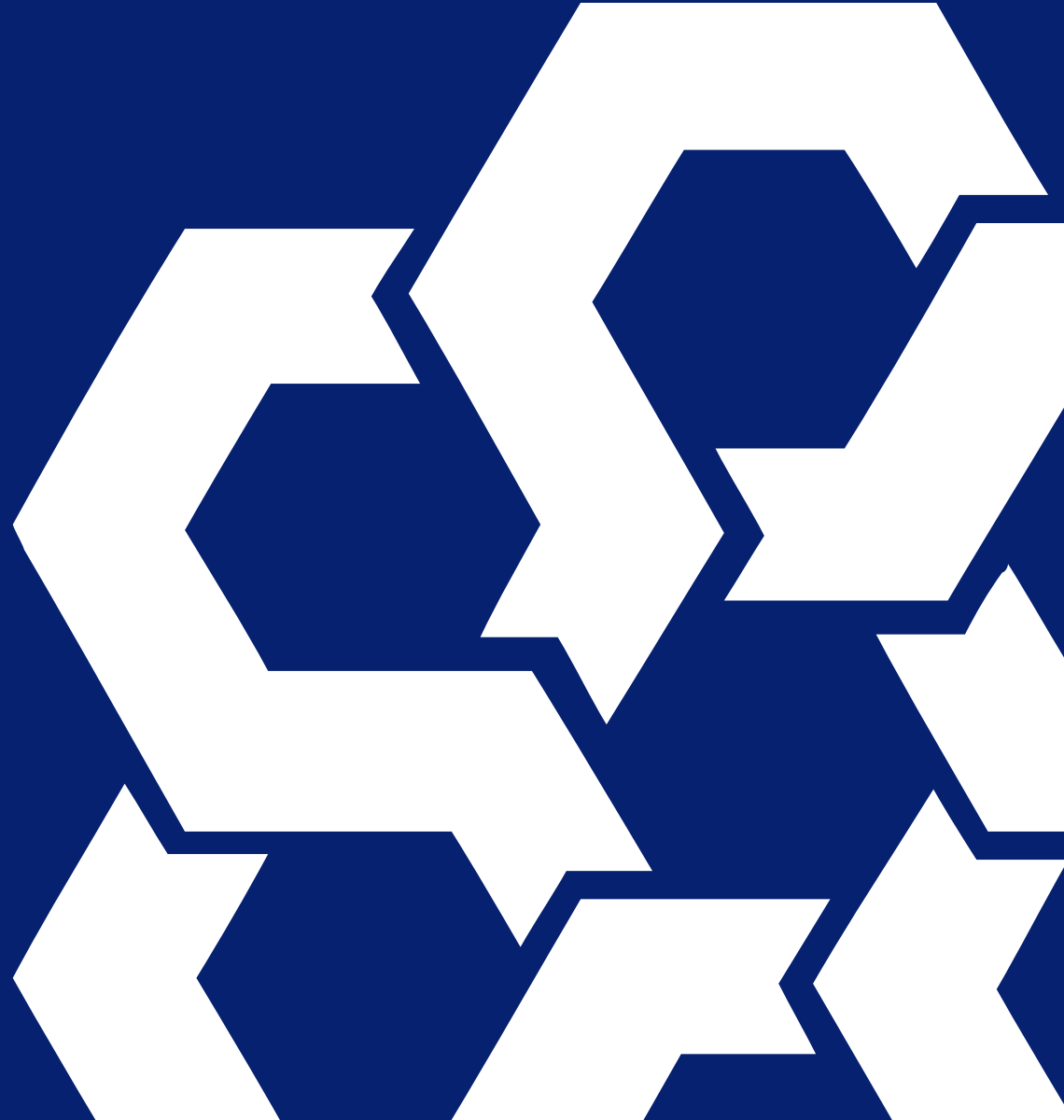
- To seek EEG members' views on the IASB's responses to feedback on the proposals in *Exposure Draft Provisions—Targeted Improvements*.
- These responses include tentative decisions to refine aspects of the proposals and to add further application requirements and guidance.

### Question for EEG members

Do you have any comments or questions on the tentative decisions summarised in this paper?

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# Background



# Proposals to amend IAS 37

## Exposure Draft

- published 12 November 2024
- comment period ended 12 March 2025



The Exposure Draft and all comment letters received are available on the [Provisions—Targeted Improvements](#) consultation page of the IASB website



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# Proposals to amend IAS 37

**1**

Clearer requirements on when to recognise a provision

- ✓ Using concepts from the *Conceptual Framework*.
- ✓ Resulting in earlier recognition of some provisions.
- ✓ Withdrawing IFRIC 21 *Levies*.

**2**

Explicit requirement on costs to include in the measure of a provision

- ✓ Aligning with the IASB's previous *Onerous Contracts—Cost of Fulfilling a Contract* amendment.

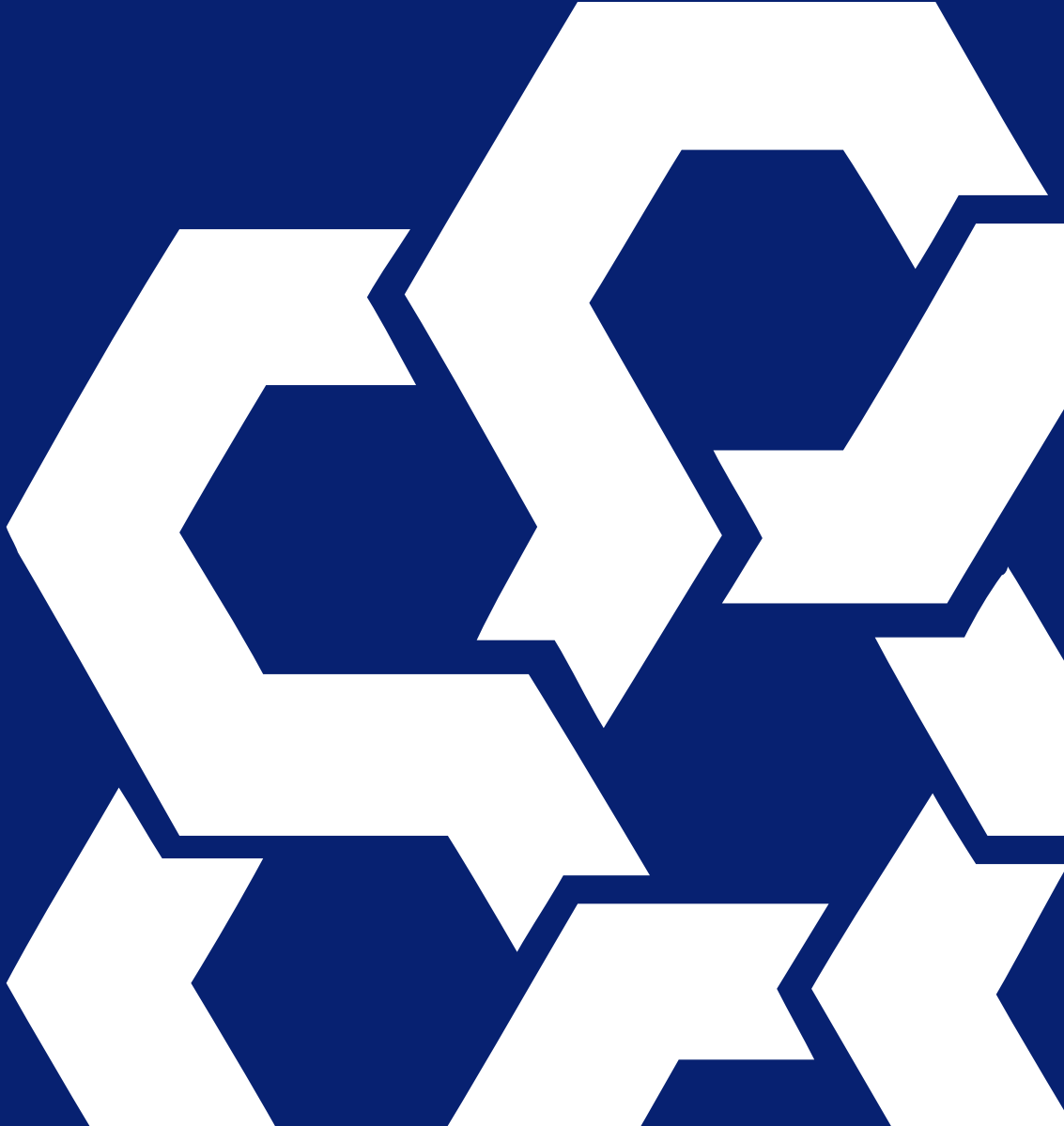
**3**

Tighter requirements for discount rates used in measuring long-term provisions

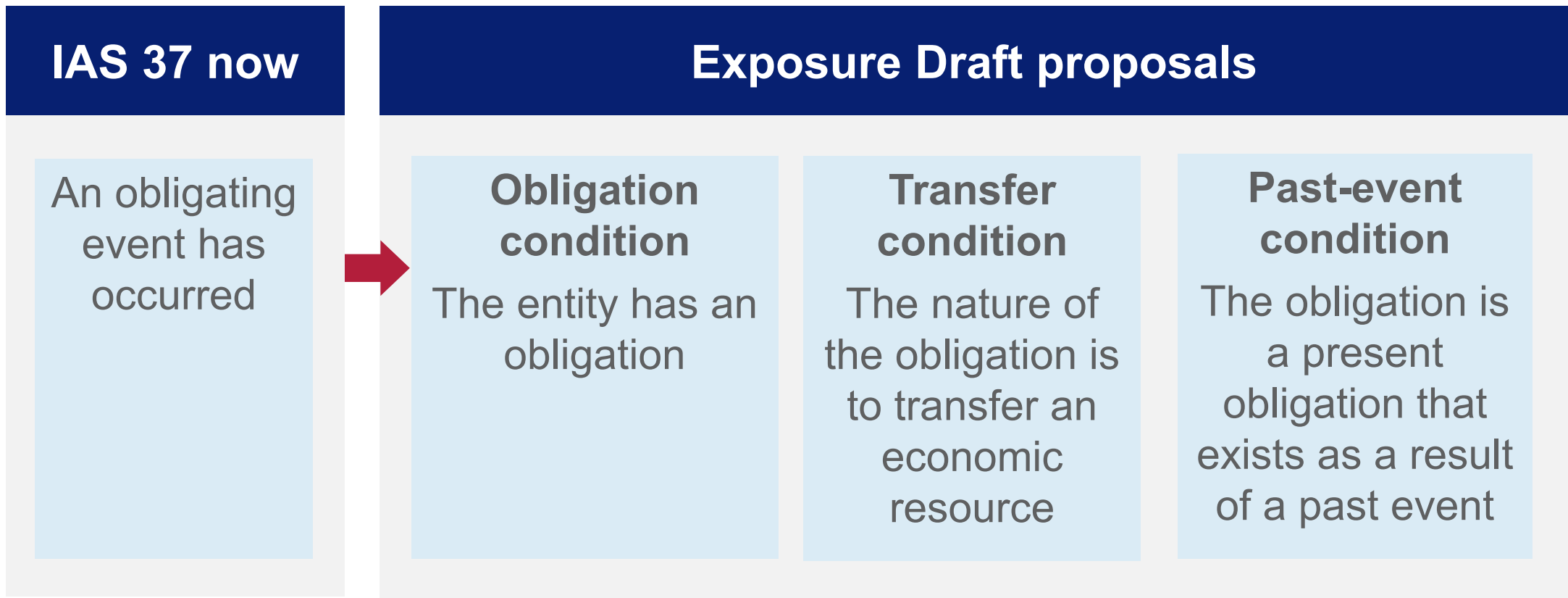
- ✓ Standardising the discount rate companies use to measure a provision.
- ✓ Increasing transparency around the discount rates companies use.

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## The Exposure Draft proposals and the IASB's tentative decisions



## Recognition—The three conditions



# Recognition—Obligation condition

## Exposure Draft proposals (par. 14B–14H)

The first condition is that the entity has an obligation—a responsibility the entity has no practical ability to avoid if it obtains a specific economic benefit or takes a specific action (**obligation condition**).

## The IASB's tentative decisions

In December 2025, the IASB tentatively decided to **refine the criteria** in the Exposure Draft for concluding that an entity has **no practical ability** to avoid discharging a legal responsibility.

14F An entity has no practical ability to avoid discharging a responsibility:

- (a) in the case of a legal obligation, if either the obligation is legally enforceable or:
  - (i) the other party has a legal right to ~~act~~ take another form of action against the entity if the entity fails to discharge the responsibility—for example, to [...] restrict the entity's access to economic benefits; and
  - (ii) 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 [...]

# Recognition—Transfer condition

## Exposure Draft proposals (par. 14I–14L)

The second criterion is that the nature of the entity's obligation is to transfer an economic resource (**transfer condition**).

The Exposure Draft proposed that an obligation to **exchange** economic resources is not an obligation to **transfer** an economic resource unless onerous (paragraph 14L).

## The IASB's tentative decisions

In [February 2026](#), the IASB tentatively decided:

- a. to explain more fully the difference between an obligation to **transfer** and an obligation to **exchange** economic resources:
  - 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).
  - iii. an entity has an obligation to exchange economic resources with another party only if transferring one economic resource to that party gives the entity a right to receive another economic resource from that party. It is not sufficient that transferring the economic resource to the other party could give rise to other forms of economic benefit for the entity (for example, enhanced reputation).

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# Recognition—Transfer condition

## The IASB's tentative decisions

In February 2026, the IASB tentatively decided:

- b. to **expand** Illustrative Examples 2 (Contaminated land) and 3 (Offshore oilfield) in the *Guidance on implementing IAS 37* to clarify why asset decommissioning and environmental rehabilitation obligations meet the transfer condition. An entity with such an obligation:
  - i. has an obligation to society to transfer a resource *without* receiving any economic resource in exchange;
  - ii. might subsequently incur a second obligation to exchange economic resources with a third party engaged to do the work; and
  - iii. measures the provision at an amount that includes the expected costs of doing that work.
- c. to clarify the implications of the transfer condition for **levies** by:
  - i. defining the term 'levy to include only non-reciprocal changes; and
  - ii. stating within application requirements for levies that an obligation for a levy will, by definition, meet the transfer condition.

# Recognition—Past-event condition and levies

## Exposure Draft proposals (par. 14M–14R)

The third condition is that the entity's obligation is a present obligation that exists as a result of a past event (**past-event condition**).

The Exposure Draft proposed that the condition is met when an entity (paragraph 14N):

- 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.

If there are 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 rest (paragraph 14Q).

## The IASB's tentative decisions

In [February 2026](#), the IASB tentatively decided to supplement the past-event condition with application requirements for levies that would specify:

- a. a **principle**—the economic benefit or action that meets the past-event condition is the economic benefit or activity the government is seeking to levy; and
- b. a **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.

## Next steps

At its May 2026 meeting, the IASB will discuss further details of the possible application requirements for levies—notably, whether the presumption should be rebuttable in some circumstances.

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# Measurement—Costs to include

## Exposure Draft proposals (par. 40A)

The Exposure Draft proposed to require an entity to measure a provision at the best estimate of the **expenditure required to settle the present obligation**.

The expenditure comprises:

- a. the **incremental costs** of settling that obligation;  
and
- b. an **allocation of other costs** that relate directly to settling obligations of that type.

## The IASB's tentative decisions

In December 2025, the IASB decided:

- a. to **restrict the scope** of the requirement—to obligations to transfer goods or services. This change will clarify that the requirement has no implications for whether and how an entity includes **ancillary costs** (such as legal fees) in measuring a provision that will be settled by paying cash.
- b. to add no application guidance or illustrative examples on the **types of costs** to include in measuring a provision.

# Measurement—Discount rates

## Exposure Draft proposals (par. 47–47A)

The Exposure Draft proposed:

- a. to specify that the discount rate(s) used to measure a provision should **exclude the effect of non-performance risk**.
- b. to require disclosure of the rate(s) used and the approach used to determine them.
- c. (for subsidiaries applying IFRS 19 *Subsidiaries without Public Accountability: Disclosure*) to require disclosure of the rate(s) used (but not the approach used) (Appendix B to the Exposure Draft).

## The IASB's tentative decisions

In September 2025, the IASB tentatively decided:

- a. to retain the proposals; and
- b. to add an exception to the initial measurement principle (fair value) in IFRS 3 *Business Combinations*.

Applying the exception, at the date of acquisition, provisions assumed in a business combination would be measured by applying IAS 37 (not at fair value). This would avoid **day-two adjustments**.

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## Next steps

The IASB to...	Target month
complete discussions on the possible application requirements for <b>levies</b>	May 2026
decide <b>project direction</b>	June 2026

## Question for EEG members

Do you have any comments or questions on the tentative decisions summarised in this paper?

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