Accounting

Staff paper

Agenda reference: 2

Accounting Standards Advisory Forum meeting

Date	**October 2026**
Project	**Provisions—Targeted Improvements**
Topic	**Levies—Application requirements**
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Purpose of session

In this session, we will:

- update ASAF members on the development of possible application requirements for levies
- ask ASAF members for input on the possible requirements.

Our questions for the ASAF focus on whether the requirements would have any major unintended consequences.

The questions for the ASAF are on page 3

Background

At its May 2026 meeting, the IASB tentatively decided to add application requirements for levies to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

These application requirements would explain how to apply to the 'past-event condition' proposed in the Exposure Draft *Provisions—Targeted Improvements* (Exposure Draft) to levies. They would replace the requirement proposed in paragraph 14Q of the Exposure Draft.

Since then, we have consulted specialists at large accounting firms on the possible application requirements, primarily to check that the requirements would have no major unintended consequences.

This paper summarises the possible requirements, the main comments received from the specialists and our responses to those comments.

Questions for the ASAF

1. Have you seen any levies in practice for which the possible application requirements described in this paper would:

    a) compel preparers of financial statements to apply an accounting policy that results in information less useful than that provided by applying IFRIC 21 *Levies*, or

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

    If so, what is the name of the levy, which entities pay it and which features of the levy lead to your conclusion?

2. Do you foresee any other major unintended consequences of the possible application requirements?

Contents of this paper

This paper includes cross references to another paper for this meeting:

AP2A Agenda Paper 2A *Levies—Indicative drafting*

The possible application requirements

Rationale for the possible application requirements

Purpose

- To clarify how to apply to the proposed ‘past-event’ condition to levies.
- To prevent an unintended consequence of the requirements proposed in the Exposure Draft—the consequence that provisions for some levies would be recognised before the year for which the levies were charged (the levy year).

Design

The application requirements are designed to:

- apply the general requirements proposed in the Exposure Draft—thus avoiding exceptions to those requirements.
- ensure all periodic levies are recognised in the levy year.
- lead to better accounting outcomes than IFRIC 21 in some cases, and the same (never worse) outcomes in other cases.
- simplify application, and reduce the risk of inconsistent application, by limiting the options for a ‘relevant’ economic benefit or activity to those required by the levy legislation for the levy to be payable.

Key aspects of the possible application requirements

General requirement

Applying the general requirement proposed in paragraph 14N of the Exposure Draft

The past-event condition is met for a levy 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).

AP2A Paragraph 83G

Supplementary requirement for levies linked to two or more economic benefits or activities

Replacing paragraph 14Q of the Exposure Draft

If two or more separate economic benefits or activities are 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.

AP2A Paragraph 83H

Other aspects of the possible application requirements

AP2A

Paragraph 10	A 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'
Paragraph 83J	Requirements for threshold-triggered levies—which apply the general requirements for threshold-triggered costs proposed in paragraph 14P of the Exposure Draft
Paragraphs 83K – 83L	Clarification that, if the past-event condition is met while the requirement to pay a levy remains conditional on a future event (for example, conducting a further activity or meeting a threshold) a provision is recognised only if it is probable that the condition will be met (a consequence of the 'probable transfer' recognition criterion in IAS 37)
Appendix B	Supporting illustrative examples

The location of the possible application requirements

The application requirements

AP2A	Appendix A

- could be added to the ‘Application of the recognition and Measurement Rules’ section of IAS 37
- supplementing the requirements proposed in Exposure Draft: *Provisions—Targeted Improvements—Proposed amendments to IAS 37*.

The supporting illustrative examples

AP2A	Appendix B

- could be added to the *Guidance on implementing IAS 37*
- replacing Illustrative Examples 12 and 13A–13C proposed in Exposure Draft: *Provisions—Targeted Improvements—Proposed amendments to Guidance on implementing IAS 37*.

Consultation feedback

Scope of consultation

- **Consultees**—IFRS specialists at large accounting firms.

  Targeted because, through their firms' networks and work with preparers of financial statements, they have a broad overview of the range of levies arising in practice and features of levies that typically give rise to accounting questions.

- **Consultation materials**—indicative drafting for the possible application requirements and supporting illustrative examples.

  An earlier version of AP2A

- **Consultation aims**—primarily to check that the application requirements would have no major unintended consequences.
- **Questions asked**—similar to the questions for the ASAF set out on page 3 of this paper.
- **Responses received**—specialists from five firms responded. Their views do not necessarily reflect the views of their firms.

Main topics of feedback and our responses

	Feedback	Our response
(a) **Overall views**	Several favourable overall views, including views that the possible application requirements would: • lead to better outcomes than IFRIC 21 for many levies • address some stakeholders' concerns about withdrawing IFRIC 21 • improve the Exposure Draft proposals. A concern from one specialist that the intended outcome might not be achieved in some cases, for example in a fact pattern like that in Example 5—*A central bank levy.* For that fact pattern, it could be argued that holding customer deposits in the reference period before the levy year (not holding a banking licence at the start of the levy year) better reflects the activity the government is seeking to levy.	In developing the model for the possible application requirements, the IASB acknowledged that there are a few levies—such as the levy illustrated in Example 5—for which the model is not perfect. The IASB investigated a way of adapting the model (via a rebuttable presumption) to make it more suitable for those levies. However, it concluded that the disadvantages of the adapted model would outweigh the advantages—the requirements would be significantly more complex for all levies, less consistent with the general requirements in IAS 37, and of benefit only in rare cases.

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Main topics of feedback and our responses

<table>
<tr><th></th><th>Feedback</th><th>Our response</th></tr>
<tr><td>(b)

Need for judgement</td><td>No feedback identifying a high risk of significant diversity in practice. But:
observations that identifying the relevant economic benefit or activity would require judgement if two or more are required for a levy to be payable, and
views that additional guidance could support consistent application. Suggestions for additional guidance included:
a list of factors to consider in making the judgements; or
more analysis in the illustrative examples.
Continues on next page…</td><td>We have expanded the analysis in the 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.

AP2A | Appendix B, Examples 2,3 and 5

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, unaffected by a levy-payer's individual circumstances. We could refer to the IASB members' expectation in the Basis for Conclusions on the amendments.</td></tr>
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Main topics of feedback and our responses

	Feedback	Our response
(b) **Need for judgement** *(continued)*	*… continued from previous page* • a suggestion to require disclosure of the rationale underpinning managements' conclusions.	Our tentative view is that existing disclosure requirements are sufficient. IAS 8 *Basis of Preparation of Financial statements* requires entities to disclose: • material accounting policy information, and • the judgements management has made that have the most significant effect on the amounts recognised in the financial statements.

Main topics of feedback and our responses

	Feedback	Our response
(c) **Definition of a levy**	A concern that the proposed definition could be interpreted more broadly than intended—to capture employment taxes, regulatory charges, royalties on extractive activities or other government-imposed charges that are not traditionally viewed as levies.	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 or other government-imposed charge that is currently within (or outside) the scope of IAS 37 will remain within (or outside) its scope. 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) would be consistent with the general past-event condition for all liabilities within the scope of IAS 37 (paragraph 14N). We think an entity would account for the charge in the same way irrespective of whether it applied paragraph 14N or 83G. We think that, in any case where two or more economic benefits or activities are required for a government-imposed charge to be payable, the application requirements for levies would provide an appropriate basis for recognising a provision for that charge.

Main topics of feedback and our responses

	Feedback	Our response
(d) **Levies conditional on a future event**	Requests for clarification of the requirements for cases in which the past-event condition is met while the requirement to pay a levy remains conditional on a future event, for example on: • the entity obtaining a further economic benefit or conducting a further activity; or • the occurrence of an event (wholly or partly) outside the entity's control.	Other stakeholders have raised similar questions—some also referring to levies conditional on an entity's activity exceeding a threshold. We have expanded the draft application requirements, adding paragraphs 83K and 83L to clarify that a provision is recognised only if it is probable that the condition will be met (a consequence of the 'probable transfer' recognition criterion in IAS 37). AP2A Paragraphs 83K–83L We have also expanded the analysis in two of the illustrative examples to illustrate the application of the requirements in paragraphs 83K and 83L to the fact patterns in these examples. AP2A Examples 2 and 3

Main topics of feedback and our responses

	Feedback	Our response
(e) **Generalising the requirements**	A suggestion that, instead of omitting paragraph 14Q of the Exposure Draft, the IASB amend it to reflect the general principle underlying the 'best reflects' requirement for levies. Paragraph 14Q could be amended to state that the past-event condition is met when an entity obtains the economic benefit or takes the action that '*best reflects the nature of the obligation*'.	We can see the conceptual appeal of generalising the 'best reflects' requirement for levies (paragraph 83H) so it would apply to any obligation within the scope of IAS 37. However: • 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 the obligation' could be too imprecise—arguably, every term of an obligation reflects *an aspect* of the nature of the obligation. • 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. • generalising the requirement could have unintended consequences.

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