Staff paper

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IASB® meeting

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Project	**Provisions—Targeted Improvements**
Topic	**Levies—Application requirements**
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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. Since September 2025, the IASB has been redeliberating and refining the proposed amendments in the light of feedback on the Exposure draft. Among other things, the IASB has discussed whether and how to supplement the general recognition requirements proposed in the Exposure Draft with application requirements for levies.

3. The IASB developed a model for possible application requirements over the course of several meetings and with input from its Accounting Standards Advisory Forum (ASAF). At its May 2026 meeting, the IASB completed the model and tentatively decided to add to IAS 37 application requirements based on that model.

4. The core elements of these application requirements include:

   (a) *a general requirement*—specifying that the past-event condition for recognising a levy is met 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

   (b) *a supplementary requirement for levies linked to two or more economic benefits or activities*—specifying that the relevant economic benefit or activity is the one that best reflects the economic benefit or activity the government is seeking to levy.

5. Since the IASB's tentative decision, we have been conducting targeted consultation on the possible application requirements, primarily to check that these requirements would have no major unintended consequences:

   (a) in July 2026, we asked IFRS specialists at large accounting firms to review the possible application requirements; and

   (b) in October 2026, we discussed with the ASAF the possible application requirements and the IFRS specialists' feedback on them.

6. At this meeting we will ask the IASB:

   (a) to review the consultation feedback; and

   (b) to decide, in the light of that feedback, whether to proceed with the application requirements it discussed at its meeting in May 2026.

Staff recommendation

7. The staff recommend that the IASB proceed with these application requirements.

Contents of this paper

8. This paper contains:

   (a) a reminder of:

      (i) the reasons for developing application requirements for levies (paragraphs 10–22);

      (ii) the process the IASB followed in developing possible application requirements (paragraphs 23–25) and the appendix; and

      (iii) the key features of these possible application requirements (paragraphs 26–30);

   (b) a report of our targeted consultation with IFRS specialists, covering:

      (i) the reasons for undertaking targeted consultation (paragraph 31);

      (ii) the scope of the consultation—the specialists we consulted, the information we provided to them and the questions we asked them (paragraphs 32–36); and

      (iii) the feedback we received and our responses to that feedback (paragraphs 37–62);

   (c) a summary of our subsequent discussions with the ASAF (paragraphs 63–71); and

   (d) staff conclusions and a staff recommendation (paragraphs 72–76).

9. Questions for the IASB follow the staff recommendation in paragraph 76.

Reasons for developing application requirements for levies

Existing IFRS Accounting requirements for levies

10. The criteria in IAS 37 for recognising a provision require an entity to have a present obligation as a result of a past event (the present obligation criterion).

11. IFRIC 21 *Levies* specifies that the event that meets the present obligation criterion for recognising a levy is 'the activity that triggers the payment of the levy, as identified by the legislation'. Accordingly, if two or more separate activities are required by legislation for a levy to be payable, an entity recognises a liability for the levy only when it has conducted the last of these activities.

12. IFRIC 21 has been criticised for leading to outcomes that fail to reflect the economics of some levies—for example, if:

    (a) the government is seeking to levy one economic benefit or activity (for example, revenue generated in a year): but,

    (b) an entity's liability to pay the levy is triggered only when the entity meets a later scope or administrative condition (for example, operating in a market on the first day of the following year).

13. An entity cannot recognise a liability for the levy until it has met that later condition.

Changes proposed in the Exposure Draft

14. The Exposure Draft proposes to update the wording of the present obligation criterion in IAS 37 and to identify and explain three separate conditions within that criterion:

    (a) an 'obligation' condition—the entity has a responsibility it has no practical ability to avoid if it obtains specific benefits or takes a specific action;

    (b) a 'transfer' condition—the nature of the entity's obligation is to transfer an economic resource; and

    (c) a 'past-event' condition—the entity's obligation is a present obligation that exists as a result of a past event.

15. Paragraphs 14M–14R of the Exposure Draft explain the proposed past-event condition:

    (a) paragraph 14N states that the past-event condition is met when an entity:

        (i) has obtained the specific economic benefits or taken the 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 states 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.

16. The proposed past-event condition would change the timing of recognition of some levies. If a requirement to pay a levy is a consequence of conducting two or more separate activities, the past-event condition could be met when the entity has conducted *any* of the activities, not only when it has conducted *all* of them.

17. Because the requirements of IFRIC 21 are inconsistent with the proposed past-event condition, the Exposure Draft includes a proposal to withdraw IFRIC 21.

Concerns expressed by respondents to the Exposure Draft

18. Many respondents—from all stakeholder groups and regions—expressed outright or broad agreement with the proposed amendments relating to past-event condition and with the withdrawal of IFRIC 21.

19. Of those who gave reasons for their agreement, some said the outcomes—earlier and more progressive recognition of some levies and climate-related obligations—would provide users of financial statements with a more faithful representation of, and relevant information about, such obligations (especially in interim financial statements). Examples respondents cited included digital services taxes and energy windfall levies.

20. However, some respondents expressed concerns about the implications of the past-event condition for some levies. Their concerns focused on levies with a specific feature:

    (a) the levy is payable by entities that conduct a specific activity in a given (usually 12-month) period (the levy year); but

    (b) the amount each entity pays is calculated by reference to a measure of the entity's activity, assets or liabilities at a date *before* the levy year.

21. The respondents expressed concern that:

    (a) it is unclear whether activities occurring before the levy year are actions that meet the past-event condition ('relevant actions'), so the proposed requirements could be complex to apply and lead to long debates; and

    (b) if activities occurring before the levy year are relevant actions, entities would recognise provisions for some levies before they conduct the activity the government is seeking to levy. Recognising a provision at the time of this earlier activity would misrepresent the economics of the levy.

22. These concerns led the respondents to suggest:

    (a) developing (simple) application requirements or guidance for levies; or

    (b) excluding levies from the scope of IAS 37 and either:

        (i) leaving IFRIC 21 in place; or

        (ii) developing a separate IFRS Accounting Standard for levies (and other non-reciprocal transactions).

The process the IASB followed in developing possible application requirements

23. The IASB responded to this feedback by exploring the possibility of developing application requirements for levies that would:

    (a) apply the general requirements proposed in the Exposure Draft;

    (b) be clear and straightforward to apply; and

    (c) produce accounting outcomes that faithfully represent the expenses and liabilities incurred by levy-paying entities—avoiding outcomes where provisions for levies would be recognised either before the levy year (a possible consequence of the Exposure Draft proposals) or after the levy year (a possible consequence of the current requirements in IFRIC 21).

24. As explained further in the appendix to this paper; the IASB developed and refined a model for the requirements over the course of three IASB meetings and two ASAF meetings. The work done to develop the model included:

    (a) testing ideas against the fact patterns of a wide variety of levies—including all the levies specifically highlighted by respondents to the Exposure Draft; and

    (b) providing IASB and ASAF members with indicative drafting for requirements based on the model.

25. In May 2026, the IASB completed the model and tentatively decided to add application requirements based on that model to IAS 37.

Key features of the possible application requirements

The core elements

26. The core elements of these possible application requirements include:

(a) *a general requirement,* which*:*

(i) applies the general requirement proposed in paragraph 14N of the Exposure Draft; and

(ii) specifies that the past-event condition for recognising a levy is met 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

(b) *a supplementary requirement for levies linked to two or more separate economic benefits or activities*, which:

(i) replaces the requirement proposed in paragraph 14Q of the Exposure Draft; and

(ii) specifies that if two or more separate economic benefits or activities are 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.

The rationale

27. The rationale for these requirements is that:

(a) they apply the general requirement proposed in paragraph 14N of the Exposure Draft and are entirely consistent with (create no exceptions to) this requirement. Exceptions could weaken the overall coherence of IAS 37 and place stress on the definition of a levy.

(b) although the model is not as simple as that underpinning IFRIC 21 (because it requires preparers of financial statements to apply more judgement in some cases):

(i) the outcomes for many levies will better reflect the economics of those levies than the outcomes that result from applying IFRIC 21; and

(ii) the outcomes for other levies will be the same as (never worse than) the outcomes that result from applying IFRIC 21.

(c) the degree of judgement required is limited. The relevant economic benefit or activity must be one of those required by the levy legislation for the levy to be payable:

(i) if only one economic benefit or activity is required, that economic benefit or activity is the relevant one—a preparer need make *no* assessment of the government's motivations in charging the levy;

(ii) if two or more economic benefits or activities are required, the preparer need judge *only* which one of these economic benefits or activities best reflects the one the government is seeking to levy—no alternative economic benefits or activities need be considered.

This constraint reduces the subjectivity of the requirements, simplifying application and reducing the risk of inconsistent application.

Other aspects

28. In addition to specifying how an entity applies the general requirement proposed in paragraph 14N of the Exposure Draft, application requirements for levies could also clarify the implications for levies of other requirements proposed in the Exposure Draft. For example, the application requirements could explain:

    (a) when the past-event condition is met:

        (i) if the relevant economic benefit or activity for a levy is obtained or conducted over time (how to apply paragraph 14O in the Exposure Draft); or

        (ii) only if a measure of an entity's relevant activity exceeds a specified threshold (how to apply paragraph 14P); and

    (b) why an obligation to pay a levy is an obligation to transfer an economic resource, not an obligation to exchange economic resources (how to apply paragraph 14L).

29. Indicative drafting for the possible application requirements, and for possible accompanying illustrative examples, is set out in Agenda Paper 22D *Levies—Indicative Drafting* for this meeting. This indicative drafting includes the clarifications described in paragraph 28.

30. The indicative drafting is provided for reference only, to help readers understand the possible content of the application requirements. The IASB will not be asked to approve the drafting at this meeting.

Targeted consultation with IFRS specialists—July 2026

Reason for undertaking targeted consultation

31. In June 2026, the IASB discussed a staff plan for completing its redeliberations on this project. In our paper for that meeting, we expressed a view that, on the basis of the work done to develop the possible application requirements, these requirements would resolve the main problems identified by respondents to the Exposure Draft and meet the IASB's objectives (as outlined in paragraph 23). However, we suggested undertaking further targeted consultation on the application requirements to check for possible unintended consequences.

Scope of consultation

32. Accordingly, in July 2026, we invited IFRS specialists at large accounting firms to review the application requirements that the IASB had discussed in May 2026.

33. We targeted these specialists 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 the operability and implications of the possible application requirements for the range of levies they see.

34. We gave the specialists indicative drafting for the application requirements and accompanying illustrative examples (an earlier version of the indicative drafting set out in Agenda Paper 22D).

35. We asked the specialists if they have seen in practice any specific levies for which they think the requirements, as drafted, would:

    (a) compel preparers of financial statements to apply an accounting policy that results in information that is less useful[1] than the information resulting from the application of IFRIC 21; or

    (b) carry a high risk of significant diversity in practice among entities paying the levy; or

    (c) have any other major unintended consequences.

36. Specialists from five firms responded. Some noted they had consulted other specialists within their global network. Some emphasised that their comments reflect their (and their consultees') personal views, which are not necessarily the views of their firm.

Overall feedback

Specialists' feedback

37. Some of the specialists expressed favourable views on the draft application requirements as a whole, saying that these requirements:

    (a) could result in information that more faithfully represents the economic substance of many recurring levies, by accumulating provisions progressively as the underlying economic benefit is obtained or activity is conducted (as illustrated in Example 2—*Energy windfall levy* and Example 3—*Digital services levy* in Agenda Paper 22D).

[1] For financial information about a levy to be useful, it must be relevant and faithfully represent the substance of the levy (see paragraphs 2.4 and 2.12 of the *Conceptual Framework for Financial Reporting*).

(b) would address the key concerns raised by some stakeholders about the withdrawal of IFRIC 21 and help support consistent application of the requirements in the amended IAS 37.

(c) would improve the requirements proposed in the Exposure Draft—replacing paragraph 14Q with dedicated application requirements and illustrative examples would make the requirements clearer and easier to apply.

38. However, one specialist questioned whether the intended outcome (recognition of a levy within the levy year) would be achieved in all cases. That specialist referred to Example 5—*A central bank levy* accompanying the draft requirements. The specialist said that, for the fact pattern in that example, it could be argued that holding customer deposits in the reference period before the levy year better reflected the activity the government was seeking to levy than holding a banking licence at the start of the levy year. Two other specialists also noted that the requirements could be open to diverse interpretations when applied to the fact pattern in Example 5.

Our response

39. In developing the model for the possible application requirements, the IASB acknowledged that there will be a few levies—like the levy with the fact pattern illustrated in Example 5—for which none of the activities required by the levy legislation precisely matches the activity the government is seeking to levy. We discuss these levies further in reaching our conclusions later in this paper (see paragraphs 72–73 below).

Need for judgement

Specialists' feedback

40. The specialists noted that judgement would be required in identifying the relevant economic benefit or activity in cases where more than one is required for a levy to be payable. None of the specialists identified a high risk of significant diversity in practice—two stating explicitly that they had not identified any fact patterns giving a high (or increased) risk of significant diversity. However, all suggested that additional guidance would help support consistent application.

41. Specialists suggested various types of guidance the IASB could consider. Suggestions included:

    (a) including in the *Guidance on implementing IAS 37* all the illustrative examples we had provided to the specialists (those in Agenda Paper 22D). One specialist described these examples as essential to understanding how the requirements are meant to operate.

    (b) adding more analysis to some of these examples—specifically, an explanation of the basis for management's judgement in each of the examples involving two or more economic benefits or activities (Examples 2,3 and 5).

    (c) adding to paragraph 83H of the application requirements a list of factors to consider in making judgements.

42. Regarding the factors to consider, one specialist asked the IASB to clarify whether a preparer should consider:

    (a) public statements made by the government imposing the levy; and

    (b) conclusions reached by other entities subject to the same levy.

43. One specialist suggested requiring entities to disclose the rationale underpinning management's conclusions on the relevant economic benefit or activity.

Our response

44. In response to the requests for more guidance, we have expanded the analysis in our illustrative examples. For each of the fact patterns that require two or more economic benefits or activities for a levy to be payable, we now identify factors that have influenced management's judgement in identifying the relevant economic benefit or activity, including statements the government has made about the policy objective for the levy—see Examples 2, 3 and 5 in Agenda Paper 22D.

45. We have not added to the draft application requirements a list of factors to consider in identifying the relevant activity, because:

    (a) we have investigated the terms of many levies in developing the application requirements. We have found that terms vary significantly (and sometimes haphazardly) across sectors and jurisdictions, and that there are no specific features that consistently mark the relevant economic benefit or activity.

    (b) we have also found that for most levies:

        (i) relatively little judgement is required to identify the relevant economic benefit or activity from among those required for the levy to be payable—it is usually reasonably clear from the terms of the levy legislation (supported by the government's policy objective, if stated); and

        (ii) for sector levies, preparers of financial statements in the affected sector are keen to reach a consensus on the relevant activity—they want to apply an accounting policy consistent with that applied by others in the sector.

    (c) any list of indicators or factors to consider comes with a risk that preparers of financial statements will give too much weight to the indicators or factors listed, and too little or no weight to other indicators or factors that could also be relevant in the circumstances.

46. IASB members have previously stated their expectation that entities subject to the same levy will reach the same conclusion about the relevant activity. This expectation reflects the nature of the judgement—it is an assessment of the levy legislation (supported by the government's policy objective, if stated), unaffected by a levy-payer's individual circumstances. We could refer to the IASB members' expectations in the Basis for Conclusions on the amendments to IAS 37.

47. We do not see a need to add to IAS 37 a specific requirement to disclose the rationale underpinning management's judgements regarding the relevant economic benefit or activity for a levy:

    (a) we think that for most levies, relatively little judgement would be required in identifying the relevant economic benefit or activity and, especially for annual recurring levies, the judgements made are unlikely to be among those that have the most significant effect on the amounts recognised in the financial statements; and

    (b) if the judgements are among those that have the most significant effect on the amounts recognised in the financial statements, information about these judgements will be disclosed to comply with requirements in paragraph 27G of IAS 8 *Basis of Preparation of Financial Statements*.

Definition of a levy

Specialists' feedback

48. Some of the specialists questioned the scope the proposed definition of a levy ('a non-reciprocal charge that a government imposes on entities that obtain a specific economic benefit or conduct a specific activity'):

(a) one specialist expressed concern that the definition could be interpreted more broadly than intended—to capture taxes, regulatory charges or other government-imposed charges that are not traditionally viewed as levies.

(b) another specialist asked whether the definition was intended to include employment taxes and royalties on extractive activities. The specialist said that, if so, guidance was needed on how the requirements should apply—should an employment tax payable on payment or vesting of a long-term bonus or share-based payment be recognised progressively over the service period or in full at the date the payment is triggered under tax law?

Our response

49. We think that the questions raised by specialists regarding the proposed definition of a levy do not indicate problems with that definition:

(a) none of the proposed amendments to IAS 37 affect its scope (liabilities of uncertain timing or amount not within the scope of another IFRS Accounting Standard). Any tax, regulatory charge or other government-imposed charge that is currently within (or outside) the scope of IAS 37 will remain within (or outside) its scope.

(b) most taxes and other government-imposed charges require an entity to obtain only one economic benefit or conduct only one activity for the charge to be payable. For such charges, the past-event condition for levies (paragraph 83G of the draft application requirements) is consistent with the general past-event condition for all liabilities within the scope of IAS 37 (paragraph 14N of the Exposure Draft).

(c) in any case where two or more separate economic benefits or activities are required for a government-imposed charge to be payable, the application requirements for levies (paragraph 83H of the draft application requirements) could form an appropriate basis for recognising a provision for that charge.

Levies conditional on an uncertain future event

Specialists' feedback

50. Two of the specialists asked for clarification of the implications of a levy obligation being conditional on an uncertain future event:

    (a) both specialists referred to Example 2—*An energy windfall levy*, where the levy legislation includes a requirement for the entity to be operating in the country on 1 January after the levy year. Until an entity has met this requirement, its obligation to pay the levy is conditional on its future actions.

    (b) one specialist also referred to requirements relating to the activities of other entities or a whole industry. The specialist cited the example of charges payable by airlines participating in the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). If a charge is payable for a given year, the charge each participating airline pays is linked to its own carbon emissions in that year. However, whether a charge is payable depends on whether the total carbon emissions of all participating airlines exceed a specified amount in the year. Until these total carbon emissions exceed that specified amount, an individual airline's obligation is conditional on all participating airlines' future carbon emissions.

Our response

51. In response to these requests, we have added paragraphs 83K and 83L to the indicative drafting in Agenda Paper 2D to clarify that:

    (a) only the entity's own 'relevant' activity determines when the past-event condition (and hence present obligation recognition criterion) is met; and

    (b) any conditions relating to other future events and circumstances—either the entity's own future activities *or* external events or circumstances—would

instead be considered in assessing whether the 'probable transfer' recognition criterion (paragraph 14(b) of IAS 37) is also met.

52. We have also expanded the analysis in Example 2—*An energy windfall levy* and Example 3—*A digital services levy* to explain how the requirements in paragraphs 83K and 83L would apply to the fact patterns in these examples.

Generalising the requirements

Specialists' feedback

53. One specialist suggested generalising the 'best reflects' requirement for levies (the requirement in paragraph 83H of the application requirements) so it would apply more broadly to any obligation within the scope of IAS 37, thus helping to future-proof IAS 37.

54. The specialist suggested stating (within the 'past-event' section of the recognition criteria) a general requirement that, if an entity is required to transfer an economic resource only if it obtains or takes two or more separate economic benefits or actions, the past-event condition is met when the entity obtains the economic benefit or takes the action that 'best reflects the nature of the obligation'.

Our response

55. We can see the conceptual appeal of generalising the 'best reflects' requirement for levies so it would apply to any obligation within the scope of IAS 37. However:

    (a) we might struggle to find a clear and comprehensive expression of the generalised requirement. A requirement to identify the economic benefit or action that best reflects 'the nature' of an obligation could be too imprecise—every term of an obligation could be argued to reflect *an aspect* of its nature.

(b) we have not identified a practical need for a generalised requirement. It would apply only to obligations within the scope of IAS 37 that depend on an entity obtaining or taking two or more economic benefits or actions. The only such obligations we have seen in practice are government-imposed charges of one form or another.

(c) generalising the requirement could have unintended consequences.

Illustrative example 3—A digital services levy

Specialists' feedback

56. In the version of the illustrative drafting reviewed by the specialists, Example 3—*A digital services levy* illustrated a fact pattern in which a levy was payable on *all* the entity's revenue if that revenue exceeded a specified threshold.

57. Two of the specialists asked for an example illustrating a more challenging fact pattern, in which a levy is payable only on revenue *above* the specified threshold. The specialists said that levies with this feature are widespread and without an illustration, the application requirements for these levies could be unclear, risking inconsistent application.

Our response

58. We have amended Example 3. In Agenda Paper 22D, Example 3 now illustrates the relatively more challenging fact pattern in which a levy is payable only on revenue above a specified threshold. We agree that, without this example, questions could arise about the way in which the requirements for threshold-triggered levies apply to such levies.

Additional illustrative examples

Specialists' feedback

59. Specialists suggested adding further examples, or expanding the proposed examples, to illustrate:

    (a) other fact patterns:

        (i) a levy payable if a measure of an entity's activities averaged over a period exceeds a specified threshold;

        (ii) a levy charged retrospectively –for example, to past windfall profits;

        (iii) a levy charged on activities that fluctuate over a period—for example, in a seasonal business;

        (iv) a levy like that illustrated in Example 5—*A central bank levy*, except with the banks having a right to a partial refund if they relinquish their banking licences during the levy year;

        (v) a levy with a fact pattern like that of the UK Bank Levy; and

    (b) other aspects of the accounting for a provision recognised at a point in time:

        (i) when the expense should be recognised; and

        (ii) recognition in interim financial statements.

Our response

60. We have not added further examples, or expanded the proposed examples, in response to any of these suggestions. We think that:

(a) the combination of the general requirements in IAS 37, the proposed application requirements for levies and the five proposed illustrative examples will provide an adequate basis for a preparer of financial statements to develop an appropriate accounting policy for any of the fact patterns listed in paragraph 59(a); and

(b) this combination of requirements and examples, along with the requirements in IAS 34 *Interim Financial Reporting*, provide a sufficient basis for a preparer of financial statements to determine whether and how to recognise a provision in an interim period (paragraph 59(b)(ii)).

61. On expense recognition (paragraph 59(b)(i)), we note that IAS 37 does not address the accounting for the corresponding debit for a provision. A preparer of financial statements applies other IFRS Accounting Standards to decide whether to recognise that debit as an asset or an expense.

Minor drafting suggestions

62. The specialists made several minor drafting suggestions. We have reflected some of these suggestions in the latest version of the indicative drafting in Agenda Paper 22D and will consider others at a later stage in the drafting process.

Subsequent discussions with the ASAF—October 2026

Purpose of the discussion

63. At the October 2026 ASAF meeting, we provided ASAF members with:

    (a) ASAF Agenda Paper 2—containing a summary of the possible application requirements, the feedback from the IFRS specialists and our responses to that feedback; and

    (b) ASAF Agenda Paper 2A—indicative drafting as set out in Agenda Paper 22D for this meeting.

64. We asked ASAF members:

    (a) if they had seen any levies in practice for which the possible application requirements would:

        (i) compel preparers of financial statements to apply an accounting policy that results in information that is less useful than that provided by applying IFRIC 21; or

        (ii) carry a high risk of significant diversity in practice among entities paying the levy; and

    (b) whether they foresaw other major unintended consequences of the possible application requirements.

Comments from ASAF members

65. The comments from ASAF members are set out in paragraphs 17–32 of the October 2026 ASAF Meeting summary.

On the question about useful information and potential diversity in practice

66. ASAF members reported divided views on the possible application requirements. Some said they (or (some of) their stakeholders) thought the application requirements would improve the proposals in the Exposure Draft, resulting in better outcomes for some levies and clearer guidance, and would not be too disruptive. Others, noting that the requirements would leave the accounting for many levies unchanged, questioned whether the benefits of change would exceed the costs (greater judgement).

67. Some ASAF members expressed concern about requirements that rely on an assessment of a government's intention or stated policy objective for a levy, which might not always be openly or clearly expressed. ASAF members named four specific levies for which they think that two or more activities are required for the levy to be payable and that views could differ on which of these activities best reflects the activity the government is seeking to levy:

    (a) the Bangladeshi Bank Deposit Insurance Trust Fund premium;

    (b) the Malaysian foreign worker levy;

    (c) South Korean property development public contributions; and

    (d) the UK packaging levy.

68. Other ASAF members expressed less concern about potential diversity in practice:

    (a) one expressing an expectation that entities subject to the same levy would eventually reach consensus;

    (b) another emphasising the importance of the role of jurisdictional standard-setters and securities regulators; and

    (c) a third asking the IASB to record its expectation (explained in paragraph 46 above) that entities subject to the same levy will account for that levy consistently.

On the question about other major unintended consequences

69. Some ASAF members expressed general concerns that the possible application requirements for levies could have unintended consequences for obligations arising under pollutant pricing mechanisms or other environmental regulations, or for other types of provisions. However, none of these members described any specific unintended consequences relating to specific transactions or deriving from specific circumstances.

On the feedback from IFRS specialists at the large accounting firms

70. An ASAF member commented specifically on the feedback from the IFRS specialists at the large accounting firms. He said he disagreed with the specialists' suggestions:

    (a) to require disclosure of the rationale underpinning management's conclusions on the relevant economic benefit or activity (see paragraph 43), because the rationale would not be entity-specific.

    (b) to generalise the 'best reflects' requirement for levies so it would apply more broadly to any obligation within the scope of IAS 37 (see paragraphs 53–54), because generalising the requirement could risk unintended consequences.

Our responses

71. We have investigated the four specific charges listed in paragraph 67. The features of these charges are such that we think the general requirements in IAS 37, the draft application requirements for levies and the five proposed illustrative examples set out in Agenda Paper 22D would provide an adequate basis for a preparer of financial statements to develop an appropriate accounting policy for them.

Staff conclusions and recommendation

72. The feedback we have received from IFRS specialists at large accounting firms and from ASAF members reminds us that the possible application requirements the IASB has developed could be challenging to apply to some levies. The main general concern raised by the specialists (described in paragraph 38 of this paper) is the risk of diversity in practice and unintended outcomes for levies with features like those of Example 5—*A central bank levy*. Preparers of financial statements could have difficulty on reaching a view on when the recognition criteria are met for such levies.

73. However, the IASB has taken these challenges into account in developing the possible application requirements, noting evidence that:

    (a) levies with the challenging features described in Example 5 are relatively uncommon, and jurisdiction- and sector-specific; and

    (b) entities operating in a jurisdiction subject to a sector-specific levy are likely to apply consistent account policies for that levy:

        (i) entities subject to the levy (supported where required by their auditors and jurisdictional standard-setters) are likely to be able to reach a consensus on an appropriate accounting policy because of the nature of the judgements required. The judgements depend purely on an assessment of the terms of the levy legislation; they are unaffected by the entity's own circumstances.

        (ii) entities are likely to be keen to apply the same accounting policy as other entities in the sector subject to the same levy, thus reducing the risk of diversity in practice. Preparers of financial statements have told us that the effects of a sector-specific levy on an entity's financial results can be difficult to communicate to investors, but that these effects are easier to communicate if all entities in the sector are recognising the levy at the same time.

74. Furthermore:

(a) no IFRS specialists or ASAF members identified any other specific unintended consequences of the possible application requirements.

(b) although some ASAF members questioned whether the benefits of change would exceed the costs (paragraph 66), this concern was not shared by other ASAF members or the IFRS specialists; and

(c) although the IFRS specialists identified aspects of the draft requirements that they thought were unclear, we think we have been able to clarify these aspects by expanding the requirements or by expanding or amending the illustrative examples (as described in paragraphs 44, 51–52 and 58).

75. For the reasons in paragraphs 73–74, we conclude that the feedback from our targeted consultation supports the IASB's tentative decision to add to IAS 37 the application requirements for levies it discussed at its meeting in May 2026.

76. Accordingly, we recommend that the IASB proceed with these application requirements.

Questions for the IASB

Levies—Application requirements	
1	Do you have any comments or questions on the feedback reported in this paper, on our responses to that feedback or on the indicative drafting set out in Agenda Paper 22D?
2	Do you agree with the recommendation in paragraph 76?

Appendix—Details of meetings at which the IASB developed its model for possible application requirement for levies

A1. As explained in paragraph 24 of this paper, the IASB developed its model for possible application requirements for levies over the course of three IASB and two Accounting Standards Advisory Forum (ASAF) meetings. Details of the topics discussed and views expressed are set out below.

Exploring initial ideas—October 2025–December 2025

Meeting	Discussion topic	Views expressed
(a) **IASB** October 2025 public meeting Agenda Paper 22 *Levies—Ideas for application requirements*	The IASB explored various initial ideas, including: • requiring entities to ignore (all or some types of) actions taken before the levy year; and • defining the levy year—possibly as the period during which a levy-payer takes the actions that determine the extent of its obligation.	IASB members: • cautioned against over-engineering the requirements; and • raised questions about whether the relevant actions would be activities required by the legislation for the levy to be payable or the activity the government is seeking to levy.
(b) **ASAF** December 2025 public meeting Meeting summary	The ASAF discussed the ideas discussed by the IASB at its October 2025 public meeting.	ASAF members expressed concern about the complexity of the initial ideas. An ASAF member expressed support for the concept that the action giving rise to an obligation for a levy is the activity the legislator is seeking to levy but said that converting that concept into 'standard-speak' might not be easy.

Partially-developing a model—February 2025–March 2025

Meeting	Discussion topic	Views expressed
(c) **IASB** February 2026 public meeting Agenda paper 22A *Levies—Application requirements* Agenda Paper 22B *Levies—Rebuttable or non-rebuttable presumption*	The IASB discussed a staff recommendation for a model built on IASB and ASAF members comments on the initial ideas. This model would: • apply the general past-event condition proposed in paragraph 14N of the Exposure Draft; • *specify a principle*—the relevant economic benefit or activity is the one the government is seeking to levy; and • *support that principle with a constraining rebuttable presumption or requirement*—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 constraint should be a rebuttable presumption or a requirement.	The IASB agreed with the staff recommendation. On whether the constraint should be a rebuttable presumption or a requirement: • most IASB members expressed a tentative preference for a requirement (simpler, lower risk of diversity in practice, benefits of a rebuttable presumption could be marginal). • some IASB members expressed a tentative preference for a rebuttable presumption (an ability to rebut the presumption would be necessary to faithfully reflect the economics of some levies).
(d) **ASAF** March 2026 public meeting Meeting summary	ASAF members were updated on the IASB's February 2026 tentative decision and asked for their views on whether the constraint should be a rebuttable presumption or a requirement.	ASAF members expressed mixed views on whether the constraint should be a requirement or a rebuttable presumption. Some ASAF members said they thought the requirements were still too complex. Their concerns focused on the subjectivity of assessments of the activity the government is seeking to levy.

Completing the model—May 2026

Meeting	Discussion topic	Views expressed
(e) **IASB** May 2026 public meeting Agenda Paper 22A—*Application requirements for levies*	The IASB discussed a staff recommendation that the constraint it discussed in February 2026 should be a requirement, rather a rebuttable presumption. The basis for this recommendation was that: • the application requirements for levies would then be entirely consistent with the general requirements proposed in the Exposure Draft. • a rebuttable presumption would add significant complexity to the requirements for all levies. • comments expressed by ASAF members indicated that their greatest concern stemmed from the subjectivity of assessments of the activity the government is seeking to levy. These assessments would be less subjective if the options available were restricted to the economic benefits or activities required by the levy legislation for the levy to be payable. • the benefits of a rebuttable presumption would be marginal. The IASB also discussed a staff recommendation that the principle and constraining requirement be re-expressed as a general requirement supported by a supplementary requirement for levies linked to two or more separate economic benefits or activities.	The IASB agreed with the staff recommendations. It tentatively decided to add to IAS 37 application requirements for levies based on the model recommended by the staff, and expressed as: • a general requirement—that applies the requirement proposed in paragraph 14N of the Exposure Draft; and • a supplementary requirement for levies linked to two or more separate economic benefits or activities—that would replace paragraph 14Q proposed in the Exposure Draft.