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**IASB<sup>®</sup> meeting**

Date	<b>May 2026</b>
Project	<b>Provisions—Targeted Improvements</b>
Topic	<b>Indicative drafting</b>
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**Purpose of paper**

1. This paper 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 *Application requirements for levies*:
  - (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.<sup>1</sup>
2. The drafting in this paper is for indicative purposes only, to help clarify the implications of the staff recommendations in Agenda Papers 22A for this meeting. IASB members will not be asked to approve the drafting at this meeting and there are no questions for the IASB in this paper.

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<sup>1</sup> As explained further in February 2026 IASB meeting [Agenda Paper 22C Provisions—Targeted Improvements—Recognition—Transfer condition](#).

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3. The application requirements could be added to the ‘Application of the recognition and Measurement Rules’ section of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. They would supplement the requirements proposed in [Exposure Draft: \*Provisions—Targeted Improvements—Proposed amendments to IAS 37\*](#):
- (a) red underlined text—is used for the application requirements discussed in paragraph 1 above; and
  - (b) black underlined text—is used for other matters that could be clarified in application requirements for levies.
4. The illustrative examples could be added to the *Guidance on implementing IAS 37*. They would replace Illustrative Examples 12–13C proposed in [Exposure Draft: \*Provisions—Targeted Improvements—Proposed amendments to Guidance on implementing IAS 37\*](#). For ease of reading, the text of the possible new illustrative examples is not underlined.

The annotations in blue boxes are for readers of this paper. They would not be included in IAS 37 or in the *Guidance on implementing IAS 37*.

## Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

The application requirements drafted below would supplement the requirements proposed in [Exposure Draft: Provisions—Targeted Improvements—Proposed amendments to IAS 37](#).

### Definitions

10 The following terms are used in this Standard with the meanings specified:

...

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

A *government* is a government, government agency or similar body whether local, national or international.

#### Definition of levy

See paragraphs 41–47 of [February IASB meeting Agenda Paper 22C](#)

#### Definition of government

Consistent with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* and IFRIC 21 *Levies*

### Application of the recognition and measurement rules

#### Future operating losses

[Paragraphs 63–65]

#### Onerous contracts

[Paragraphs 66–69]

#### Restructuring

[Paragraphs 70–83]

## Levies

83A In this Standard, the term *levy* is used to refer to a charge that:

- (a) a government imposes on entities that obtain a specific economic benefit (for example, revenue or a gain in the value of their real estate) or conduct a specific activity (for example, operating in a specific market sector or locality or holding specific assets); and
- (b) is non-reciprocal—the entities receive no new rights from the government in exchange for paying the charge.

### Meaning of non-reciprocal

See paragraph 44 of [February IASB meeting Agenda Paper 22C](#)

83B A provision for a levy is recognised when the general recognition criteria set out in paragraph 14 are met. Paragraphs 83C–83J explain how to apply the first of these criteria—the present obligation recognition criterion—to levies.

### **Applying the present obligation recognition criterion**

83C The present obligation recognition criterion (specified in paragraph 14A) comprises three conditions—an obligation condition (specified in paragraphs 14B–14H), a transfer condition (specified in paragraphs 14I–14L) and a past-event condition (specified in paragraphs 14N – 14P).

83D Typically, a responsibility to pay a levy meets the obligation condition. Typically, the terms of the legislation or other mechanism imposing a levy (the levy legislation) are such that an entity has no practical ability to avoid paying the levy if it obtains the economic benefit or conducts the activity required by the levy legislation for the levy to be payable.

83E By definition, a levy is a non-reciprocal charge, meaning that the nature of the entity's obligation is to transfer an economic resource (to pay a levy) without receiving an economic resource (any new rights) from the government in exchange. Therefore, an obligation for a levy always meets the transfer condition.

**Explanation of transfer condition**

See paragraph 49 of [February IASB meeting Agenda Paper 22C](#)

83F Consequently, questions about whether an entity's obligation for a levy meets the present obligation recognition criterion typically focus on when the obligation meets the past-event condition (specified in paragraphs 14N–14P). Paragraphs 83G–83K set out how to determine when an obligation for a levy meets the past-event condition.

**Applying the past-event condition**

83G An entity's obligation for a levy becomes a present obligation that exists as a result of a past event when:

(a) the 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

**General requirement**

Per recommendation in paragraph 7(b)(i) of Agenda Paper 22A for this meeting

(b) as a consequence, the entity will or may have to pay a levy it would not otherwise have had to pay. (Paragraph 14N)

83H If more than one economic benefit or activity is required by levy legislation 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.

**Supporting principle**

Per recommendation in paragraph 7(b)(ii) of Agenda Paper 22A for this meeting

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83I If the relevant economic benefit or activity is obtained or conducted over time, the past-event condition is met, and the resulting present obligation for the levy accumulates, over that time. (Paragraph 14O)

83J In some cases, an entity has an obligation to pay a levy only if the relevant economic benefit or activity in a period exceeds a specific threshold. In such cases:

- (a) the past-event condition is met as the entity obtains the relevant economic benefit or conducts the relevant activity that contributes to the total for the period;
- (b) at any date within the period, the entity's present obligation is a portion of the total levy the entity expects to pay for the period—the portion attributable to the economic benefit obtained or activity conducted to that date;
- (c) the entity recognises a provision if the recognition criteria in paragraphs 14(b) and 14(c) are met—that is, if:
  - (i) it is probable that the relevant economic benefit or activity will exceed the threshold and the entity will be required to pay a levy; and
  - (ii) a reliable estimate can be made of the amount the entity will pay. (Paragraph 14P)

## Illustrative Examples

The examples in this section illustrate the application requirements for levies set out in paragraphs 83G – 83J.

Examples like these could be added to the *Guidance on implementing IAS 37*. They would replace Examples 12 and 13A–13C proposed in [Exposure Draft: Provisions—Targeted Improvements—Proposed amendments to Guidance on implementing IAS 37](#).

The purpose of the examples is to illustrate when an obligation for a levy meets the past-event condition for recognising a provision.

In each of the examples, it is assumed that when the past-event condition is met, the entity will have a present obligation that meets all the criteria for recognising a provision set out in paragraph 14 of [Exposure Draft: Provisions—Targeted Improvements—Proposed amendments to IAS 37](#). In other words:

- (a) the entity's obligation to pay the levy meets the obligation and transfer conditions (see paragraph 83D and 83E);
- (b) it is probable that the entity will be required to pay a levy to settle its obligation; and
- (c) a reliable estimate can be made of the amount the entity will be required to pay.

## Example 1—A levy on manufacturers of electric and electronic equipment

This example uses the fact pattern of IFRIC 6 *Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment*.

Example 12 in the Exposure Draft of proposed amendments to the *Guidance on implementing IAS 37* also uses this fact pattern.

### Purpose of example

- IE1.1 This example illustrates an application of the past-event condition where:
- (a) only one economic benefit or activity is required by levy legislation for a levy to be payable (paragraph 83G); and
  - (b) the entity conducts that activity over time (paragraph 83I).

### Fact pattern

- IE1.2 In 20X3, a government of a country enacts legislation requiring entities that manufacture specified types of electrical and electronic equipment (specified equipment) in that country to contribute to the costs of disposal of the equipment at the end of its life.
- IE1.3 One section of the legislation applies to specified equipment sold before the legislation was enacted (historical equipment). It specifies that the disposal costs for historical equipment will be recovered by imposing a levy on manufacturers selling the specified equipment in 20X5. The costs will be allocated among these manufacturers without reference to the source of the equipment. The amount each manufacturer pays will be proportional to its share of the country's market for specified equipment in 20X5.
- IE1.4 Manufacturers will be notified in 20X6 of the amount they will be required to pay.

### **Analysis of the levy legislation**

IE1.5 Only one activity is required by the levy legislation for the levy to be payable—having market share in 20X5. An manufacturer’s past activities have no bearing on its obligation: the costs of disposing of historical equipment are allocated among manufacturers without reference to the source of that equipment.

### **Application of the requirements in IAS 37**

IE1.6 Because only one activity is required for the levy to be payable (having market share in 20X5), the past-event condition is met when a manufacturer conducts that activity (paragraph 83G).

IE1.7 Manufacturers accumulate their market share over the course of 20X5. Accordingly, the past-event condition is met, and the present obligation accumulates, progressively over that year (paragraph 83I).

### **Conclusion**

IE1.8 A manufacturer within the scope of the levy recognises a provision for the levy progressively as it accumulates its market share over the course of 20X5.

Because only one activity is required for the levy to be payable:

- (a) there is no requirement for management to identify the activity that best reflects the activity the government is seeking to levy: and
- (b) a provision for the levy is recognised at the same time as it would be recognised applying the existing requirements in IAS 37 (as interpreted by IFRIC 6).

## Example 2—An energy windfall levy

### Purpose of example

- IE2.1 This example illustrates an application of the past-event condition where:
- (a) more than one economic benefit or activity is required by levy legislation for a levy to be payable (paragraph 83H); and
  - (b) the relevant economic benefit is obtained over time (paragraph 83I).

### Fact pattern

- IE2.2 During 20X3, following a sudden increase in wholesale energy prices, a country's government imposes a windfall levy on large energy companies selling energy (gas, oil or electricity) in that country.
- IE2.3 Under the terms of the legislation imposing the levy:
- (a) energy companies within the scope of the levy are required to pay 1% of the revenue they earn from selling energy in the country in 20X3. They are required to pay this amount in 20X4.
  - (b) an energy company is within the scope of the levy if:
    - (i) it reported global revenue of more than 1 billion currency units (CU1 billion) in 20X0; and
    - (ii) it is still operating in the country on 1 January 20X4.
- IE2.4 An energy company earns revenue from selling energy in the country during 20X3. It reported global revenue of more than CU1 billion in 20X0 and has no practical ability to avoid operating in the country on 1 January 20X4.

### Analysis of the levy legislation

- IE2.5 Three types of economic benefit or activity are required by the levy legislation for the levy to be payable:
- (a) global revenue of more than CU1 billion in 20X0;
  - (b) revenue earned from selling energy in the country in 20X3; and
  - (c) operating in the country on 1 January 20X4.

### Application of the requirements in IAS 37

- IE2.6 Management judges that, of these economic benefits and activities, the one that best reflects the economic benefit or activity the government is seeking to levy is revenue from selling energy in the country in 20X3.
- IE2.7 Accordingly, the past-event condition is met when the company earns revenue from selling energy in the country in 20X3 (paragraph 83H).
- IE2.8 The company earns this revenue over the course of 20X3. Accordingly, the past-event condition is met, and the present obligation accumulates, progressively over that year (paragraph 83I).

### Conclusion

- IE2.9 The company recognises a provision for the levy progressively as it earns revenue over the course of 20X3.

Applying IFRIC 21 *Levies*, a liability for a levy is recognised only when an entity conducts the activity that triggers the payment of the levy. So, applying IFRIC 21:

- (a) no provision would be recognised in 20X3; and
- (b) a liability for the full amount of the levy would be recognised on 1 January 20X4.

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## Example 3—A digital services levy

### Purpose of example

- IE3.1 This example illustrates an application of the past-event condition where:
- (a) more than one economic benefit is required by levy legislation for a levy to be payable (paragraph 83H); and
  - (b) the levy is payable only if the relevant economic benefit exceeds a threshold (paragraph 83J).

### Fact pattern

- IE3.2 A country's government imposes an annual levy on large entities that earn revenue from providing specified types of digital services to customers in that country in a calendar year (the levy year).
- IE3.3 Under the terms of the legislation imposing the levy:
- (a) an entity is within the scope of the levy if:
    - (i) its *global* revenue in the levy year exceeds CU750 million; and
    - (ii) the revenue it earns in the levy year from providing the specified digital services *in the country* exceeds CU20 million.
  - (b) the levy is 3% of the revenue the entity earns from providing the specified digital services in the country in the levy year.
- IE3.4 During 20X0, an entity's global revenue reaches CU750 million on 17 March. The revenue it earns from providing the specified digital services in the country:
- (a) reaches CU20 million on 15 April 20X0; and
  - (b) is forecast to be CU80 million for the year ending 31 December 20X0, resulting in a levy of CU2.4 million (CU80 million x 3%).

### Analysis of the levy legislation

- IE3.5 Two economic benefits are required by the legislation for a levy to be payable:
- (a) global revenue; and
  - (b) revenue earned from providing the specified digital services in the country.

### Application of the requirements in IAS 37

- IE3.6 Management of the entity judges that, of these two economic benefits, the one that best reflects the economic benefit the government is seeking to levy (the relevant economic benefit) is revenue earned from providing the specified digital services in the country (paragraph 83H).
- IE3.7 A levy is payable only if this revenue exceeds a threshold. Accordingly:
- (a) the past-event condition is met for the 20X0 levy as the entity earns the revenue that contributes to the total it will earn from providing the specified digital services in the country in 20X0 (forecast to be CU80 million)—both revenue below and revenue above the CU20 million threshold; and
  - (b) at any date during 20X0, the entity's present obligation is a portion of the total levy of CU2.4 million it expects to pay for 20X0—the portion attributable to the revenue it has earned to that date. (Paragraph 83J)

### Conclusion

- IE3.8 The entity recognises a provision for the levy progressively as it earns revenue from providing the specified digital services in the country over the course of 20X0.

Applying IFRIC 21, the entity would recognise no liability until its revenue exceeds the CU20 million threshold on 15 April 20X0, triggering the payment of a levy.

On 15 April, the entity would recognise a liability for the levy payable on the first CU20 million of revenue.

The entity would recognise the rest of the liability between 15 April and 31 December 20X0 as it earns further revenue.

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## Example 4—A property tax

### Purpose of example

- IE4.1 This example illustrates how the conclusion on when the past-event condition is met depends on the terms of the legislation imposing a levy.

### Fact pattern

- IE4.2 A government imposes an annual property tax on the owners of property used for specified business activities. Under the terms of the legislation:
- (a) the tax is payable by the entity that owns the property and is using it for the specified business activities on 1 January in a calendar year (the levy year); and
  - (b) the amount is notified to the entity by 30 March and must be paid by 31 July in the levy year.

### *Variation A*

- IE4.3 The tax is payable in full for the year even if the entity sells the property, or ceases using it for the specified business purposes, after 1 January in the levy year.

### *Variation B*

- IE4.4 The tax is payable only for the months in which the entity continues to own the property and use it for the specified business activities. If the entity has already paid a full year's tax when it sells the property or ceases the specified business activities, it can claim a partial refund.

### Analysis of the levy legislation

IE4.5 In each variation of the fact pattern, only one activity is required by the legislation for a levy to be payable. The activity is owning property and using it for specified business activities:

- (a) on 1 January in a levy year—*Variation A*; or
- (b) for a period beginning on 1 January in a levy year—*Variation B*.

### Application of the requirements in IAS 37

IE4.6 Because only one activity is required for the levy to be payable, the past-event condition is met when an entity conducts that activity (paragraph 83G):

- (a) *Variation A*: the past-event condition is met, and the present obligation arises in full, on 1 January.
- (b) *Variation B*: The past-event condition is met, and the present obligation accumulates progressively, as an entity continues to own the property and use it for specified business activities over a period beginning on 1 January (paragraph 83I).

### Conclusion

IE4.7 An entity within the scope of the levy recognises a provision in full on 1 January (*Variation A*) or progressively over the course of the levy year (*Variation B*).

Because only one activity is required for the levy to be payable:

- (a) there is no requirement for management to identify the activity that best reflects the activity the government is seeking to levy: and
- (b) a provision is recognised at the same time as it would be recognised applying IFRIC 21.

## Example 5—A central bank levy

### Purpose of example

- IE5.1 This example illustrates an application of the past-event condition where:
- (a) more than one activity is required by levy legislation for a levy to be payable (paragraph 83H); and
  - (b) the relevant activity is conducted at a point in time (paragraph 83I).

### Fact pattern

- IE5.2 A country's government enacts legislation imposing an annual levy on large banks operating in the country. The stated policy objective is to fund the financial stability and monetary policy functions of the country's central bank for the calendar year in which the levy is charged (the levy year).
- IE5.3 The legislation specifies that the levy for a levy year is payable by entities that:
- (a) hold a licence to operate as a bank in the country on the first day (1 January) of the levy year; and
  - (b) held customer deposits averaging more than CU1 billion in final quarter of the previous year (the reference period).
- IE5.4 In March of each levy year, the central bank forecasts its costs for the full year and allocates the forecast amount between the banks eligible to pay the levy. The amount each bank is allocated is proportional to the average value of the customer deposits it held in the reference period, adjusted to reflect other measures of the riskiness of the bank's operations. Banks must pay their allocated amount in April.
- IE5.5 A bank that meets the scope criteria on 1 January of a levy year pays a full year's levy, even if it relinquishes its licence later in that year. A bank that obtains a licence after 1 January in a levy year pays no levy for that year.

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### **Analysis of the levy legislation**

- IE5.6 Two activities are required by the legislation for a levy to be payable:
- (a) holding a banking licence on the first day of a levy year; and
  - (b) holding customer deposits of more than CU1 billion in the reference period (the final quarter of the previous year).

### **Application of the requirements in IAS 37**

- IE5.7 Management judges that, of these two activities, the one that best reflects the activity the government is seeking to levy (the relevant activity) is holding a banking licence on the 1 January of the levy year. Management's rationale is that:
- (a) the government is seeking to fund the central bank's costs for the levy year, not its costs for the earlier reference period; and
  - (b) the activities required in the earlier reference period are no more than a means of estimating the scale of each bank's activities in the levy year, and hence the extent to which each bank's activities affect the costs of the central bank's financial stability and monetary policy functions in that year.
- IE5.8 Because the relevant activity is holding a banking licence on 1 January in the levy year, the past-event condition is met, and the present obligation arises in full on that date (paragraph 83I).

### **Conclusion**

- IE5.9 The bank recognises a provision for the full amount of the levy on 1 January of the levy year.

Because the activity identified as the relevant activity is also the last activity required for the levy to be payable (the activity that triggers the payment of the levy), the provision is recognised at the same time as it would be recognised applying IFRIC 21.