
IASB[®] meeting

Date	May 2026
Project	Provisions—Targeted Improvements
Topic	Cover paper
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB[®] *Update*.

Purpose of meeting

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 response to feedback on the Exposure Draft, the IASB is considering adding application requirements for levies to IAS 37. At its meeting in February 2026, the IASB made tentative decisions on a model for possible application requirements.
3. The purpose of this meeting is to make further tentative decisions necessary to complete the model.

Contents of this paper

4. This paper contains:
 - (a) a reminder of:
 - (i) key aspects of the Exposure Draft proposals (paragraphs 5–6); and
 - (ii) aspects the IASB has already redeliberated and the tentative decisions it has reached to date (paragraphs 7–8 and the appendix);
 - (b) an introduction to the papers for this meeting (paragraphs 9–15); and
 - (c) a summary of planned next steps (paragraph 16).

Exposure Draft Proposals

5. 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 criterion); and
 - (b) two aspects of the requirements for measuring a provision—those relating to:
 - (i) the costs an entity includes in estimating the future expenditure required to settle an obligation; and
 - (ii) the rate an entity uses to discount that future expenditure to its present value.
6. The proposed amendments to the present obligation criterion include identifying three conditions within that criterion—‘obligation’, ‘transfer’ and ‘past-event’ conditions.

Tentative decisions to date

7. The IASB has been redeliberating the proposals in the Exposure Draft since September 2025. Its tentative decisions to date are set out in the appendix to this paper.
8. Notably, at its February 2026 meeting, the IASB tentatively decided to supplement the past-event condition proposed in the Exposure Draft with application requirements for levies. The model for these requirements would:
 - (a) *specify a principle*—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
 - (b) *support this principle with a constraining presumption*—the economic benefit or activity the government is seeking to levy will be one of those required by the levy legislation¹ for the levy to be payable.

Matters for discussion at this meeting

9. At this meeting, we will ask the IASB to make further tentative decisions necessary to complete the model for the possible application requirements for levies.

¹ In this paper, the term 'levy legislation' refers to the legislation or other legal mechanism a government uses to impose a levy on entities.

Agenda Paper 22A Application requirements for levies

10. Agenda Paper 22A asks the IASB to decide on details of the application requirements. The staff recommend:
- (a) making the constraining presumption non-rebuttable; and
 - (b) expressing the resulting application requirements as:
 - (i) *a general requirement*—the past-event condition is met when an entity has obtained the economic benefit or conducted the activity required by levy legislation for a levy to be payable (the relevant economic benefit or activity); and
 - (ii) *a supporting principle*—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.

Agenda Paper 22B Consequences for paragraph 14Q

11. Agenda Paper 22B asks the IASB to decide whether to revise an aspect of the general requirements proposed in the Exposure Draft as a consequence of adding the application requirements for levies.
12. Specifically, it asks the IASB to decide whether to refine or omit the requirement proposed in paragraph 14Q of the Exposure Draft. Paragraph 14Q proposes that if a requirement to transfer an economic resource is a consequence of taking two or more separate actions, the past-event condition is met when the entity has taken any of the actions and has no practical ability to avoid the remaining actions.
13. The staff recommend omitting from IAS 37 the requirement proposed in paragraph 14Q of the Exposure Draft.

Agenda Paper 22C Indicative drafting

14. Agenda Paper 22C provides an indication of the way we could draft application requirements for levies, and supporting illustrative examples, that reflect:
 - (a) the recommendations in Agenda Paper 22A for this meeting; and
 - (b) tentative decisions the IASB made at its meeting in February 2026. At that meeting, the IASB decided to:
 - (i) define the term ‘levy’ to include only non-reciprocal charges; and
 - (ii) state within the application requirements for levies that an obligation for a levy will, by definition, meet the transfer condition.

15. IASB members will not be asked to approve the drafting at this meeting and there are no questions for the IASB in Agenda Paper 22C.

Next steps

16. If the IASB makes the tentative decisions required to complete the model at this meeting, it will be asked at a future meeting to decide the project direction, including whether to undertake further work before making a final decision on the possible application requirements.

Appendix—Tentative decisions to date

A1. This appendix sets out the tentative decisions the IASB has reached to date in its redeliberations on this project, as reported in the [IASB Updates](#).

Topic	Meeting date	Tentative decisions
Recognition		
Recognition—Legal obligations	December 2025	<p>The IASB tentatively decided to revise the criteria proposed in the Exposure Draft for concluding that an entity has no practical ability to avoid discharging a legal responsibility. The revised criteria would require that either:</p> <ul style="list-style-type: none"> a. the counterparty have a right to ask a judicial body to force the entity to discharge the responsibility or to pay a penalty or compensation for failing to do so; or b. the counterparty have a right to take another form of action against the entity for failing to discharge the responsibility and, 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. <p>All 12 IASB members agreed with this decision. In reaching this decision, the IASB tentatively decided:</p> <ul style="list-style-type: none"> a. that an entity’s practical ability to avoid discharging a responsibility represents a high hurdle; and b. to retain the word ‘significantly’ in the proposal in paragraph 14F of the Exposure Draft. <p>Ten of 12 IASB members agreed with decision (a). Eleven of 12 IASB members agreed with decision (b).</p> <p style="text-align: right;"><i>(continues on next page)</i></p>

Topic	Meeting date	Tentative decisions
Recognition— Legal obligations	December 2025	<p><i>(continued from previous page)</i></p> <p>The IASB also tentatively decided:</p> <ul style="list-style-type: none"> a. to add no application guidance on how to assess the economic consequences of failing to discharge a responsibility; and b. to make no changes to the requirements in IAS 37 that apply to proposed new laws that have yet to be finalised. <p>All 12 IASB members agreed with decision (a). Eleven of 12 IASB members agreed with decision (b).</p>
Recognition— Constructive obligations	December 2025	<p>The IASB tentatively decided:</p> <ul style="list-style-type: none"> a. to retain the criterion proposed in the Exposure Draft for concluding that an entity has no practical ability to avoid discharging a constructive responsibility— not to add a reference to the economic consequences of failing to discharge the responsibility; and b. to add no further guidance on the factors to consider in determining whether an entity’s public statement of its climate-related commitments creates a constructive obligation to fulfil these commitments. <p>Eleven of 12 IASB members agreed with decision (a). All 12 IASB members agreed with decision (b).</p>

Topic	Meeting date	Tentative decisions
Recognition— Transfer condition	February 2026	<p>The IASB tentatively decided:</p> <ul style="list-style-type: none"> a. to retain the proposal to add an explicit transfer condition to the present obligation recognition criterion in IAS 37. b. to explain more fully the difference between an obligation to transfer an economic resource and an obligation to exchange economic resources, by clarifying that: <ul style="list-style-type: none"> 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. c. to expand examples in the <i>Guidance on implementing IAS 37</i> to clarify: <p style="text-align: right;"><i>(continues on next page)</i></p>

Topic	Meeting date	Tentative decisions
Recognition— Transfer obligations	February 2026	<p><i>(continued from previous page)</i></p> <ul style="list-style-type: none"> i. why asset decommissioning and environmental rehabilitation obligations meet the transfer condition; and ii. how the transfer condition relates to the measurement requirements in IAS 37. <p>d. to clarify the implications of the transfer condition for levies by:</p> <ul style="list-style-type: none"> i. defining the term ‘levy’ to include only non-reciprocal charges; and ii. stating within the application requirements for levies that an obligation for a levy will, by definition, meet the transfer condition. <p style="text-align: center;">All 13 IASB members agreed with these decisions.</p>
Recognition— Application requirements for levies	February 2026	<p>The IASB tentatively decided to supplement the ‘past-event’ condition proposed in the Exposure Draft with application requirements for levies. Those application requirements would:</p> <ul style="list-style-type: none"> a. specify a principle—namely, that the economic benefit or action that meets the past-event condition for a levy is the economic benefit or activity the government is seeking to levy; and b. support this principle with a constraining presumption—namely, 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. <p style="text-align: center;">All 13 IASB members agreed with this decision.</p>

Topic	Meeting date	Tentative decisions
Measurement—discount rates		
Discount rates—Required rates	September 2025	<p>The IASB tentatively decided:</p> <ol style="list-style-type: none"> a. to retain the proposal to require an entity to discount a provision at 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; b. to add no application guidance to IAS 37 on how an entity determines an appropriate risk-free discount rate; c. to clarify in IAS 37 that the best estimate of the expenditure required to settle an obligation is not reduced to reflect the effect of non-performance risk; and d. to add no requirements on the use of real or nominal discount rates in measuring a provision. <p>All 12 IASB members agreed with these decisions.</p>
Discount rates—Interaction with IFRS 3 Business Combinations	September 2025	<p>The IASB tentatively decided to add to IFRS 3 an exception to its initial measurement principle that:</p> <ol style="list-style-type: none"> a. applies to provisions (other than contingent liabilities) within the scope of IAS 37; and b. requires an acquirer to measure these provisions at the acquisition date in accordance with the measurement requirements in IAS 37, instead of at their acquisition date fair values. <p>All 12 IASB members agreed with this decision.</p>

Topic	Meeting date	Tentative decisions
Discount rates—Disclosure	September 2025	<p>The IASB tentatively decided:</p> <ul style="list-style-type: none"> a. to retain the proposal to require an entity applying IAS 37 to disclose: <ul style="list-style-type: none"> i. the discount rate(s) used in measuring a provision; and ii. the approach used to determine the rate(s); b. to add no further disclosure requirements to IAS 37; and c. to retain the proposals: <ul style="list-style-type: none"> i. to require subsidiaries applying IFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i> to disclose the discount rate(s) used in measuring a provision; but ii. not to require them to disclose the approach used to determine the rate(s). <p>All 12 IASB members agreed with these decisions.</p>

Topic	Meeting date	Tentative decisions
Measurement—costs to include		
Measurement—Costs to include	December 2025	<p>The IASB tentatively decided:</p> <ul style="list-style-type: none"> a. to retain the proposed requirement that the expenditure required to settle an obligation comprise the costs that relate directly to the obligation, which consist of both: <ul style="list-style-type: none"> i. the incremental costs of settling that obligation; and ii. an allocation of other costs that relate directly to settling obligations of that type; b. to restrict the scope of the requirement described in (a) to obligations to transfer goods or services, and to clarify that the requirement applies to the measurement of those goods or services; c. not to add a requirement for an entity to disclose whether and how it includes ancillary costs in measuring a provision; and d. to add no application guidance or illustrative examples on the types of costs to include in measuring a provision. <p>All 12 IASB members agreed with decisions (a) and (d). Eleven of 12 IASB members agreed with decisions (b) and (c).</p>