

IAS 12 *Income Taxes* (September 2017)

Interest and penalties related to income taxes

IFRS Standards do not specifically address the accounting for interest and penalties related to income taxes (interest and penalties). In the light of the feedback received on the draft IFRIC Interpretation *Uncertainty over Income Tax Treatments*, the Committee considered whether to add a project on interest and penalties to its standard-setting agenda.

On the basis of its analysis, the Committee concluded that a project on interest and penalties would not result in an improvement in financial reporting that would be sufficient to outweigh the costs. Consequently, the Committee decided not to add a project on interest and penalties to its standard-setting agenda.

Nonetheless, the Committee observed that entities do not have an accounting policy choice between applying IAS 12 and applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to interest and penalties. Instead, if an entity considers a particular amount payable or receivable for interest and penalties to be an income tax, then the entity applies IAS 12 to that amount. If an entity does not apply IAS 12 to a particular amount payable or receivable for interest and penalties, it applies IAS 37 to that amount. An entity discloses its judgement in this respect applying paragraph 122 of IAS 1 *Presentation of Financial Statements* if it is part of the entity's judgements that had the most significant effect on the amounts recognised in the financial statements.

Paragraph 79 of IAS 12 requires an entity to disclose the major components of tax expense (income); for each class of provision, paragraphs 84–85 of IAS 37 require a reconciliation of the carrying amount at the beginning and end of the reporting period as well as other information. Accordingly, regardless of whether an entity applies IAS 12 or IAS 37 when accounting for interest and penalties, the entity discloses information about those interest and penalties if it is material.

The Committee also observed it had previously published agenda decisions discussing the scope of IAS 12 in [March 2006](#) and [May 2009](#).