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## Accounting Standards Advisory Forum meeting

Date	March 2026
Project	Provisions—Targeted Improvements
Topic	Levies
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# Purpose of session

At this session, we will seek ASAF members' views on possible application requirements for levies.

Our questions for the ASAF focus on whether the presumption within the requirements should be rebuttable and, if so, in what circumstances.

The questions for the ASAF are on page 3.

## The possible requirements

At its February 2026 meeting, the IASB tentatively decided to add to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* application requirements for levies that would:

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

The IASB also discussed whether the constraining presumption should be rebuttable in some circumstances. The IASB will be asked to make a decision on this question at a future meeting.

## Questions for the ASAF

Question		<i>Refer to pages</i>
1	<p>Do you have views on:</p> <ul style="list-style-type: none"> <li>• whether the presumption described on page 7 should be rebuttable; and</li> <li>• if the presumption is rebuttable: <ul style="list-style-type: none"> <li>• what the conditions for rebuttal should be, and</li> <li>• whether rebuttal should be permitted or required?</li> </ul> </li> </ul>	12–16
2	<p>Are you aware of any levies imposed in your country or region that might meet the conditions for rebuttal described on page 13? If so, what are the details of these levies?</p>	13
3	<p>Do you have comments or questions on other aspects of the possible requirements?</p>	7–10

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This paper includes cross references to more detailed explanations in two other papers for this meeting:

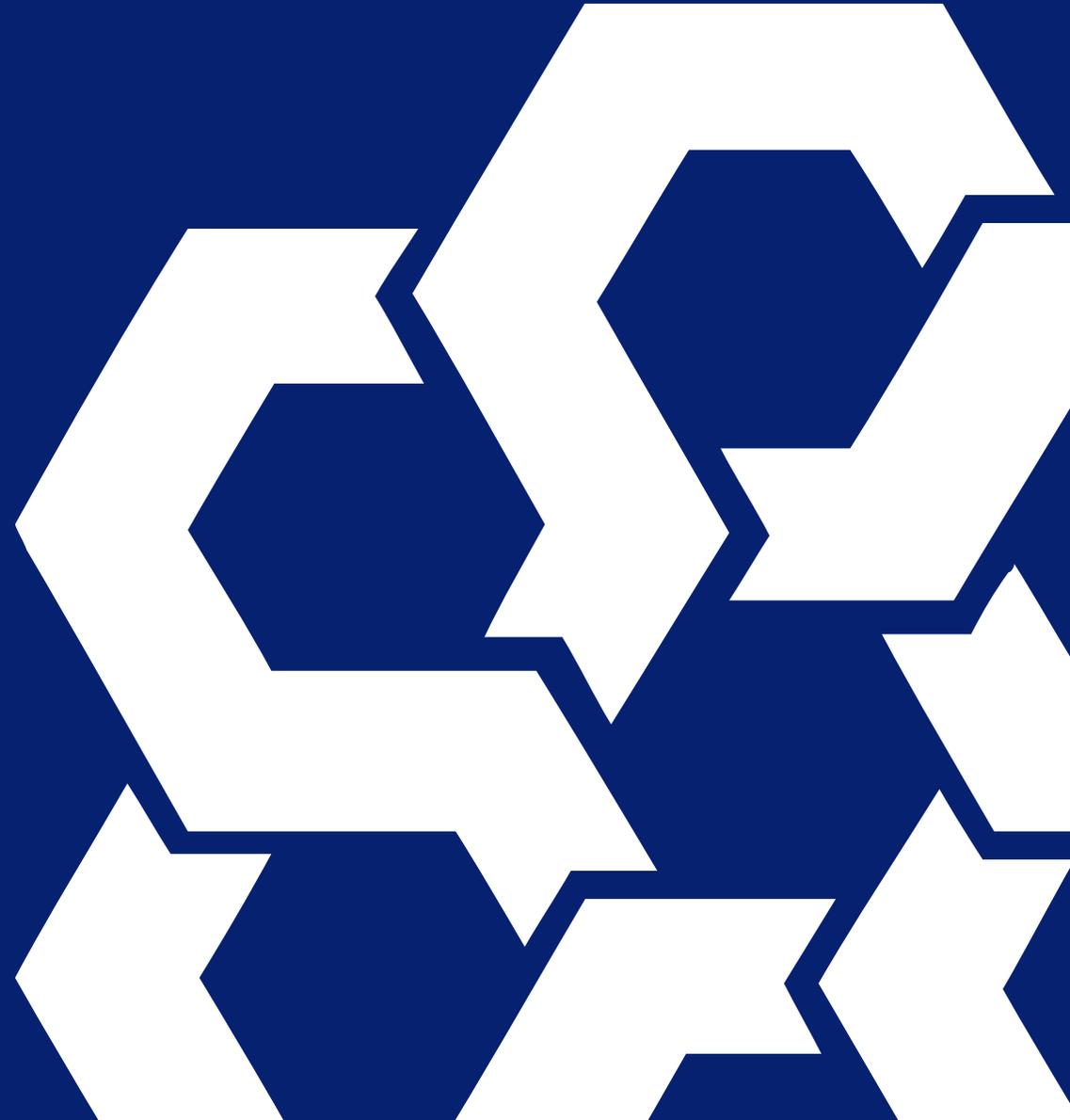
**AP7A** *Agenda Paper 7A Levies—Application requirements*

**AP7B** *Agenda Paper 7B Levies—Rebuttable or non-rebuttable presumption?*

These two other papers were prepared for discussion at the IASB’s February 2026 meeting. We are providing them to ASAF members for reference only.

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## Overview of the possible requirements



# Background

- [Exposure Draft Provisions—Targeted Improvements](#) proposes amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.
- Some respondents to the Exposure Draft expressed concerns about the implications of the proposed amendments for some levies.
- To address these concerns, we developed initial ideas for possible application requirements for levies. The IASB and [ASAF](#) discussed these ideas in Q4 2025:
  - IASB members cautioned against over-engineering the requirements and discussed whether and how requirements should reflect the government’s policy objective for a levy (not just the mechanics of the legislation imposing the levy).
  - ASAF members expressed concern about the complexity of the possible application requirements, some saying the requirements would not be an improvement on existing requirements in IFRIC 21 *Levies*.
  - some ASAF members suggested scoping levies out of IAS 37, developing a new standard for non-reciprocal transactions and retaining IFRIC 21 in the meantime. Others disagreed, saying they thought levies should be addressed by amending IAS 37.
  - an ASAF member suggested focusing requirements on the objective of the levy— ‘the activity the legislator is seeking to tax’.

AP7A  
paragraphs

9–14

15–18

19 – 29

# Key aspects of the possible requirements

AP7A paragraph 34

At its February 2026 meeting, the IASB tentatively decided to add to IAS 37 requirements for levies that would:

**Apply the general requirement** proposed in paragraph 14N of the Exposure Draft



**Specify a simple principle** for applying that general requirement to levies



Add a **constraining presumption** to reduce subjectivity

## General requirement

14N The past-event condition for recognising a provision 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.

## Application requirements for levies

### Principle

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

### 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.

## Rationale for the possible requirements

- 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—than developing a new IFRS Accounting Standard for levies and other non-reciprocal transactions.
- Investors receive the most useful information about the effects of a levy if an entity recognises these effects when it conducts the activity the government is seeking to levy.
- The activity the government is seeking to levy is very likely to be one of the activities required for the levy to be payable. Adding this presumption would reduce the subjectivity of the assessment, thereby making application easier and promoting consistent application.
- Further application guidance could be difficult to develop (because the terms of levies vary so much) and is probably unnecessary (because it is usually clear which of the activities required for a levy to be payable is the one the government is seeking to levy).
- 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 IFRIC 21. This slight additional complexity would be justified by the better outcomes in many cases.

AP7A paragraphs

30–33

35(a)–(d)

# Applying the possible requirements

1. A preparer of financial statements would start by assessing the terms of the levy legislation to identify the (one or more) economic benefits or activities required for the levy to be payable.

## Examples of activities required for a levy to be payable

- Generating revenue or profits in a specific period
- Conducting business activities in a specific period
- Operating in a market on a specific date
- Holding a specific asset or liability on a specific date

AP7A  
paragraphs  
36–39

+

Appendix to  
AP7A  
(illustrative  
example)

2. 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 benefit or conducts that activity.

## Levies recognised over time

- If the entity conducts the activity the government is seeking to levy over time, the present obligation accumulates, and the levy is recognised progressively, over that time (*per paragraph 14O of the Exposure Draft*).
- If the levy is payable only on activity that exceeds a threshold, the present obligation accumulates as the entity conducts activity that contributes to the total on which the levy will be assessed—both activity below and activity above the threshold. An entity recognises a provision as it conducts that activity if it is probable that it's activity will exceed the threshold and the amount of the obligation can be reliably estimated (*per paragraph 14P of the Exposure Draft*).

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# Implications of the possible requirements

The implications for practice would depend on the terms of the levy:

- if the activity the government is seeking to levy occurs before the activity that triggers the payment of the levy, a liability would be recognised before it is recognised at present applying IFRIC 21; whereas
- if the activity the government is seeking to levy also triggers the payment of the levy, a liability would be recognised at the same time as it is recognised at present applying IFRIC 21.

AP7A  
paragraphs  
40–42

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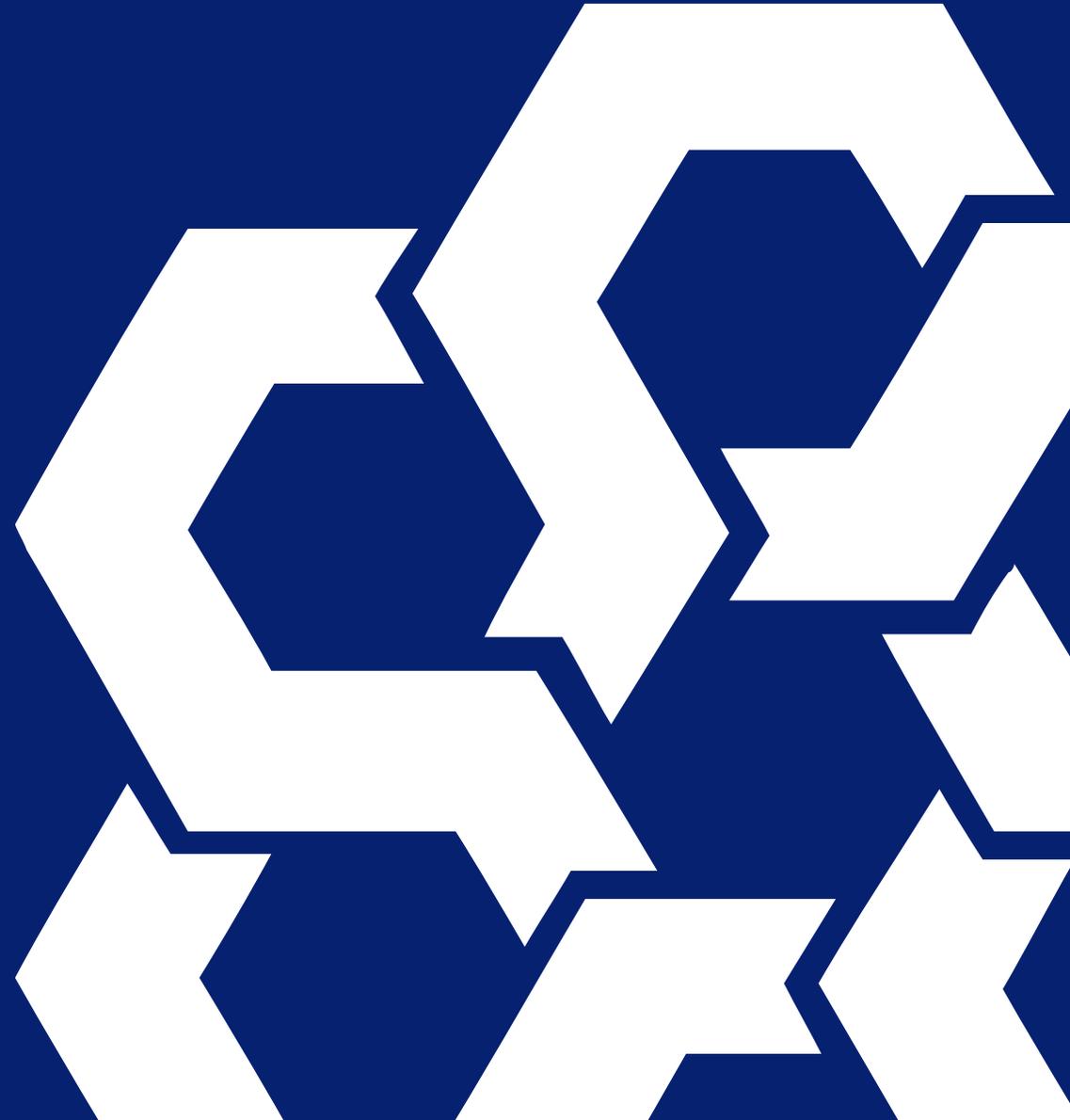
Appendix to  
AP7A  
(illustrative  
example)

The economic benefits or activities required for a levy to be payable are a matter of fact—identified by assessing the terms of the legislation. They are independent of the entity's circumstances.

Accordingly, we would expect all entities subject to a specific levy to identify the same economic benefits or activities.

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Rebuttable or non-rebuttable  
presumption?



# Why consider making the presumption rebuttable?

In some (possibly quite rare) cases, the terms of levy legislation do not align precisely with the activity the government is seeking to levy.

AP7B  
Paragraphs 8–14

## Illustrative example

A government imposes an annual levy on large banks, with a stated policy objective of compensating society for the risks these banks pose to society. Banks pose this risk continuously **throughout** a levy year. However, because the banking system is very stable (large banks rarely enter or leave the market or significantly change the scale of their operations within a levy year), the government can achieve its policy objective (charge the right banks the right amount), while minimising administrative complexity and collecting the levy sooner, by charging the levy only on entities operating as large banks **on the first day of** the levy year.

## Analysis

- The activity the government is seeking to levy (the risk a bank poses to society **throughout** a levy year) occurs 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).
- A bank could recognise a liability and expense for a levy in accordance with the principle described on page 7 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

Conditions for rebutting the presumption could be added to ensure that rebuttal would be limited to cases where there is reasonable and supportable information demonstrating that the activity the government is seeking to levy is different from any of those required for the levy to be payable.

## POSSIBLE CONDITION 1

**Evidence within the legislation of the activity the government is seeking to levy (the policy objective).**

This condition could be specified:

- a) tightly—by requiring that the legislation *specifies* the activity the government is seeking to levy; or
- b) more loosely—by requiring that the legislation *either specifies or indicates through its terms* the activity the government is seeking to levy.

## POSSIBLE CONDITION 2

**Evidence 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 amounts payable by each entity.**

In the example described on page 12, 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.

## One or both conditions?

- Specifying only Condition 1 would make the requirements simpler and could be sufficient, especially if that first condition is specified tightly.
- Specifying Condition 2 with Condition 1 could be a means of sense-checking conclusions reached applying Condition 1, and could make the conditions more robust, especially if Condition 1 is specified more loosely.

# Require or permit rebuttal?

If the presumption is rebuttable, it would be necessary to specify whether rebuttal is required or permitted (where the conditions for rebuttal are met)

## Requiring rebuttal

- would avoid a risk of diversity in practice, but
- would impose more cost on preparers of financial statements—all entities would need to assess all their levies just to conclude that the conditions are not met in most cases.

## Permitting (without requiring) rebuttal

- would impose less cost on preparers of financial statements because most entities could ignore the possibility of rebuttal, but
- could create a risk of diversity in practice, impairing comparability.

*Staff comment:* The risk of significant diversity in practice might be low. Robust conditions for rebuttal would narrowly limit the range of levies for which the presumption could be rebutted. Furthermore, in our experience, entities operating in a sector subject to a specific levy tend to seek a sector-wide consensus on an appropriate accounting policy for the levy and then all apply that policy, to aid communication to investors.

AP7B  
paragraphs 23–27

AP7B  
paragraph 28(d)

# Pros and cons: rebuttable vs non-rebuttable presumption

## In favour of a **rebuttable** presumption

### AP7B paragraph 28

- The requirements would be more principle-based.
- Every levy could be recognised in a way that faithfully represents the economics of the levy (the activity the government is seeking to levy).
- Although requirements relating to rebuttal would add some complexity to IAS 37, the costs for preparers could be minimised by permitting *without requiring* rebuttal (where the conditions for rebuttal are met). Preparers could ignore requirements relating to rebuttal except in the (possibly rare) cases where applying the presumption would clearly misrepresent the economics of a levy.

## In favour of a **non-rebuttable** presumption

### AP7B paragraph 29

- Even if simplified as much as possible, requirements relating to rebuttal would add complexity to IAS 37. All preparers of financial statements would have to acquire an understanding of these requirements, even though many of them might never encounter a levy of the type that meets the conditions for rebuttal.
- A non-rebuttable presumption would avoid the (perhaps low) risk of diversity in practice that could result from permitting but not requiring rebuttal of the presumption.
- 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 and the 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 accounting treatment under IFRIC 21. 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.

# Comments from IASB members

At its February 2026 meeting, the IASB discussed whether the presumption should be rebuttable, without being asked to make any decisions on this matter

## Non-rebuttable presumption

Most IASB members expressed a tentative preference for, or willingness to accept, a **non-rebuttable** presumption. They referred to:

- its simplicity and lower application costs
- the lower risk of diversity in practice and of unintended consequences
- evidence that the benefits of a rebuttable presumption could be marginal (as explained on page 15).

## Rebuttable presumption

Some IASB members expressed a tentative preference for, or a willingness to accept, a **rebuttable** presumption, on the grounds that an ability to rebut the presumption would be necessary to faithfully reflect the economics of some levies.

Most of these IASB members favoured permitting (not requiring) entities to rebut the presumption (where the conditions for rebuttable are met), to minimise application costs.

## Other comments

- An IASB member expressed a desire for more information on how many entities could benefit from a rebuttable presumption.
- An IASB member commented on the possible conditions for rebuttal (page 13), expressing a preference for specifying Condition 1 tightly and omitting Condition 2.

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