
IASB[®] meeting

Date **May 2026**
Project **Provisions—Targeted Improvements**
Topic **Consequences for paragraph 14Q**
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Session overview

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.
4. This paper 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.
5. 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.

6. 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.

Staff recommendations

7. The staff recommend omitting from IAS 37 the requirement proposed in paragraph 14Q of the Exposure Draft.

Contents of this paper

8. This paper contains:

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9. The staff recommendation is in paragraph 38. The question for the IASB follows that paragraph.

Background information

Requirement proposed in paragraph 14Q

10. As explained in more detail in paragraph 14 of Agenda Paper 22A *Application requirements for levies*:
- (a) paragraph 14N of the Exposure Draft specifies the ‘past-event’ condition for recognising a provision. It states that the past-event condition is met when an entity:
 - (i) has obtained specific economic benefits or taken a specific action; and
 - (ii) as a consequence, will or may have to transfer an economic resource it would not otherwise have had to transfer.
 - (b) paragraph 14Q of the Exposure Draft proposes that if the 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.
11. Paragraph 14Q of the Exposure Draft derives from paragraph 4.32 of the *Conceptual Framework for Financial Reporting (Conceptual Framework)*, which states that:
- 4.32 In some situations, an entity’s duty or responsibility to transfer an economic resource is conditional on a particular future action that the entity itself may take. Such actions could include operating a particular business or operating in a particular market on a specified future date or exercising particular options within a contract. In such situations, the entity has an obligation if it has no practical ability to avoid taking that action.

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12. Paragraph 14Q is applied in two ways in the Exposure Draft:
- (a) in determining the proposed accounting treatment for levies (see paragraphs 13–17); and
 - (b) in explaining why the proposed amendments to IAS 37 do not change existing IAS 37 requirements for restructuring provisions (see paragraphs 18–22).

Application of paragraph 14Q in determining the proposed accounting treatment for levies

Application in the Exposure Draft

13. The main application of paragraph 14Q in the Exposure Draft is in specifying how to apply the past-event condition to levies. Examples 13A and 13B in the [Exposure Draft of proposed amendments to the *Guidance on implementing IAS 37*](#) involve fact patterns in which an entity is required to pay a levy only if it conducts two separate activities. The analysis in each of these examples refers to paragraph 14Q of the Exposure Draft in explaining that the past-event condition is met when the entity has conducted the first activity and has no practical ability to avoid the second activity.

Possible revisions to the Exposure Draft proposals

14. At its February 2026 meeting, the IASB [tentatively decided](#) to add application requirements for levies to IAS 37 and to define the term ‘levy’ to include only non-reciprocal charges. The [staff paper](#)¹ for that meeting suggested a possible definition:

A *levy* is a non-reciprocal charge that a government imposes on entities that obtain a specific economic benefit or conduct a specific activity.

¹ February 2026 IASB meeting [Agenda Paper 22C Provisions—Targeted Improvements—Recognition—Transfer condition](#)

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15. In Agenda Paper 22A for this meeting, the staff recommend that the application requirements for levies comprise:
- (a) *a general requirement*—the past-event condition is met when an entity has obtained the economic benefit or conducted the activity required by levy legislation² for a levy to be payable (the relevant economic benefit or activity); and
 - (b) *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.

Consequences of these revisions for paragraph 14Q

16. Paragraph 25 of Agenda Paper 22A explains the similarities and differences between these application requirements and the general requirements proposed in paragraph 14N and 14Q of the Exposure Draft. It explains that:
- (a) the same type of economic benefit or activity meets the past event condition—meaning the application requirements are consistent with paragraph 14N of the Exposure Draft; but
 - (b) the outcomes may differ if more than one economic benefit or activity is required for a levy to be payable—creating a possible tension between the application requirements and paragraph 14Q of the Exposure Draft:

² In this paper, the term 'levy legislation' refers to the legislation or other legal mechanism a government uses to impose a levy on entities.

	Exposure Draft proposals	Possible application requirements for levies
Action that meets past-event condition	Economic benefit or activity required by levy legislation for a levy to be payable. (Paragraph 14N)	Economic benefit or activity required by levy legislation for a levy to be payable. =
Which economic benefit / activity if more than one?	The first one to occur, if the entity has no practical ability to avoid the others. (Paragraph 14Q)	The one that best reflects the economic benefit or activity the government is seeking to levy .

17. When we have discussed the possible application requirements for levies with stakeholders, some stakeholders have asked whether and how the IASB would resolve any possible tension between these application requirements and the requirement proposed in paragraph 14Q of the Exposure Draft.

Use of paragraph 14Q in explaining the proposed requirements for restructuring provisions

18. A secondary use of paragraph 14Q in the Exposure Draft is in explaining why the amendments to IAS 37 would not change its existing requirements for restructuring provisions—or in other words, why these existing application requirements are consistent with past-event condition proposed in the Exposure Draft.
19. The application requirements for restructuring costs are set out in paragraphs 72 and 80 of IAS 37:

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- (a) paragraph 72 requires that an entity:
- (i) has a detailed formal plan for the restructuring; and
 - (ii) has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.
- (b) paragraph 80 restricts the costs included in the provision to those that are:
- (i) necessarily entailed by the restructuring; and
 - (ii) not associated with the ongoing activities of the entity.
20. In explaining why these requirements are consistent with the proposed past-event condition, the Basis for Conclusions accompanying the Exposure Draft explains that:
- BC50 ...
- (c) the obligations [for restructuring costs] are present obligations (meaning the past-event condition is met) only if the requirement to pay the restructuring costs is a consequence of the entity:
 - (i) having obtained specific economic benefits or taken a specific action in the past—for example, having employed and obtained services from employees in the past; and
 - (ii) having no practical ability to avoid a second specific action required to trigger the payments—for example, making these employees redundant—because it has no practical ability to avoid the restructuring.
- BC51 ... The requirements in IAS 37 are such that for a provision to be recognised, it is necessary that the entity has announced or started to implement a restructuring plan, and thus has no practical ability to avoid the restructuring. It is also necessary that the costs included in the provision arise from the entity having taken a specific action or obtained specific benefits in the past—for example, having employed and obtained services from employees in the past. This requirement is reflected in paragraph 80 of IAS 37, which requires entities to exclude from a restructuring provision costs associated with the ongoing activities of the entity.

21. Although this explanation does not refer explicitly to paragraph 14Q, it relies on the logic of that paragraph—if a requirement to transfer an economic resource is a consequence of taking two or more separate actions (for example, employing people and then making them redundant), the past-event condition is met when the entity has taken any of the actions (employing people) and has no practical ability to avoid the remaining actions (making them redundant).
22. Accordingly, in making any revisions to paragraph 14Q, the IASB will need to consider the consequences for the IAS 37 requirements for restructuring provisions.

Staff analysis

Reasons for revising paragraph 14Q

23. Any tension between the general past-event condition in IAS 37 and specific application requirements for levies could create application difficulties, especially in cases where it is unclear which of the requirements should take precedence—for example, where it is unclear whether a charge imposed on an entity:
 - (a) meets the definition of a levy; or
 - (b) is sufficiently levy-like in nature that the application requirements for levies could be applied by analogy.
24. The application difficulties could place stress on the definition of a levy, leading to debates about whether that definition encompasses various levy-like charges—for example, some charges arising from pollutant pricing mechanisms and other forms of environmental legislation.

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25. These application difficulties could be avoided by either:
- (a) Option 1—refining paragraph 14Q to remove any tension between that paragraph and the application requirements for levies (see paragraphs 26–31);
or
 - (b) Option 2—omitting paragraph 14Q entirely (see paragraphs 32–37).

Option 1—refine paragraph 14Q

Possible refinement

26. The first possible solution could be to refine paragraph 14Q to remove any tension between that paragraph and the application requirements for levies. This outcome could be achieved by:
- (a) specifying that paragraph 14Q is applied *after* the ‘relevant’ economic benefit or activity has been identified; and
 - (b) wording paragraph 14Q using wording more like that of the paragraph of the *Conceptual Framework* from which it derives (see paragraph 11).
27. Accordingly, paragraph 14Q would apply if:
- (a) an entity has obtained the relevant economic benefit or taken the relevant action required to meet the past-event condition (applying 14N or the application requirements for levies); but
 - (b) the entity’s obligation to transfer an economic resource remains ‘conditional on a particular future action the entity itself may take’.
28. Paragraph 14Q could specify the past-event condition is met only if the entity has no practical ability to avoid that future action.

Consequences for the application requirements for levies

29. The application requirements for levies could explain that paragraph 14Q would apply in cases where the relevant economic benefit or activity (the one that best reflects the economic benefit or activity the government is seeking to tax) is not the last activity required for the levy to be payable. In such cases, the past-event condition would be met when an entity has obtained the relevant economic benefit or conducted the relevant activity only if the entity has no practical ability to avoid obtaining the remaining economic benefit(s) or conducting the remaining activity or activities.
30. An illustrative example could be included in the *Guidance on implementing IAS 37*. A possible fact pattern could be that illustrated in Example 2—*An energy windfall levy* in Agenda Paper 22C *Indicative drafting*. In this example, the conclusion would be that the past-event condition is met as the company earns revenue from selling energy in the specified country over the course of 20X3 only if it has no practical ability to avoid operating in that country on 1 January 20X4.

Consequences for the basis for conclusions on restructuring costs

31. If refined as described in paragraphs 26–28, paragraph 14Q would remain available to explain why the amendments to IAS 37 would not change its existing requirements for restructuring provisions. We would need to argue that the relevant economic benefit or activity satisfying the past-event condition for a restructuring cost (for example, employee termination benefits) is the first activity required that cost to be payable (for example, receiving employee services). It would then be possible to argue that the announcement or start of implementation of a restructuring plan is sufficient to demonstrate that the entity has no practical ability to avoid the future action (for example, making employees redundant) that will trigger the payment of the restructuring cost.

Option 2—omit paragraph 14Q

32. An alternative possible solution would be to omit paragraph 14Q entirely. The reasons for considering this option are that:
- (a) if refined as described in paragraphs 26–28, the requirement in paragraph 14Q would have limited practical effect (see paragraph 33); so
 - (b) including the requirement in IAS 37 would not be necessary to maintain consistency with the *Conceptual Framework* and omitting it would avoid adding unnecessary complexity to IAS 37 (see paragraph 34).
33. If refined as described in paragraphs 26–28, the requirement in paragraph 14Q could have a limited practical effect because of the nature of the obligations to which it would apply, and the effects of other recognition criteria in IAS 37:
- (a) the requirement would prevent recognition of a provision only if:
 - (i) an entity had obtained a relevant economic benefit or taken a relevant action (the one for which the counterparty is seeking a transfer);
 - (ii) at that time, the requirement to transfer an economic resource remained conditional on a future action of the entity; and
 - (iii) the entity had the practical ability to avoid that future action.
 - (b) it is unlikely that the combination of criteria set out in paragraph 33(a) will be met often, due to the nature of the obligations affected. Paragraph 14Q is most likely to apply to levies and levy-like obligations. The terms of such obligations are typically such that, if an entity has obtained an economic benefit or conducted an activity a government or other authority is seeking to charge, the entity is unlikely to have the practical ability to avoid any further actions that will trigger the payment of the charge (for example, the further activity required to trigger the payment of the levy in Example 2—*An energy windfall levy* in Agenda Paper 22C.)

- (c) some obligations will meet the combination of criteria set out in 33(a). However, in these cases, the ‘probable transfer’ recognition criterion in paragraph 14(b) of IAS 37 is likely to prevent recognition of a provision—the requirement in paragraph 14Q would not be needed to achieve that outcome. For example, suppose a government imposes a levy on gains in the value of real estate arising from a change in its permitted use, but the levy is payable only if and when the real estate is sold or redeveloped for the new permitted use. An entity would have the practical ability to avoid paying the levy only if its business model does not rely on it selling or redeveloping the real estate. However, in such a case, the business model would also support a conclusion that payment of the levy is not probable—the obligation would fail the probable transfer recognition criterion, and the entity would disclose a contingent liability instead of recognising a provision.
34. It could be argued that, if the requirement in paragraph 14Q would have little practical effect, including it in IAS 37:
- (a) is not necessary to maintain consistency with the *Conceptual Framework*; and
 - (b) would simply add unnecessary complexity to the Standard. Throughout the development of the proposed amendments to IAS 37, stakeholders have urged us to avoid adding unnecessary complexity to IAS 37, to avoid unnecessarily increasing the compliance burden on preparers of financial statements.
35. There may be types of obligations we are not aware of that could be affected by the absence of the paragraph 14Q requirement. However, we think that the principles underlying the application requirements for levies would provide a reasonable basis for determining an appropriate accounting policy for such obligations—preparers of financial statements reasonably could, and would, apply these application requirements by analogy.

Consequences for the basis for conclusions on restructuring costs

36. If paragraph 14Q is omitted from IAS 37, it would no longer be available to explain why the amendments to IAS 37 would not change its existing requirements for restructuring provisions.
37. However, an alternative explanation could be that:
- (a) the ‘relevant’ action that meets the past-event condition for a restructuring cost is the implementation of a restructuring plan that triggers the payment of that cost;
 - (b) the requirements in paragraph 72 of IAS 37 are a practical means of identifying the point of implementation and ensuring that all the costs of the restructuring are recognised at the same time (providing useful information to users of financial statements); and
 - (c) the requirements in paragraph 80 ensure that the provision includes only obligations that meet the transfer condition. By excluding obligations ‘associated with the ongoing activities of the entity’, paragraph 80 excludes obligations to exchange (as opposed to transfer) economic resources.

Staff recommendation

38. For the reasons in paragraphs 32–37, we recommend omitting from IAS 37 the requirement proposed in paragraph 14Q of the Exposure Draft.

Question for the IASB**Paragraph 14Q**

Do you agree with the recommendation in paragraph 38?