
IASB[®] meeting

Date **October 2025**
Project **Consistent application activities**
Topic **Presentation of Non-income Taxes**
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Purpose of the meeting

1. The purpose of this meeting is to ask the International Accounting Standards Board (IASB) whether it agrees with our recommendation to ask the IFRS Interpretations Committee (Committee) to consider a consistent application matter. The matter relates to 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 *Income Taxes*.

Summary of staff recommendations

2. We recommend that the IASB ask the Committee to consider whether an entity applying IFRS 18 *Presentation and Disclosure in Financial Statements* may present, in the 'income tax expense or income' line item of the statement of profit or loss, taxes or other charges that are not income taxes in the scope of IAS 12.

Structure of the paper

3. This paper includes:
 - (a) background (paragraphs 5–13);
 - (b) possible request for the Committee (paragraphs 14–19);

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- (c) staff recommendation (paragraph 20); and
 - (d) question for the IASB.
4. Appendix A reproduces the two agenda decisions related to the consistent application matter discussed in this paper.

Background

5. Horizon scanning activities have 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 *Income Taxes*.¹ We refer to those taxes or other charges as ‘non-income taxes’ in the rest of this paper.
6. 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.

Relevant requirements and prior discussions

7. 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 \(IAS 1 Presentation of Financial Statements and IAS 12 Income Taxes\)*](#); and
 - (b) [*Classification of tonnage taxes \(IAS 12 Income Taxes\)*](#).
8. 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.

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

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9. Paragraph 82 of IAS 1 *Presentation of Financial Statements* 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.
 10. IFRS 18 replaces IAS 1 and is effective 1 January 2027. Following a request from the IASB, the Committee has proposed updates to the related agenda decisions (and some other agenda decisions) to refer to the applicable requirements in IFRS 18. The proposed updates were open for comment until 6 October 2025, and the Committee will consider feedback on these updates at a future meeting.
 11. Appendix A to this paper reproduces the related agenda decisions and the updates proposed by the Committee. 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. Paragraph 75(a)(iv) of IFRS 18 requires an entity to present a line item for ‘income tax expense or income’ in the statement of profit or loss.

The consistent application matter

12. 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 their amount in the notes.
13. Although IFRS 18 is not yet effective, informal conversations with stakeholders suggest that:
 - (a) there are different views about whether an entity may present non-income taxes in the line item ‘income tax expense or income’ applying paragraph 75(a)(iv) of IFRS 18 (see paragraph 11 of this paper); and

- (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.

Possible request for the Committee

Should the Committee consider the consistent application matter?

14. 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. Nonetheless, in the light of the imminent effective date of IFRS 18, we think it would be beneficial for the Committee to consider the matter described in paragraph 13 of this paper. We are of this view 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 13 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.
15. The Committee was able to conclude on how an entity would consider the requirements in paragraph 82 of IAS 1 in determining the presentation of non-income taxes in the context of the specific non-income taxes it considered in the related agenda decisions. We have not yet completed our technical analysis of the matter in the light of the wording in paragraph 75(a)(iv) of IFRS 18 and in the context of non-income taxes more generally. However, in our view, the wording used in paragraph 75(a)(iv) of IFRS 18 (that is, ‘income tax expense or income’):

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- (a) is more specific than the one used in paragraph 82 of IAS 1 (that is, ‘tax expense’); and
 - (b) is more directly linked to income taxes in the scope of IAS 12.
16. Therefore, our preliminary view is that the principles and requirements in IFRS 18 provide an adequate basis for an entity to determine how to present non-income taxes in the statement of profit or loss.
17. If the Committee were to agree with that view, it could consider including explanatory material in an agenda decision about whether an entity may present non-income taxes—beyond the two specific non-income taxes addressed in the related agenda decisions—in the ‘income tax expense or income’ line item of the statement of profit or loss when applying IFRS 18. The Committee could provide this explanation either by publishing a new agenda decision or making further updates to the two related agenda decisions.²

Potential timing for the Committee’s consideration of the matter

18. If the IASB agrees with our recommendation in this paper, we expect the timeline for the Committee’s consideration of the consistent application matter to be as follows:
- (a) *November 2025*—the Committee would consider the matter. The Committee would publish for comment for 60 days any new tentative agenda decision or further updates to the two related agenda decisions resulting from this meeting.
 - (b) *March 2026*—the Committee would consider feedback on its tentative agenda decisions and decide whether to publish final agenda decision(s).

² We are in the process of analysing feedback on the proposed updates to the related agenda decisions to refer to the applicable requirements in IFRS 18 (see paragraph 10). We note that a few respondents to those proposed updates suggest amending these agenda decisions to explain that an entity presents only income taxes in the scope of IAS 12 in the ‘income tax expense or income’ line item of the statement of profit or loss when applying paragraph 75(a)(iv) of IFRS 18.

- (c) *April 2026*—IASB members would be asked whether they object to the final agenda decision(s) at the IASB’s April 2026 meeting. If IASB members do not object, the agenda decisions would be published soon after that meeting.³

19. In our view, publishing the possible agenda decision(s) in April 2026 would not unduly disrupt the implementation of IFRS 18.

Staff recommendation

20. We recommend that the IASB ask the Committee to consider whether an entity applying IFRS 18 may present, in the ‘income tax expense or income’ line item of the statement of profit or loss, taxes or other charges that are not income taxes in the scope of IAS 12.

Question for the IASB

Question for the IASB

Do you agree with our recommendation in paragraph 20?

³ This timeline reflects our best estimate at the date of publishing this paper and is subject to change.

Appendix A—Related agenda decisions

A1. 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. New text added to the agenda decision is underlined and deleted text is struck through.

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 IFRS18 ~~IAS 4~~ 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 of its financial performance.~~ Given the requirements of IAS 12, the IFRIC decided not to add the issue to its agenda.