IFRS Accounting

Staff paper

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IASB® meeting

Date	**September 2026**
Project	**Provisions—Targeted Improvements**
Topic	**Levies—Indicative drafting**
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Purpose of paper

1. This paper contains indicative drafting for the possible application requirements for levies referred to in Agenda Paper 22A *Recognition—Consequences of omitting paragraph 14Q* and Agenda Paper 22B *Recognition—Other aspects of the past-event condition*.

2. This paper 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 this paper.

Contents of this paper

Appendix A—Application requirements

3. Appendix A sets out indicative drafting for the possible application requirements. These 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*, replacing the requirement proposed in paragraph 14Q of the Exposure Draft.

Appendix B—Illustrative Examples

4. Appendix B contains examples illustrating various applications of the requirements set out in Appendix A. Examples like these 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*.

Overview of the requirements set out in Appendix A

5. The key aspects of the possible application requirements are:

A general requirement	A supplementary requirement for levies linked to two or more economic benefits or activities
Applies the general requirement proposed in paragraph 14N of the Exposure Draft	Replaces paragraph 14Q 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).	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.
Appendix A — Paragraph 83G	Appendix A — Paragraph 83H

6. Other aspects of the possible application requirements include:

Appendix A

Paragraph 10

a) 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

b) 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

c) 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).

APPENDICES—INDICATIVE DRAFTING

The annotations in blue boxes in the appendices are included to help you understand the source and implications of the draft requirements. They would not be included in IAS 37 or the *Guidance on implementing IAS 37*.

APPENDIX A—APPLICATION REQUIREMENTS

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

The application requirements set out in this appendix would supplement the requirements proposed in Exposure Draft: *Provisions—Targeted Improvements—Proposed amendments to IAS 37*, replacing the requirement proposed in paragraph 14Q of the Exposure Draft. Additions to the Exposure Draft proposals are underlined, withdrawals of Exposure Draft proposals are struck through.

Definitions

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

…

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

<u>*Government* refers to government, government agencies and similar bodies whether local, national or international.</u>

Definition of levy

See paragraphs 41–47 of February IASB meeting Agenda Paper 22C *Recognition—Transfer condition*

Definition of government

Reproduces the definition already used in:

- IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*
- IAS 24 *Related Party Disclosures*
- IFRIC 21 *Levies*

Recognition

…

Present obligation recognition criterion

…

Withdrawal of proposed paragraph 14Q

See May IASB meeting Agenda Paper 22B *Consequences for paragraph 14Q*

Past-event condition (paragraph 14A(c))

…

~~14Q In some situations, an entity has an obligation to transfer an economic resource only if it takes two (or more) separate actions, and the requirement to transfer an economic resource is a consequence of taking both (or all) these actions. In those situations, the past-event condition is met when the entity has taken the first action (or any of the actions) and has no practical ability to avoid taking the second action (or all the remaining actions).~~

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, operate in a specific market sector or locality, hold a licence to conduct a specific activity, or hold specific assets); and

(b) is non-reciprocal—the entities might be required to pay the charge as a consequence of holding an existing right, but they 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 *Recognition—Transfer condition*

83B A provision for a levy is recognised when the three recognition criteria set out in paragraph 14 are met. Paragraphs 83C–83L:

(a) explain how to apply the first of these recognition criteria—the present obligation recognition criterion—to levies; and

(b) discuss the role of the other two recognition criteria in recognising provisions for levies.

Applying the present obligation recognition criterion

83C The present obligation recognition criterion (paragraph 14(a)) comprises three conditions—an obligation condition, a transfer condition and a past-event condition.

83D Typically, a responsibility to pay a levy meets the obligation condition. Typically, the terms of the legislation or other mechanism imposing a 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 legislation for the levy to be payable.

83E A levy is defined as 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, by definition, an obligation for a levy meets the transfer condition.

Explanation of transfer condition

See paragraph 49 of February IASB meeting Agenda Paper 22C *Recognition—Transfer condition*

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.

83G An entity's obligation for a levy meets the past-event condition when:

(a) the entity has obtained the economic benefit or conducted the activity required by the legislation for a levy to be payable (the relevant economic benefit or activity); and

(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 two or more separate economic benefits or activities are required by the 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.

83I If the entity obtains the relevant economic benefit or conducts the relevant activity over time, the past-event condition is met, and the resulting present obligation for the levy accumulates progressively, 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 (the assessment period) exceeds a specified threshold. In such cases:

(a) the past-event condition is met as the entity obtains the relevant economic benefit or conducts the relevant activity in the assessment period (both before and after the threshold is reached); and

Paragraphs 83G and 83H

See May IASB meeting Agenda Paper 22A *Application requirements for levies*

(b) at any date within the assessment period, the entity's present obligation is for a portion of the total levy that will be payable for the assessment period—the portion attributable to the relevant economic benefit obtained or the relevant activity conducted to that date.

The role of the other recognition criteria

83K When an entity's obligation for a levy meets the present obligation recognition criterion , an entity recognises a provision if the other two recognition criteria specified in paragraph 14 (the probable transfer and reliable estimate recognition criteria) are also met.

83L In determining whether the probable transfer recognition criterion is met, management considers whether it is probable that any remaining conditions required for the levy to be payable will be met. Such conditions could include, for example:

(a) the entity obtaining a further economic benefit or conducting a further activity (paragraph 83H);

(b) a threshold being met; or

(c) the occurrence of an event outside the entity's control.

APPENDIX B—ILLUSTRATIVE EXAMPLES

The examples in this appendix illustrate various applications of the requirements set out in paragraphs 83G–83L of Appendix A. The purpose of the examples is to illustrate when an obligation for a levy meets the past-event condition for recognising a provision.

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*.

Assumptions

Except as discussed in Example 2—*An energy windfall levy* and Example 3—*A digital services levy*, it is assumed in all the examples 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, it is assumed that when the past-event condition is met, so too are:

(a) the obligation and transfer conditions in the present obligation recognition criterion (paragraph 14(a)); and

(b) the probable transfer (paragraph 14(b)) and reliable estimate (paragraph 14(c)) recognition criteria.

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

The fact pattern used in this example reflects the fact pattern described in IFRIC 6 *Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment*. Example 12 in the Exposure Draft uses a similar fact pattern.

Purpose of example

IE1.1 This example illustrates an application of the past-event condition where:

(a) only one activity is required by 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. The measure of the market is the total revenue generated from sales of specified equipment in the year ending 31 December 20X5.

IE1.4 Manufacturers will be notified in 20X6 of the amount they will be required to pay.

Analysis of the legislation

IE1.5 Only one activity is required by the legislation for the levy to be payable—having market share in 20X5. A 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 for 20X5 as they earn revenue from selling specified equipment 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 need for management to judge which activity 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 recognition criteria where:

(a) three separate economic benefits / activities are required by legislation for a levy to be payable (paragraph 83H);

(b) the relevant economic benefit is obtained, and hence the past-event condition is met, over time (paragraph 83I); and

(c) when the past-event condition is met, the requirement to pay the levy is still conditional on the entity conducting another activity (paragraph 83L(a)).

Fact pattern

IE2.2 On 1 January 20X3, following a sudden increase in wholesale energy prices, a country's government imposes a windfall levy on very large energy companies selling energy (gas, oil or electricity) in that country. The government's stated policy objective is to redistribute some of the excess revenue earned by those large energy companies during 20X3.

IE2.3 Under the terms of the legislation imposing the levy:

(a) an entity 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 operating in the country on 1 January 20X4.

(a) an energy company within the scope of the levy is required to pay 1% of the revenue it earns from selling energy in the country in 20X3. It is required to pay the levy by July 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. It is probable that the company will still be operating in the country on 1 January 20X4.

Analysis of the legislation

IE2.5 Three economic benefits / activities are required by the legislation for the levy to be payable:

(a) global revenue of more than CU1 billion in 20X0;

(b) revenue 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 the government is seeking to levy (the relevant economic benefit) is revenue from selling energy in the country in 20X3 (paragraph 83H). Management reaches this judgement on the basis of:

(a) the government's stated policy objective for the levy; and

(b) management's view that the other activities required for the levy to be payable are required solely to limit and precisely define the scope of the levy (the companies liable to pay it).

IE2.7 Accordingly, management concludes that the past-event condition is met when the company earns revenue from selling energy in the country in 20X3.

IE2.8 The company earns that revenue over the course of 20X3. Accordingly, the past-event condition is met, and the present obligation accumulates, progressively over that year (paragraph 83I).

IE2.9 When the past-event condition is met, the probable transfer recognition criterion is also met because it is probable that the company will still be operating in the market on 1 January 20X4 (paragraph 83L(a)).

Conclusion

IE2.10 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 to this fact pattern:
>
> (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.

Example 3—A digital services levy

Purpose of example

IE3.1 This example illustrates an application of the recognition criteria where:

(a) two separate economic benefits are required by legislation for a levy to be payable (paragraph 83H);

(b) the levy is payable only if the relevant economic benefit exceeds a threshold (paragraph 83J); and

(c) when the past-event condition is first met, the requirement to pay the levy is still conditional on two thresholds being met (paragraph 83L(b)).

Fact pattern

IE3.2 A country's government imposes a levy on large entities that earn revenue from providing digital services to customers in that country in calendar year 20X0. The government's stated policy objective is to ensure multinational entities contribute a fair amount to supporting the country's vital public services, reflecting the value these entities create for themselves by operating in the country.

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 20X0 exceeds CU750 million; and

  (ii) its revenue from providing digital services in the country in 20X0 exceeds CU20 million.

(b) the levy is 3% of the revenue the entity earns in excess of CU20 million from providing digital services in the country.

IE3.4 A multinational entity provides digital services in the country. It is probable that the entity's global revenue for the year will exceed CU750 million and that its revenue from providing digital services in the country will exceed CU20 million.

Analysis of the legislation

IE3.5 Two economic benefits are required by the legislation for a levy to be payable:

(a) global revenue in 20X0; and

(b) revenue from providing digital services in the country in 20X0.

Application of the requirements in IAS 37

IE3.6 Management judges that, of these two economic benefits, the one that better reflects the economic benefit the government is seeking to levy (the relevant economic benefit) is revenue from providing digital services in the country (paragraph 83H). Management reaches this judgement on the basis of the government's stated policy objective for the levy, which focuses on ensuring the entity's contribution reflects the value it creates for itself by operating in the country.

IE3.7 Accordingly:

(a) the past-event condition is met as the entity earns revenue from providing digital services in the country in 20X0—both revenue below and revenue above the CU20 million threshold (paragraph 83J(a)); and

(b) at any date during 20X0, the entity's present obligation is for a portion of the levy that will be payable for the year—the portion attributable to the revenue the entity has earned to that date from providing digital services in the country (paragraph 83J(b)).

IE3.8 When the past-event condition is first met, the requirement to pay a levy is still conditional on two thresholds being met during 20X0:

(a) the entity's revenue from providing digital services in the country exceeding CU20 million; and

(b) the entity's global revenue exceeding CU750 million.

IE3.9 Because it is probable that both thresholds will be met, the entity recognises a provision as the past-event condition is met (paragraph 83L(b)).

Conclusion

IE3.10 The entity recognises a provision for the levy progressively as it earns revenue from providing digital services in the country over the course of 20X0.

Applying IFRIC 21 to this fact pattern, the entity would recognise no liability for the levy until both:

(a) its global revenue in the year exceeded CU750 million; and

(b) its revenue from providing digital services in the country exceeded CU20 million.

When the later of these two events occurred, the entity would start to recognise a liability.

If exceeding the global revenue threshold was the later event, the entity would have already exceeded the country revenue threshold of CU20 million. It would immediately recognise a liability for the levy payable on the revenue it had already earned in excess of the country revenue threshold.

The entity would recognise the rest of the liability over the rest of 20X0, as it earned further revenue from providing digital services in the country.

Example 4—A property levy

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 levy on entities that own property for use in specified activities. Under the terms of the legislation imposing the levy:

(a) the levy is payable by the entity that owns the property on 1 January in a calendar year (the levy year); and

(b) the amount, which can vary, is notified to the entity by 30 March and must be paid by 31 July in the levy year.

Variation A

IE4.3 The entity is liable for a full year's levy even if it sells the property, or ceases using it for the specified activities, after 1 January in the levy year.

Variation B

IE4.4 The entity is liable for the levy only for the months in which it continues to own the property for use in the specified activities.

Analysis of the 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 for use in specified 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; or

(b) *Variation B*: the past-event condition is met, and the present obligation accumulates progressively, as an entity continues to own the property for use in the specified 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 need for management to judge which activity 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) two separate activities are required by legislation for a levy to be payable (paragraph 83H); and

(b) the relevant activity is conducted at a point in time.

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). The country's banking system is relatively stable—few banks enter or leave the market or significantly change the scale of their operations from one levy year to the next.

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 calendar 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.

Analysis of the legislation

IE5.6 Two separate 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 better 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 (paragraph 83H). Management reaches this judgement on the basis 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 measure of the customer deposits held by a bank in the earlier reference is no more than a readily obtainable and reliable proxy for the measure of the deposits the bank holds during the levy year (given the relative stability of the market), and hence of the extent to which that 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 judged to be 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 does not apply). The past-event condition is met at a point in time, rather than progressively over the levy year because, although the policy objective is to fund the central bank for the whole of the levy year, none of the activities required for the levy to be payable are conducted progressively over the levy year.

Conclusion

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

Because the relevant activity is 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.