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**IFRS<sup>®</sup> Interpretations Committee meeting**

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| Date     | <b>September 2025</b>                                                                                                                                                |
| Project  | <b>Presentation of Taxes or Other Charges that are Not Income Taxes within the Scope of IAS 12 (IFRS 18)</b>                                                         |
| Topic    | <b>Initial consideration</b>                                                                                                                                         |
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## Introduction

1. At its meeting in October 2025, the International Accounting Standards Board (IASB) asked the IFRS Interpretations Committee (Committee) to consider a consistent application matter related to the application of IFRS 18 *Presentation and Disclosure in Financial Statements*. The matter concerns whether an entity applying IFRS 18 is permitted to present taxes or other charges that are not income taxes within the scope of IAS 12 *Income Taxes*:
  - (a) in the 'income tax expense or income' line item of the statement of profit or loss; or
  - (b) in the income taxes category of the statement of profit or loss.
2. The objective of this paper is:
  - (a) to provide the Committee with a summary of the matter;
  - (b) to present our research and analysis; and
  - (c) to ask the Committee whether it agrees with our recommendation not to add a standard-setting project to the work plan.

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## Structure

3. This paper includes:
  - (a) [background and summary of the matter](#) (paragraphs 5–20);
  - (b) [evidence of ‘widespread and material effect’](#) (paragraphs 21–23);
  - (c) [staff analysis](#) (paragraphs 24–28);
  - (d) [whether to add a standard-setting project to the work plan](#) (paragraphs 29–31);  
and
  - (e) [staff recommendation](#) (paragraphs 32–33).
4. This paper includes two appendices:
  - (a) [Appendix A](#)—suggested wording for the tentative agenda decision; and
  - (b) [Appendix B](#)—related agenda decisions.

## Background and summary of the matter

5. The IASB’s horizon scanning activities revealed a consistent application matter concerning the presentation in the statement of profit or loss of taxes or other charges that are not income taxes in the scope of IAS 12.<sup>1</sup> We refer to those taxes or other charges as ‘non-income taxes’ in the rest of this paper.
6. As reported to the IASB at its October 2025 meeting, we understand from prior research and informal conversations with stakeholders that non-income taxes are prevalent across jurisdictions and the amounts involved can be material.

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<sup>1</sup> The IASB regularly engages in horizon scanning activities to keep up to date with stakeholder concerns.

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***Applicable requirements***

7. Paragraph 47 of IFRS 18 requires the parent to classify income and expenses included in the consolidated statement of profit or loss in one of five categories:

- (a) the operating category;
- (b) the investing category;
- (c) the financing category;
- (d) the income tax category; and
- (e) the discontinued operations category.

8. Paragraph 67 of IFRS 18 states:

An entity shall classify in the income taxes category tax expense or tax income that is included in the statement of profit or loss applying IAS 12 *Income Taxes*, and any related foreign exchange differences.

9. Paragraph 75 of IFRS 18 states:

An entity shall present in the statement of profit or loss line items for (see paragraph B77):

- (a) amounts required by this Standard, namely:

...

- (iv) income tax expense or income; and

...

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**Prior discussions**

10. The Committee has previously considered matters related to specific non-income taxes and has published the following two agenda decisions:
  - (a) [\*Presentation of payments on non-income taxes \(IAS 1 Presentation of Financial Statements and IAS 12\)\*](#); and
  - (b) [\*Classification of tonnage taxes \(IAS 12\)\*](#).
11. These two agenda decisions, which we refer to as ‘related agenda decisions’ in the rest of this paper, discuss the accounting for production-based royalty payments and tonnage taxes.
12. Paragraph 82 of IAS 1 requires an entity to present a line item for ‘tax expense’ in the statement of profit or loss. The related agenda decisions address, among other things, how an entity applies paragraph 82 of IAS 1 when deciding how to present specific non-income taxes in the statement of profit or loss.
13. IFRS 18 replaces IAS 1 and is effective 1 January 2027. Following a request from the IASB, the Committee proposed updates to the related agenda decisions (and some other agenda decisions) to refer to the applicable requirements in IFRS 18.
14. Appendix B to this paper reproduces the related agenda decisions and the updates proposed by the Committee.<sup>2</sup> Among other changes, the Committee proposed replacing references to the requirements in paragraph 82 of IAS 1 with references to the requirements in paragraph 75(a)(iv) of IFRS 18 (see paragraph 9).
15. The proposed updates to the related agenda decisions were open for comment until 6 October 2025 and Agenda Paper 9 considers feedback on those proposed updates.

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<sup>2</sup> Agenda Paper 9 for this meeting considers feedback on these agenda decisions and includes our recommendation on whether to proceed with the updates and any changes to the proposed updates.

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***The consistent application matter***

16. Research suggests some entities applying IAS 1:
- (a) present non-income taxes as an additional line item within a ‘tax expense’ subtotal; or
  - (b) present non-income taxes as part of the ‘tax expense’ line item and disaggregate this amount in the notes.
17. Although IFRS 18 is not yet effective, informal conversations with stakeholders suggest:
- (a) there are different views about whether an entity may present non-income taxes:
    - (i) as part of the line item ‘income tax expense or income’ applying paragraph 75(a)(iv) of IFRS 18; or
    - (ii) as an additional line item within the ‘income taxes’ category of the statement of profit or loss.
  - (b) these different views can have a material effect on those affected—in particular, the different views would result in some entities classifying a non-income tax in the income taxes category and some entities classifying that same non-income tax in another category in the statement of profit or loss.

***The IASB’s discussion and request for the Committee***

18. At its October 2025 meeting, the IASB considered that the proposed updates to the related agenda decisions—if finalised—would clarify, amongst other things, how an entity presents the specific non-income taxes in the statement of profit or loss applying paragraph 75(a)(iv) of IFRS 18.
19. Nonetheless, in the light of the imminent effective date of IFRS 18, the IASB considered that it would be beneficial for the Committee to consider the matter described in paragraph 17 of this paper. This was because:

- (a) the related agenda decisions address the presentation, in the statement of profit or loss, of two specific types of non-income taxes (that is, production-based royalty payments and tonnage taxes). Some stakeholders might consider the explanatory material in those agenda decisions as applying only to these two types of non-income taxes.
  - (b) as paragraph 17 notes, there are different views about whether an entity may present non-income taxes in the line item ‘income tax expense or income’, and these different views can have a material effect on those affected.
20. Consequently, at its October 2025 meeting, the IASB decided to ask the Committee to consider the matter.

### Evidence of ‘widespread and material effect’

21. The purpose of any information requests we send to stakeholders is to understand whether a submission meets the criteria in paragraph 5.16(a) of the IFRS Foundation’s [\*Due Process Handbook\*](#). We consider:
- (a) the prevalence of the transaction or fact pattern submitted; and
  - (b) whether there is widespread diversity in the accounting applied to that transaction or fact pattern that has, or is expected to have, a material effect on those affected.
22. In making the request to the Committee, the IASB already considered that:
- (a) non-income taxes are prevalent across jurisdictions and the amounts involved can be material (see paragraph 6); and
  - (b) there are different views about whether an entity may present non-income taxes in the line item ‘income tax expense or income’ or in the income taxes category of the statement of profit or loss, and these different views can have a material effect on those affected (see paragraph 17).

23. Consequently, we did not perform outreach on this submission and proceeded to analyse the matter.

## Staff analysis

24. Applying IFRS 18—and consistent with the examples of the statement of profit or loss included in parts I and II of the *Illustrative Examples on IFRS 18*—an entity includes the line item ‘income tax expense or income’ in the income taxes category of the statement of profit or loss.
25. Paragraph 67 of IFRS 18 requires an entity to classify in the income taxes category of the statement of profit or loss *only* tax expense or tax income that is included in the statement of profit or loss applying IAS 12 (and any related foreign exchange differences).
26. We therefore conclude that applying IFRS 18, an entity is not permitted to present non-income taxes:
- (a) in the ‘income tax expense or income’ line item of the statement of profit or loss required by paragraph 75(a)(iv) of IFRS 18; and
  - (b) in the income taxes category of the statement of profit or loss.
27. We further note:
- (a) the IASB carried over the line items in paragraph 75 of IFRS 18 from the equivalent list in paragraph 82 of IAS 1. Paragraph BC236 of IFRS 18 states:  
  
IFRS 18 lists line items an entity is required to present in the statement of profit or loss. The IASB decided not to reconsider the items that come from an equivalent list in IAS 1, other than to remove the line item ‘finance costs’ (see paragraphs BC242–BC243) and to include operating expenses.
  - (b) the related agenda decisions include the Committee’s observation that the line item ‘tax expense’ required by paragraph 82(d) of IAS 1 is intended to require

an entity to present taxes that meet the definition of income taxes under IAS 12. In our view, the wording used in paragraph 75(a)(iv) of IFRS 18 (that is, ‘income tax expense or income’):

- (i) is more specific than the one used in paragraph 82 of IAS 1 (that is, ‘tax expense’); and
  - (ii) is more directly linked to income taxes in the scope of IAS 12.
- (c) our conclusion in paragraph 26 is consistent with the updates proposed by the Committee and/or the Committee’s observations in the related agenda decisions and as Agenda Paper 9 for this meeting notes, respondents have not raised significant concerns in respect of these proposed updates. In particular:
- (i) the proposed update to the Agenda Decision *Presentation of payments on non-income taxes* (IAS 1 and IAS 12) states:

...

The Committee observed that the line item of ‘income tax expense or income’ ~~‘tax expense’~~ that is required by paragraph 75(a)(iv) of IFRS 18 *Presentation and Disclosure in Financial Statements* ~~requires paragraph 82(d) of IAS 1 *Presentation of Financial Statements*~~ is intended to require an entity to present taxes that meet the definition of income taxes under IAS 12. ...

- (ii) the Agenda Decision *Classification of tonnage taxes* (IAS 12) states:

...Consequently, the IFRIC noted that such taxes would not be considered income taxes in accordance with IAS 12 and would not be presented as part of tax expense in the statement of comprehensive income. ...

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**Staff view**

28. Based on our analysis, we conclude that applying IFRS 18, an entity is not permitted to present non-income taxes:
- (a) in the ‘income tax expense or income’ line item of the statement of profit or loss required by paragraph 75(a)(iv) of IFRS 18; and
  - (b) in the income taxes category of the statement of profit or loss.

**Question 1 for the Committee**

Does the Committee agree with our analysis of the application of the requirements in IFRS 18 included in paragraphs 24–28 of this paper?

**Whether to add a standard-setting project to the work plan**

29. Paragraph 5.16 of the IFRS Foundation *Due Process Handbook* states that the Committee decides to add a standard-setting project to the work plan only if all of the following criteria are met:
- (a) the matter has widespread effect and has, or is expected to have, a material effect on those affected;
  - (b) it is necessary to add or change requirements in IFRS Accounting Standards to improve financial reporting—that is, the principles and requirements in IFRS Accounting Standards do not provide an adequate basis for an entity to determine the required accounting;
  - (c) the matter can be resolved efficiently within the confines of the existing Standards and the *Conceptual Framework for Financial Reporting*; and
  - (d) the matter is sufficiently narrow in scope that the IASB or the Committee can address it in an efficient manner, but not so narrow that it is not cost-effective

for the IASB or the Committee and stakeholders to undertake the due process required to change a Standard.

30. The IASB considered the criterion set out in paragraph 5.16(a) of the *Due Process Handbook* as discussed in paragraphs 21–23 of this paper. As those paragraphs note:
- (a) non-income taxes are prevalent across jurisdictions and the amounts involved can be material; and
  - (b) there are different views about whether an entity may present non-income taxes in the line item ‘income tax expense or income’, and these different views can have a material effect on those affected.
31. Based on our analysis in paragraphs 24–27 of this paper and staff conclusion in paragraph 28 of this paper, the criterion in sub-paragraph 5.16(b) of the *Due Process Handbook* is not met. The principles and requirements in IFRS 18 provide an adequate basis for an entity to determine whether it can present non-income taxes:
- (a) in the ‘income tax expense or income’ line item of the statement of profit or loss, or in the income taxes category of the statement of profit or loss; or
  - (b) in the income taxes category of the statement of profit or loss.

## Staff recommendation

32. For the reasons described in paragraphs 29–31, we recommend that the Committee not add a standard-setting project to the work plan. We recommend that the Committee instead publish a tentative agenda decision that explains how an entity applying IFRS 18 determines whether to present non-income taxes in the ‘income tax expense or income’ line item of the statement of profit or loss.
33. Appendix A to this paper sets out the suggested wording of the tentative agenda decision. In our view, the suggested tentative agenda decision (including the

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explanatory material contained within it) would not add or change requirements in IFRS Accounting Standards.<sup>3</sup>

#### Questions 2 and 3 for the Committee

2. Does the Committee agree with our recommendation not to add a standard-setting project to the work plan?
3. Does the Committee have any comments on the wording of the tentative agenda decision suggested in Appendix A to this paper?

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<sup>3</sup> Paragraph 8.4 of the *Due Process Handbook* states: 'Agenda decisions (including any explanatory material contained within them) cannot add or change requirements in IFRS Standards. Instead, explanatory material explains how the applicable principles and requirements in IFRS Standards apply to the transaction or fact pattern described in the agenda decision.'

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**Appendix A—suggested wording of the tentative agenda decision****Presentation of Taxes or Other Charges that are Not Income Taxes within the Scope of IAS 12 *Income Taxes* (IFRS 18 *Presentation and Disclosure in Financial Statements*)**

The Committee discussed whether an entity applying IFRS 18 is permitted to present taxes or other charges that are not income taxes within the scope of IAS 12 *Income Taxes*:

- (a) in the ‘income tax expense or income’ line item of the statement of profit or loss required by paragraph 75(a)(iv) of IFRS 18; or
- (b) in the income taxes category of the statement of profit or loss.

The Committee was informed of different views about whether an entity may present taxes or other charges that are not income taxes within the scope of IAS 12 in the line item ‘income tax expense or income’ required by paragraph 75(a)(iv) of IFRS 18 or as an additional line item in the income taxes category of the statement of profit or loss.

**Applying the requirements in IFRS Accounting Standards**

The Committee observed that applying IFRS 18, an entity presents the line item ‘income tax expense or income’ in the income taxes category of the statement of profit or loss.

As paragraph 67 of IFRS 18 notes, an entity classifies in the income taxes category of the statement of profit or loss only tax expense or tax income that is included in the statement of profit or loss applying IAS 12 (and any related foreign exchange differences).

The Committee therefore concluded that applying IFRS 18, an entity is not permitted to present taxes or other charges that are not income taxes within the scope of IAS 12:

- (a) in the ‘income tax expense or income’ line item of the statement of profit or loss required by paragraph 75(a)(iv) of IFRS 18; or
- (b) in the income taxes category of the statement of profit or loss.

**Conclusion**

The Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for an entity applying IFRS 18 to determine whether it is permitted to present taxes or other charges that are not income taxes within the scope of IAS 12:

- (a) in the ‘income tax expense or income’ line item of the statement of profit or loss required by paragraph 75(a)(iv) of IFRS 18; or
- (b) in the income taxes category of the statement of profit or loss.

Consequently, the Committee [decided] not to add a standard-setting project to the work plan.

## Appendix B—related agenda decisions

- B1. This appendix reproduces the agenda decisions related to the consistent application matter discussed in this paper, including IFRS 18-related updates proposed by the Committee.

### **Presentation of payments on non-income taxes (IAS 1 *Presentation of Financial Statements* and IAS 12 *Income Taxes*)**

The IFRS Interpretations Committee received a request seeking clarification of whether production-based royalty payments payable to one taxation authority that are claimed as an allowance against taxable profit for the computation of income tax payable to another taxation authority should be presented as an operating expense or a tax expense in the statement of comprehensive income. As the basis for this request, the submitter assumed that the production-based royalty payments are, in themselves, outside the scope of IAS 12 *Income Taxes* while the income tax payable to the other taxation authority is within the scope of IAS 12. On the basis of this assumption, the submitter asks the Committee to clarify whether the production-based royalty payments can be viewed as prepayment of the income tax payable. The Committee used the same assumption when discussing the issue.

The Committee observed that the line item of ‘income tax expense or income’ ‘tax expense’ that is required by paragraph 75(a)(iv) of IFRS 18 *Presentation and Disclosure in Financial Statements* requires ~~paragraph 82(d) of IAS 1 *Presentation of Financial Statements*~~ is intended to require an entity to present taxes that meet the definition of income taxes under IAS 12. The Committee also noted that it is the basis of calculation determined by the relevant tax rules that determines whether a tax meets the definition of an income tax. Neither the manner of settlement of a tax liability nor the factors relating to recipients of the tax is a determinant of whether an item meets that definition. The Committee further noted that the production-based royalty payments should not be treated differently from other expenses that are outside the scope of IAS 12, all of which may reduce income tax payable. Accordingly, the Committee observed that it is

inappropriate to consider the royalty payments to be prepayment of the income tax payables. Because the production-based royalties are not income taxes, the royalty payments should not be presented as an income tax expense in the statement of comprehensive income. The Committee considered that, in the light of its analysis of the existing requirements of IFRS 18 IAS 1 and IAS 12, an interpretation was not necessary and consequently decided not to add this issue to its agenda.

### **Classification of tonnage taxes (IAS 12 *Income Taxes*)**

The IFRIC received a request for guidance on whether a tax based on tonnage capacity can be considered an income tax in accordance with IAS 12. The IFRIC noted that the term ‘tonnage tax’ is applied to a variety of tax regimes. In some jurisdictions, shipping companies are permitted to choose to be taxed on the basis of tonnage transported, tonnage capacity or a notional profit instead of the standard corporate income tax regulations. In some jurisdictions, this choice is irrevocable.

The IFRIC has previously noted that IAS 12 applies to income taxes, which are defined as taxes that are based on taxable profit, and that the term ‘taxable profit’ implies a notion of a net rather than a gross amount. Taxes either on tonnage transported or tonnage capacity are based on gross rather than net amounts. Taxes on a notional income derived from tonnage capacity are not based on the entity’s actual income and expenses. Consequently, the IFRIC noted that such taxes would not be considered income taxes in accordance with IAS 12 and would not be presented as part of tax expense in the statement of comprehensive income. However, the IFRIC also noted that, in accordance with paragraph 24 of IFRS 18 *Presentation and Disclosure in Financial Statements*, an entity presents additional line items and subtotals if such presentations are necessary for a primary financial statement to provide a useful structured summary ~~paragraph 85 of IAS 1 *Presentation of Financial Statements*, an entity subject to tonnage tax would present additional subtotals in that statement if that presentation is relevant to an understanding~~

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| <p><del>of its financial performance.</del> Given the requirements of IAS 12, the IFRIC decided not to add the issue to its agenda.</p> |
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