IFRS Accounting

Staff paper

Agenda reference: 22

IASB® meeting

Date	**September 2026**
Project	**Provisions—Targeted Improvements**
Topic	**Cover paper**
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Purpose of meeting

1. The International Accounting Standards Board (IASB) published Exposure Draft *Provisions—Targeted Improvements* (Exposure Draft) in November 2024, with a comment deadline of 12 March 2025. The Exposure Draft proposes amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

2. Since September 2025, the IASB has been redeliberating and refining the proposed amendments in the light of feedback from respondents.

3. At this meeting, the IASB will continue its redeliberations.

Contents of this paper

4. This paper contains:

   (a) a reminder of:

      (i) key aspects of the Exposure Draft proposals (paragraphs 5–6); and

      (ii) aspects the IASB has already redeliberated and the tentative decisions it has reached to date (paragraphs 7–8 and the appendix);

   (b) an introduction to the papers for this meeting (paragraphs 9–18); and

   (c) a summary of planned next steps (paragraphs 19–20).

Exposure Draft proposals

5. The Exposure Draft proposes targeted amendments to three aspects of IAS 37:

   (a) one of the criteria for recognising a provision—the requirement for the entity to have a present obligation as a result of a past event (the present obligation criterion); and

   (b) two aspects of the requirements for measuring a provision—those relating to:

      (i) the costs an entity includes in estimating the future expenditure required to settle an obligation; and

      (ii) the rate an entity uses to discount that future expenditure to its present value.

6. The proposed amendments to the present obligation criterion include identifying three conditions within that criterion—'obligation', 'transfer' and 'past-event' conditions.

Tentative decisions to date

7. The IASB has redeliberated most aspects of the amendments proposed in the Exposure Draft. Its tentative decisions to date are set out in the appendix to this paper.

8. Notably, at its meetings in February and May 2026, the IASB tentatively decided:

   (a) to supplement the past-event condition proposed in the Exposure Draft by adding application requirements for levies; and

   (b) as a consequence of adding these application requirements, to omit the requirement proposed in paragraph 14Q of the Exposure Draft.

Papers for this meeting

Agenda Paper 22A *Recognition—Consequences of omitting paragraph 14Q*

9. Agenda Paper 22A for this meeting asks the IASB to consider consequences of omitting the requirement proposed in paragraph 14Q of the Exposure Draft. The primary consequence is a need to consider whether to omit or move a supporting requirement proposed in paragraph 14R of the Exposure Draft.

10. The staff recommend moving that supporting requirement, so it forms part of the requirements supporting the obligation condition for recognising a provision, instead of the requirements supporting the past-event condition.

Agenda Paper 22B *Recognition—Other aspects of the past-event condition*

11. The IASB has re-deliberated some aspects the proposed past-event condition—those that specifically affect levies. However, it has not yet redeliberated other aspects of the past-event condition. Agenda Paper 22B for this meeting asks the IASB to discuss these other aspects.

12. Most of the feedback on these aspects relates to requirements proposed for 'threshold-triggered costs'—costs that will become payable only if a measure of an entity's activity in an assessment period exceeds a specified threshold. The staff recommend making no changes to the requirements for threshold-triggered costs proposed in the Exposure Draft.

13. Some of the feedback relates to a proposal to delete from IAS 37 a statement that no provision is recognised for costs that need to be incurred to operate in the future. The staff recommend retaining that statement in IAS 37, by adding it to the requirements proposed in the Exposure Draft.

Agenda Paper 22C *Other matters*

14. Agenda Paper 22C discusses various other matters raised in the feedback on the Exposure Draft and not yet discussed by the IASB.

15. The main matters it discusses are:

    (a) comments on the proposed definition of an executory contract;

    (b) a suggestion to remove from IAS 37 its scope exclusion for executory contracts. Executory contracts are excluded from the scope of IAS 37 unless they are onerous.

16. The staff recommend:

    (a) on the definition: retaining the Exposure Draft proposal to update the wording of the definition of an executory contract in IAS 37 to align it with the wording in the *Conceptual Framework for Financial Reporting*; and

    (b) on the scope exclusion:

        (i) retaining the scope exclusion for executory contracts in paragraph 3 of IAS 37; and

        (ii) adding to that paragraph a sentence linking the scope exclusion to the explanation of the transfer condition proposed in paragraph 14L of the Exposure Draft.

Agenda Paper 22D *Levies—Indicative drafting*

17. Agenda Papers 22A and 22B refer to the application requirements for levies that the IASB has tentatively decided to add to the requirements proposed in the Exposure Draft.

18. Agenda Paper 22D sets out indicative drafting for these application requirements. Agenda Paper 22D is provided for reference only. IASB members will not be asked to approve the drafting at this meeting and there are no questions for the IASB in that paper.

Next steps

19. The staff are currently consulting stakeholders on the possible application requirements for levies, primarily with a view to checking that the requirements would have no major unintended consequences.

20. At a future meeting, we will update the IASB on the outcome of the consultation. We will also ask the IASB to redeliberate remaining aspects of the Exposure Draft proposals, including:

    (a) amendments to the decision tree and illustrative examples in the *Guidance on implementing IAS 37*; and

    (b) transition requirements.

Appendix—Tentative decisions to date

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

Topic	Meeting date	Tentative decisions
Recognition		
Recognition—Legal obligations	December 2025	The IASB tentatively decided to revise the criteria proposed in the Exposure Draft for concluding that an entity has no practical ability to avoid discharging a legal responsibility. The revised criteria would require that either: a. the counterparty have a right to ask a judicial body to force the entity to discharge the responsibility or to pay a penalty or compensation for failing to do so; or b. the counterparty have a right to take another form of action against the entity for failing to discharge the responsibility and, as a result, the economic consequences for the entity of not discharging the responsibility are expected to be significantly worse than the costs of discharging it. All 12 IASB members agreed with this decision. In reaching this decision, the IASB tentatively decided: a. that an entity's practical ability to avoid discharging a responsibility represents a high hurdle; and b. to retain the word 'significantly' in the proposal in paragraph 14F of the Exposure Draft. Ten of 12 IASB members agreed with decision (a). Eleven of 12 IASB members agreed with decision (b). *(continues on next page)*

Topic	Meeting date	Tentative decisions
Recognition—Legal obligations	December 2025	*(continued from previous page)* The IASB also tentatively decided: a. to add no application guidance on how to assess the economic consequences of failing to discharge a responsibility; and b. to make no changes to the requirements in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* that apply to proposed new laws that have yet to be finalised. All 12 IASB members agreed with decision (a). Eleven of 12 IASB members agreed with decision (b).
Recognition—Constructive obligations	December 2025	The IASB tentatively decided: a. to retain the criterion proposed in the Exposure Draft for concluding that an entity has no practical ability to avoid discharging a constructive responsibility—not to add a reference to the economic consequences of failing to discharge the responsibility; and b. to add no further guidance on the factors to consider in determining whether an entity's public statement of its climate-related commitments creates a constructive obligation to fulfil these commitments. Eleven of 12 IASB members agreed with decision (a). All 12 IASB members agreed with decision (b).

Topic	Meeting date	Tentative decisions
Recognition—Transfer condition	February 2026	The IASB tentatively decided: a. to retain the proposal to add an explicit transfer condition to the present obligation recognition criterion in IAS 37. b. to explain more fully the difference between an obligation to transfer an economic resource and an obligation to exchange economic resources, by clarifying that: i. an obligation to exchange economic resources with another party combines an obligation to transfer an economic resource to that party with a right to receive another economic resource from that party. ii. the economic resource an entity receives could be one it will recognise as an asset (for example, goods) or an expense (for example, a service). iii. an entity has an obligation to exchange economic resources with another party only if transferring one economic resource to that party gives the entity a right to receive another economic resource from that party. It is not sufficient that transferring the economic resource to the other party could give rise to other forms of economic benefit for the entity. c. to expand examples in the *Guidance on implementing IAS 37* to clarify: *(continues on next page)*

Topic	Meeting date	Tentative decisions
Recognition—Transfer condition *(continued)*	February 2026	*(continued from previous page)* i. why asset decommissioning and environmental rehabilitation obligations meet the transfer condition; and ii. how the transfer condition relates to the measurement requirements in IAS 37. d. to clarify the implications of the transfer condition for levies by: i. defining the term ‘levy’ to include only non-reciprocal charges; and ii. stating within the application requirements for levies that an obligation for a levy will, by definition, meet the transfer condition. All 13 IASB members agreed with these decisions.
Recognition—Application requirements for levies	February 2026	The IASB tentatively decided to supplement the ‘past-event’ condition proposed in the Exposure Draft with application requirements for levies. Those application requirements would: a. specify a principle—namely, that the economic benefit or action that meets the past-event condition for a levy is the economic benefit or activity the government is seeking to levy; and b. support this principle with a constraining presumption—namely, that the economic benefit or activity the government is seeking to levy will be one of those required by the levy legislation for the levy to be payable. All 13 IASB members agreed with this decision.

Topic	Meeting date	Tentative decisions
Recognition—Application requirements for levies	May 2026	Following the decisions it tentatively made in February 2026, the IASB tentatively decided: a. to make the constraining presumption non-rebuttable; and b. to express the resulting application requirements as: i. a general requirement—the past-event condition is met when an entity has obtained the economic benefit or conducted the activity required by levy legislation for a levy to be payable (the relevant economic benefit or activity); and ii. a supporting principle—if more than one economic benefit or activity is required for a levy to be payable, the relevant economic benefit or activity is the one that best reflects the economic benefit or activity the government is seeking to levy. Eleven of 13 IASB members agreed with decision (a) and all 13 IASB members agreed with decision (b).
Recognition—Consequences for paragraph 14Q	May 2026	As a consequence of its tentative decisions on levies, the IASB tentatively decided to omit from IAS 37 the requirement proposed in paragraph14Q of the Exposure Draft. Twelve of 13 IASB members agreed with this decision.

Topic	Meeting date	Tentative decisions
Measurement—discount rates		
Discount rates—Required rates	September 2025	The IASB tentatively decided: a. to retain the proposal to require an entity to discount a provision at a rate that reflects the time value of money—represented by a risk-free rate—with no adjustment for the effect of non-performance risk; b. to add no application guidance to IAS 37 on how an entity determines an appropriate risk-free discount rate; c. to clarify in IAS 37 that the best estimate of the expenditure required to settle an obligation is not reduced to reflect the effect of non-performance risk; and d. to add no requirements on the use of real or nominal discount rates in measuring a provision. All 12 IASB members agreed with these decisions.
Discount rates—Interaction with IFRS 3 *Business Combinations*	September 2025	The IASB tentatively decided to add to IFRS 3 an exception to its initial measurement principle that: a. applies to provisions (other than contingent liabilities) within the scope of IAS 37; and b. requires an acquirer to measure these provisions at the acquisition date in accordance with the measurement requirements in IAS 37, instead of at their acquisition date fair values. All 12 IASB members agreed with this decision.

<table>
<tr><th>Topic</th><th>Meeting date</th><th>Tentative decisions</th></tr>
<tr><td>Discount rates—Disclosure</td><td>September 2025</td><td>The IASB tentatively decided:
a. to retain the proposal to require an entity applying IAS 37 to disclose:
i. the discount rate(s) used in measuring a provision; and
ii. the approach used to determine the rate(s);
b. to add no further disclosure requirements to IAS 37; and
c. to retain the proposals:
i. to require subsidiaries applying IFRS 19 Subsidiaries without Public Accountability: Disclosures to disclose the discount rate(s) used in measuring a provision; but
ii. not to require them to disclose the approach used to determine the rate(s).
All 12 IASB members agreed with these decisions.</td></tr>
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Topic	Meeting date	Tentative decisions
Measurement—costs to include		
Measurement—Costs to include	December 2025	The IASB tentatively decided: a. to retain the proposed requirement that the expenditure required to settle an obligation comprise the costs that relate directly to the obligation, which consist of both: i. the incremental costs of settling that obligation; and ii. an allocation of other costs that relate directly to settling obligations of that type; b. to restrict the scope of the requirement described in (a) to obligations to transfer goods or services, and to clarify that the requirement applies to the measurement of those goods or services; c. not to add a requirement for an entity to disclose whether and how it includes ancillary costs in measuring a provision; and d. to add no application guidance or illustrative examples on the types of costs to include in measuring a provision. All 12 IASB members agreed with decisions (a) and (d). Eleven of 12 IASB members agreed with decisions (b) and (c).