
IASB[®] meeting

Date	June 2026
Project	Provisions—Targeted Improvements
Topic	Plan for completing redeliberations
Contacts	Joan Brown (jbrown@ifrs.org) Stefano Tampubolon (stampubolon@ifrs.org)

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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. Since September 2025, the IASB has been redeliberating the proposed amendments in the light of feedback from respondents to the Exposure Draft. The IASB has now discussed all the main matters raised by respondents and made tentative decisions on each of these matters.
3. Consequently, we are now at the point where we can review the IASB's tentative decisions to date and plan the completion of the redeliberations.
4. The purpose of this session is to inform the IASB of our plan and invite comments and questions from IASB members.

Contents of this paper

5. This paper contains:
 - (a) a reminder of key aspects of the Exposure Draft proposals (paragraph 7);
 - (b) an overview of:
 - (i) key messages in the feedback on the Exposure Draft (paragraphs 8–11);
and
 - (ii) the tentative decisions the IASB has reached in response to that feedback (paragraphs 12–13); and
 - (c) an outline of our plan for completing the redeliberations (paragraphs 14–26).
6. The question for IASB members follows paragraph 26.

Exposure Draft proposals

7. The Exposure Draft proposes targeted amendments 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).

The proposed amendments include identifying and explaining three conditions within that criterion—‘obligation’, ‘transfer’ and ‘past-event’ conditions—and withdrawing IFRIC 21 *Levies*.

- (b) the costs an entity includes in estimating the future expenditure required to settle an obligation.

The Exposure Draft proposes to specify that an entity includes both:

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

- (c) the rate an entity uses to discount that expenditure to its present value and the information it discloses about the rates used.

The Exposure Draft proposes:

- (a) to specify 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; and
- (b) to require entities to disclose the discount rates they have used and the basis for determining those rates.

Key messages in the feedback on the Exposure Draft

8. The key messages in the feedback on the Exposure Draft are set out in paragraphs 10–21 of [IASB June 2025 meeting Agenda Paper 22 Exposure Draft feedback—Overview](#) and summarised below.

Present obligation recognition criterion

9. Many respondents—from all stakeholder groups and regions—expressed outright or broad agreement with the proposed amendments to the present obligation recognition criterion. However:
- (a) of those who expressed only *broad* agreement, many suggested changes to specific aspects of the proposed requirements—most frequently aspects of the obligation and past-event conditions.
- (b) some—primarily European—respondents expressed such major concerns about aspects of the proposals that we classified them as disagreeing with the amendments as a whole. These respondents’ disagreement stemmed at least in part from their concerns about the consequences of the past-event condition for some levies—specifically, some bank levies and a business property tax that

depend in part on an action the entity takes before the year for which the levy is charged (the levy year).

The concerns led the respondents to suggest:

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

Costs to include

10. Most respondents agreed with the proposed requirement specifying the costs to include in measuring a provision. However, some respondents questioned the scope of the requirement, asking whether it would apply:
- (a) *only* in measuring expenditure an entity incurs in settling obligations to provide goods or services to a counterparty; or
 - (b) *also* to ‘ancillary’ expenditure (for example, legal fees) an entity incurs on its own behalf in settling obligations to pay cash to a counterparty (and if so, how it would apply).

Discount rates

11. Most respondents agreed with the proposals relating to discount rates. Respondents agreeing included all the users of financial statements and regulators commenting, almost all the accounting firms, national standard-setters and accountancy bodies commenting, and almost all the preparers of financial statements commenting. The few respondents disagreeing were mainly Canadian oil and gas companies, concerned that a requirement to apply the proposed discount rate—which is lower than the rate required by US Generally Accepted Accounting Principles—could put them at a competitive disadvantage relative to their US peers.

Tentative decisions the IASB has reached in response to the feedback

12. The IASB discussed the feedback on the Exposure Draft, and made tentative decisions in response to that feedback, at meetings between September 2025 and May 2026. The IASB *Updates* for these meetings record the IASB’s tentative decisions:

Table 1: Tentative decisions (with links to IASB *Updates*)

Month	Topics
September 2025	Discount rates—required rates, disclosure, consequential amendment to IFRS 3 <i>Business Combinations</i>
December 2025	Recognition—Obligation condition Measurement—Costs to include
February 2026	Recognition—Transfer condition Recognition—Application requirements for levies (initial model)
May 2026	Recognition—Application requirements for levies (refined model)

13. Table 2 below explains the most significant of the tentative decisions:

Table 2: Explanation of the most significant tentative decisions

Tentative decision	Rationale for the decision
(a) RECOGNITION—OBLIGATION CONDITION—LEGAL OBLIGATIONS	
<p>Refine the requirements for concluding that an entity has a legal obligation (no practical ability to avoid discharging a legal responsibility)—refining them such that:</p> <p>(a) it is sufficient that the counterparty can ask a court or another judicial body to force the entity to discharge the responsibility or to pay a penalty for failing to do so;</p> <p>(b) if this condition is met, the entity does not have to assess the economic consequences of failing to discharge the responsibility.</p>	<p>To avoid an unintended consequence of wording proposed in the Exposure Draft.</p> <p>Respondents noted that the proposed wording (which would have required an assessment of economic consequences in all cases) would have:</p> <p>(a) inappropriately narrowed the definition of a legal obligation; and</p> <p>(b) been unduly onerous to apply.</p> <p>See IASB December 2025 meeting Agenda Paper 22A Recognition—Legal obligations.</p>
(b) RECOGNITION—TRANSFER CONDITION	
<p>Explain more fully the difference between an obligation to transfer an economic resource and an obligation to exchange economic resources.</p> <p>Expand the asset decommissioning obligation examples in the <i>Guidance on implementing IAS 37</i> to clarify why such obligations meet the transfer condition.</p> <p>Define a ‘levy’ as a non-reciprocal charge and clarify that an obligation for a levy will, by definition, meet the transfer condition.</p>	<p>To clarify aspects of the transfer condition that some respondents found unclear, drawing on suggestions from other respondents on how to clarify those aspects.</p> <p>See IASB February 2026 meeting Agenda Paper 22C Recognition—Transfer condition.</p>

Tentative decision	Rationale for the decision
(c) RECOGNITION—PAST-EVENT CONDITION	
<p>Replace paragraph 14Q proposed in the Exposure Draft with application requirements for levies that specify that:</p> <p>(a) the past-event condition is met for a levy when an entity has obtained the economic benefit or conducted the activity required by the levy legislation for the levy to be payable (the relevant economic benefit or activity); and</p> <p>(b) if more than one economic benefit or activity is required for a levy to be payable, the relevant economic benefit or activity is the one that best reflects the economic benefit or activity the government is seeking to levy.</p>	<p>To address concerns that the requirement proposed in paragraph 14Q would be difficult to apply and would require entities to recognise provisions for some recurring annual levies before the levy year.</p> <p>The application requirements have been designed:</p> <p>(a) to apply the general requirement proposed in paragraph 14N of the Exposure Draft—avoiding creating exceptions to that general requirement;</p> <p>(b) to ensure all recurring levies are recognised in the levy year;</p> <p>(c) to lead to better accounting outcomes than IFRIC 21 in some cases, and the same (never worse) accounting outcomes in other cases; and</p> <p>(d) to simplify application, and reduce the risk of inconsistent application, by limiting the options for a ‘relevant’ economic benefit or activity to those required by the levy legislation for the levy to be payable.</p> <p style="text-align: right;">See IASB May 2026 meeting Agenda Paper 22A Application requirements for levies and Agenda Paper 22B Consequences for paragraph 14Q.</p>

Tentative decision	Rationale for the decision
(d) MEASUREMENT—COSTS TO INCLUDE	
<p>Retain the Exposure Draft proposal to specify the costs to include in the measure of a provision.</p> <p>Restrict the scope of this requirement to obligations to provide goods or services.</p>	<p>The proposal received widespread support.</p> <p>Restricting the scope avoids changing existing practices for ancillary costs (such as legal fees).</p> <p>See IASB December 2025 meeting Agenda Paper 22C Measurement—Costs to include.</p>
(e) MEASUREMENT AND DISCLOSURE—DISCOUNT RATES	
<p>Retain the proposals to require an entity:</p> <p>(a) to discount a provision at a rate that reflects the time value of money with no adjustment for the effect of non-performance risk; and</p> <p>(b) to disclose the rates it has used and the basis for determining those rates.</p>	<p>The proposals received widespread support.</p> <p>See IASB September 2025 meeting Agenda Paper 22A Discount rates—Required rates and Agenda Paper 22C Discount rates—Disclosure.</p>
(f) CONSEQUENTIAL AMENDMENTS TO OTHER STANDARDS	
<p>Add to IFRS 3 <i>Business Combinations</i> an exception to its initial measurement principle, such that provisions would be measured at the acquisition date in accordance with the requirements in IAS 37, instead of at fair value.</p>	<p>Responds to requests from respondents, to prevent the ‘day 2’ adjustments that would arise if a provision assumed in a business combination were measured:</p> <p>(a) at fair value (using a credit-adjusted discount rate) at the acquisition date; but</p> <p>(b) applying the requirements of IAS 37 (using a risk-free discount rate) subsequently.</p> <p>See IASB September 2025 meeting Agenda Paper 22B Discount rates—Interaction with IFRS 3.</p>

Plan for completing the redeliberations

14. Now that the IASB has made tentative decisions on the main matters raised by respondents to the Exposure Draft, we can plan the completion of the redeliberations.
15. Our plan reflects:
 - (a) the broadly positive feedback on the Exposure Draft proposals (paragraphs 8–11); and
 - (b) the steps the IASB has been able to take to address the main concerns respondents expressed about aspects of the proposals (Table 2 following paragraph 13).

Completing the technical decisions

16. Our plan for completing the technical decisions includes:
 - (a) asking the IASB to discuss feedback on aspects of the proposals it has not yet redeliberated (see paragraphs 17–18); and
 - (b) performing further testing of the draft application requirements for levies with a view to obtaining reassurance that these requirements would have no major unintended consequences (see paragraphs 19–25).

Proposals not yet redeliberated

17. The IASB has not yet redeliberated:
 - (a) a few details of the proposed past-event condition—for example, the requirements for threshold-triggered costs proposed in paragraph 14P of the Exposure Draft;
 - (b) proposed amendments to the decision tree and illustrative examples in the *Guidance on implementing IAS 37*; and
 - (c) the proposed transition requirements.

18. We expect to recommend refinements to the proposals listed in paragraph 17 in response to the feedback on them. However, the feedback does not indicate any major problems with these proposals. Consequently, we do not foresee any major new issues emerging when the IASB redeliberates them.

Further testing of the draft application requirements for levies

19. As explained in row (c) of Table 2 following paragraph 13, the IASB has tentatively decided to revise the Exposure Draft proposals by replacing paragraph 14Q in the Exposure Draft with application requirements for levies. The application requirements the IASB has tentatively decided on have been developed and refined over the course of several IASB meetings, and the work done to develop them has included:
- (a) repeated engagement with members of the IASB’s Accounting Standards Advisory Forum (ASAF);
 - (b) testing ideas against the fact patterns of various levies—including all the levies highlighted by respondents to the Exposure Draft; and
 - (c) preparation of indicative drafting.
20. Consequently, we are confident that these application requirements would resolve the main problems identified by respondents to the Exposure Draft, and meet the objectives outlined in the row (c) of Table 2 following paragraph 13.
21. However, as some ASAF members pointed out, we cannot be sure that the revised requirements would have no unintended consequences—either for levies with features we have not encountered, or for other obligations within the scope of IAS 37.

22. To obtain reassurance that there would be no major unintended consequences, we plan to consult IFRS specialists at the large accounting firms, inviting them:
- (a) to review the draft application requirements and illustrative examples set out in IASB May 2026 meeting [Agenda Paper 22C Provisions—Targeted Improvements—Indicative Drafting](#); and
 - (b) to let us know if they identify:
 - (i) any levies for which the draft application requirements could be problematic, or
 - (ii) any other possible unintended consequences of replacing paragraph 14Q in the Exposure Draft with the draft application requirements.
23. We think these specialists could identify any problems efficiently and effectively because:
- (a) through their firms’ networks and work with preparers of financial statements, they have a broad overview of the range of levies that arise in practice and the features of levies that typically give rise to accounting questions; and
 - (b) they have the expertise needed to assess reliably the operability and implications of the draft application requirements for the range of levies they see.
24. The specialists might also be able to offer suggestions to enhance the operability of the application requirements—for example, to eliminate any ambiguities or simplify the wording.
25. After receiving the feedback from the specialists, the IASB could consult the ASAF on any refinements suggested by the specialists. The IASB could then decide whether to refine aspects of the application requirements in the light of the feedback from the specialists.

Steps to be taken after completing technical decisions

26. When the IASB has completed its technical decisions on the amendments to IAS 37, it will perform the due process steps required by paragraph 6.26 of the [IFRS Foundation Due Process Handbook](#). These steps include:
- (a) conducting an overall assessment of the likely effects (benefits and costs) of the amendments;
 - (b) reviewing the adequacy of the due process followed in developing them; and
 - (c) assessing whether there is a need for re-exposure.

Question for the IASB

Plan for completing redeliberations

Do you have any questions or comments on our plan (described in paragraphs 14-26) for completing redeliberations on this project?