

# IFRIC Update November 2025

IFRIC *Update* is a summary of the decisions reached by the IFRS Interpretations Committee (Committee) in its public meetings. Past *Updates* can be found in the [IFRIC \*Update\* archive](#).

The Committee met on [25–26 November 2025](#) and discussed

## Committee's tentative agenda decisions

- [Classification of Gains and Losses on a Derivative Managing a Foreign Currency Exposure \(IFRS 18 Presentation and Disclosure in Financial Statements\)—Agenda Paper 2](#)
- [Fair Presentation and Compliance with IFRS Accounting Standards \(IAS 1 Presentation of Financial Statements\)—Agenda Paper 3](#)
- [Scope of the Requirement to Disclose Expenses by Nature \(IFRS 18 Presentation and Disclosure in Financial Statements\)—Agenda Paper 6](#)
- [Assessment of a Specified Main Business Activity for the purposes of the Separate Financial Statements of a Parent \(IFRS 18 Presentation and Disclosure in Financial Statements\)—Agenda Paper 7](#)
- [Presentation of Taxes or Other Charges that are Not Income Taxes within the Scope of IAS 12 Income Taxes \(IFRS 18 Presentation and Disclosure in Financial Statements\)—Agenda Paper 8](#)

## Related information

[The work plan](#)

[Supporting consistent application](#)

## [Draft] Updates to Committee's agenda decisions for IFRS 18

- [Presentation of payments on non-income taxes \(IAS 1 Presentation of Financial Statements and IAS 12 Income Taxes\)—Agenda Papers 9–9C](#)
- [Classification of tonnage taxes \(IAS 12 Income Taxes\)—Agenda Papers 9–9C](#)

## Agenda decisions for the IASB's consideration

- [Embedded Prepayment Option \(IFRS 9 Financial Instruments\)—Agenda Paper 4](#)
- [Determining and Accounting for Transaction Costs \(IFRS 9 Financial Instruments\)—Agenda Paper 5](#)
- [Updates to Committee's agenda decisions for IFRS 18 Presentation and Disclosure in Financial Statements—Agenda Papers 9–9C](#)

## Other matters

- [Business Combinations—Disclosures, Goodwill and Impairment—Agenda Paper 10](#)
- [Work in Progress—Agenda Paper 11](#)

## **Committee's tentative agenda decisions**

The Committee discussed the following matters and tentatively decided not to add standard-setting projects to the work plan. The Committee will reconsider these tentative decisions, including the reasons for not adding standard-setting projects, at a future meeting. The Committee invites comments on the tentative agenda decisions. Interested parties may submit comments on the **Open for comment** page. All comments will be on the public record and posted on our website unless a respondent requests confidentiality and we grant that request. We do not normally grant such requests unless they are supported by a good reason, for example, commercial confidence. The Committee will consider all comments received in writing up to and including the closing date; comments received after that date will not be analysed in agenda papers considered by the Committee.

### **Classification of Gains and Losses on a Derivative Managing a Foreign Currency Exposure (IFRS 18 Presentation and Disclosure in Financial Statements)—Agenda Paper 2**

*Open for comment until 6 February 2026*

The Committee received a request about how an entity applies the requirements in paragraphs B70–B76 of IFRS 18 to classify gains or losses on a derivative financial instrument in its consolidated statement of profit or loss. The derivative is a forward contract that is used to manage the foreign currency risk of a net liability exposure, but is not designated as a hedging instrument applying IFRS 9 *Financial Instruments*.

The request asks how the entity, applying IFRS 18, classifies any gain or loss arising from the derivative in its consolidated statement of profit or loss.

#### **Fact pattern**

An entity (Parent P) has three subsidiaries—Subsidiary A, Subsidiary B and Treasury Entity—that it consolidates when preparing its consolidated financial statements. Subsidiaries A and B have the same functional currency (LC) and have the following loans denominated in foreign currency (FC):

- a. Subsidiary A issued a loan to a third party of FC100 (investing asset); and
- b. Subsidiary B obtained a loan from a different third party of FC120 (financing liability).

Therefore, the group has a net liability exposure of FC20.

Applying paragraph 49 of IFRS 18, Parent P assesses that—for the purposes of its consolidated financial statements—it does not have a specified main business activity of investing in particular types of assets or of providing financing to customers. Consequently, in its consolidated financial statements, Parent P classifies the interest income from the investing asset in the investing category and the interest expense from the financing liability in the financing category. Applying paragraph B65 of IFRS 18, Parent P classifies any foreign exchange differences in the same category as the interest income and interest expense from those financial instruments.

To manage the foreign currency risk of the group's net liability exposure, Treasury Entity enters into a forward contract with a third party at a notional amount of FC20 to sell local currency and buy foreign currency (external derivative).

Consistent with the group's risk management policy, the purpose of the external derivative is to manage the identified foreign currency risk of the net liability exposure, not the group of gross exposures that make up the net exposure.

Parent P does not designate the external derivative as a hedging instrument applying IFRS 9.

Parent P assesses that the undue cost or effort exemption in paragraph B72 of IFRS 18 is not applicable. In particular, Parent P has identified the link between the external derivative and the risk it uses that derivative to manage.

Treasury Entity also enters into intercompany derivatives (internal derivatives) with:

- a. Subsidiary A at a notional amount of FC100, for Subsidiary A to sell foreign currency and buy local currency; and
- b. Subsidiary B at a notional amount of FC120, for Subsidiary B to sell local currency and buy foreign currency.

### **Applicable requirements**

Paragraphs B70–B76 of IFRS 18 provide application guidance an entity applies when classifying gains and losses on derivatives and designated hedging instruments. Paragraph B72 of IFRS 18 requires an entity to classify gains and losses on a derivative that is not designated as a hedging instrument applying IFRS 9, but is used to manage identified risks, in the same category as the income and expenses affected by the risks that the derivative is used to manage. However, if doing so would require the grossing up of gains or losses or involve undue cost or effort, the entity is instead required to classify all gains or losses on the derivative in the operating category.

Paragraph B74 of IFRS 18 states that 'grossing up of gains and losses might arise from situations in which:

- a. an entity uses financial instruments to manage the risks of a group of items with offsetting risk positions; and
- b. the risks managed affect line items in more than one category of the statement of profit or loss'.

Paragraph B75 of IFRS 18 provides an example in which grossing up of gains or losses on a derivative might arise.

### **Applying the requirements**

The Committee considered the application of the requirements only to gains or losses on the external derivative, not on the internal derivatives. That is because:

- a. the request asked about the classification of gains and losses on the external derivative in the entity's consolidated statement of profit or loss.
- b. as paragraph BC6.144 of the Basis for Conclusions on IFRS 9 explains, for financial reporting purposes, the mitigation or transformation of risk is generally only relevant if it results in a transfer of risk to a party outside the reporting entity. Any transfer of risk within the reporting entity does not change the risk exposure from the perspective of that reporting entity as a whole. This is consistent with the principles of consolidated financial statements.

The Committee observed that, based on the application guidance in paragraphs B70–B76 of IFRS 18, an entity first needs to identify the risk(s) a derivative is used to manage. Doing so enables the entity to determine the categories in profit or loss that are affected by that risk and the resulting classification of gains or losses on that derivative.

*The risks the external derivative is used to manage*

The Committee observed that, entities typically enter into derivatives used to manage identified risks in accordance with their approved risk management policies. Therefore, an entity is generally expected to be able to identify the risk managed using a derivative based on facts and circumstances and its risk management policy.

In the fact pattern described in the request, consistent with the group's risk management policy, the external derivative is used to manage only the foreign currency risk of the net liability exposure—not the gross exposures (the investing asset and the financing liability).

*The categories affected by the risk managed using the external derivative*

In the fact pattern described in the request, Parent P classifies foreign exchange differences on financial liabilities in the financing category of its consolidated statement of profit or loss.

Because the external derivative is used to manage foreign currency risk of a net *liability* exposure, applying paragraph B72 of IFRS 18, Parent P is required to classify any gain or loss on the external derivative in the financing category of its consolidated statement of profit or loss, unless doing so would require the grossing up of gains and losses or involve undue cost or effort.

In the fact pattern described in the request, Parent P assessed that the undue cost or effort exemption is not applicable.

*Does classification in the financing category require the grossing up of gains or losses on the external derivative?*

Based on the requirements in paragraphs B74–B75 of IFRS 18, the Committee observed that the grossing up of gains and losses on a derivative:

- a. does not arise in situations in which an entity manages an identified risk which affects line items in a single category of the statement of profit or loss.
- b. might arise in situations in which an entity manages the risks of a group of items with offsetting risk positions using a derivative and those risks affect line items in more than one category of the statement of profit or loss. That is because, to classify the gain or loss on the derivative in each of the categories affected, the entity would need to present in each category a larger gain or loss than occurred on the derivative. Such an outcome is prohibited by paragraphs B70 and B72 of IFRS 18. For example, if the group's risk management policy was to instead use the external derivative to manage the foreign currency risk of both the investing asset and the financing liability on a gross basis. These risks would affect line items in the investing category and in the financing category of the consolidated statement of profit or loss. Consequently, classifying gains or losses on the external derivative in these categories would have required the grossing up of gains or losses on the derivative, which is prohibited by paragraph B72 of IFRS 18.

The Committee observed that, in the fact pattern described in the request, the external derivative is used to manage only the net liability foreign currency exposure, which affects a single category of the consolidated statement of profit or loss—the financing category. Therefore, classifying gains or losses on the external derivative in the financing category would not require the grossing up of such gains or losses. As a result, the prohibition in paragraph B72 of IFRS 18 would not apply.

Consequently, the Committee concluded that the entity is required to classify any gain or loss on the external derivative in the same category as the income and expenses affected by the risks the derivative is used to manage—in the fact pattern described in the request, in the financing category of its consolidated statement of profit or loss.

## Conclusion

The Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for the classification of gains or losses on a derivative—in accordance with an entity’s risk management policy—that is used to manage an identified risk but is not designated as a hedging instrument applying IFRS 9. Consequently, the Committee [decided] not to add a standard-setting project to the work plan.

## **Fair Presentation and Compliance with IFRS Accounting Standards (IAS 1 *Presentation of Financial Statements*)—Agenda Paper 3**

*Open for comment until 6 February 2026*

The Committee received a request about the application of the requirements in paragraphs 15–24 of IAS 1 *Presentation of Financial Statements* [paragraphs 6A–6J of IAS 8 *Basis of Preparation of Financial Statements*] relating to fair presentation and compliance with IFRS Accounting Standards.

### Fact pattern and question

In the fact pattern described in the request, an entity applying paragraph 19 of IAS 1 [paragraph 6E of IAS 8] departs from a requirement in an IFRS Accounting Standard. The request asks whether the entity is nonetheless required to comply with the requirement for fair presentation in paragraph 15 of IAS 1 [paragraph 6A of IAS 8].

### Findings

Evidence gathered by the Committee [to date] indicates that the fact pattern described in the request arises infrequently.

## Conclusion

Based on its findings, the Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee [decided] not to add a standard-setting project to the work plan.

## **Scope of the Requirement to Disclose Expenses by Nature (IFRS 18 *Presentation and Disclosure in Financial Statements*)—Agenda Paper 6**

*Open for comment until 6 February 2026*

The Committee received a request about the scope of the requirements in paragraph 83 of IFRS 18.

Paragraph 75 of IFRS 18 requires an entity to present line items in the statement of profit or loss, including for:

- a. operating expenses (paragraph 75(a)(ii)); and
- b. amounts required by IFRS 9 *Financial Instruments* and IFRS 17 *Insurance Contracts* (paragraph 75(b)–(c)).

Paragraph 83 of IFRS 18 requires an entity that presents one or more line items comprising expenses classified by function in the operating category of the statement of profit or loss to also disclose, in a single note, the total and the amount included in each line item for depreciation, amortisation, employee benefits, impairment of non-financial assets (and reversals) and write-downs of inventories (and reversals).

### **Question**

The request asks whether the requirements in paragraph 83 of IFRS 18 apply:

- a. only when an entity presents operating expenses listed in paragraph 75(a)(ii) of IFRS 18 by function in the operating category of the statement of profit or loss; or
- b. when an entity presents any expense by function in the operating category of the statement of profit or loss, including expenses listed in paragraph 75(b)–(c) of IFRS 18. The request says these expenses might include amounts that have been recognised as part of the carrying amount of an asset—for example, insurance service expense recognised in the statement of profit or loss might include the amortisation of insurance acquisition costs that were previously capitalised as part of insurance contract assets.

### **Applying the applicable requirements**

The Committee observed that paragraph 83 of IFRS 18 contains no exceptions or exclusions. That means, for example, that the reason for classifying an expense by function—that is, classifying an expense by function applying an entity's judgement or because of a requirement in an IFRS Accounting Standard—is irrelevant in determining whether an entity is required to apply paragraph 83.

Therefore, the Committee concluded that paragraph 83 of IFRS 18 applies when an entity presents any line item comprising expenses classified by function in the operating category of the statement of profit or loss, including expenses classified by function listed in paragraph 75(b)–(c) of IFRS 18.

The Committee observed that, as paragraph B84 of IFRS 18 states, the amounts disclosed in accordance with paragraph 83 of IFRS 18 need not be the amounts recognised as an expense in the period. The amounts disclosed could include amounts that have been recognised as part of the carrying amount of an asset. If an entity applying paragraph 83(b) of IFRS 18 discloses amounts that are not the amounts recognised as an expense in the period, the entity is required to provide a qualitative explanation of that fact, identifying the assets involved.

## Conclusion

The Committee concluded that the principles and requirements in IFRS 18 provide an adequate basis for an entity to determine the scope of the requirements in paragraph 83 of IFRS 18. Consequently, the Committee [decided] not to add a standard-setting project to the work plan.

## **Assessment of a Specified Main Business Activity for the purposes of the Separate Financial Statements of a Parent (IFRS 18 *Presentation and Disclosure in Financial Statements*)—Agenda Paper 7**

*Open for comment until 6 February 2026*

The Committee received a request about how a parent applying IFRS 18 assesses, for the purpose of its separate financial statements, whether it has a specified main business activity—in the fact pattern described in the request, a main business activity of investing in unconsolidated subsidiaries.

### **Fact pattern**

In the fact pattern described in the request, the reporting entity is the ultimate parent of a large group of entities. Its only activities are holding investments in subsidiaries, making decisions on the management, acquisition and disposal of those subsidiaries and distributing returns on those investments to shareholders. The parent determines that it is not an investment entity as defined in IFRS 10 *Consolidated Financial Statements*.

In its separate financial statements, the parent accounts for its investments in subsidiaries—hereafter referred to as investments in unconsolidated subsidiaries—at cost in accordance with paragraph 10(a) of IAS 27 *Separate Financial Statements*. The parent does not provide to its shareholders any segmental analysis or use any subtotals to explain its operating performance related to its separate financial statements. The parent also does not use such metrics for internal monitoring purposes. Shareholders are provided segmental analysis and subtotals as indicators of the consolidated group's operating performance. For the purposes of the group's consolidated financial statements, no specified main business activity is identified.

The request asks whether the parent, for the purposes of its separate financial statements, has a specified main business activity—specifically, a main business activity of investing in unconsolidated subsidiaries. In accordance with IFRS 18, the parent would classify income and expenses from those subsidiaries in its statement of profit or loss:

- a. in the operating category if it concludes that it has a main business activity of investing in unconsolidated subsidiaries; and
- b. in the investing category if it concludes that it does not have a main business activity of investing in unconsolidated subsidiaries.

### **Applicable requirements**

Paragraph 52 of IFRS 18 requires an entity to classify in the operating category all income and expenses included in the statement of profit or loss that are not classified in any of the other four categories. Paragraph B42 of IFRS 18 explains that the requirements in the Standard result in an entity classifying income and expenses from its main business activities in the operating category (except for income and expenses from investments accounted for using the equity method). Paragraph B30 of IFRS 18 explains that an entity may have more than one main business activity.

To classify income and expenses in the operating, investing and financing categories, an entity assesses, as required by paragraph 49 of IFRS 18, whether it has a specified main business

activity. In accordance with paragraphs 49(a) and 53(a) of IFRS 18, one specified main business activity is investing in particular types of assets including investments in unconsolidated subsidiaries. As paragraph B44(c) of IFRS 18 notes, investments in unconsolidated subsidiaries include investments in subsidiaries in separate financial statements that are accounted for at cost applying paragraph 10(a) of IAS 27.

Paragraph 53(a) of IFRS 18 requires an entity to classify income and expenses from investments in unconsolidated subsidiaries in the investing category unless the entity invests in that type of asset as a specified main business activity. If an entity invests in unconsolidated subsidiaries as a specified main business activity, paragraph 55 of IFRS 18 requires the entity to classify income and expenses from those subsidiaries in the operating category (unless those investments are accounted for applying the equity method).

Paragraphs B30–B41 of IFRS 18 include application guidance an entity applies when determining whether it has a specified main business activity. In particular:

- a. paragraph B33 of IFRS 18 states that whether investing in assets is a main business activity of the entity is a matter of fact and not merely an assertion. It requires an entity to use its judgement to assess whether investing in assets is a main business activity and to base that assessment on evidence.
- b. paragraphs B34–B36 of IFRS 18 discuss factors that may provide evidence of an entity's main business activity. These factors include, for example, whether the entity uses a particular subtotal as an important indicator of operating performance or whether, applying IFRS 8 *Operating Segments*, the entity has a reportable segment that comprises a single business activity.

Paragraph B37 of IFRS 18 requires an entity to assess whether investing in assets is a main business activity for the reporting entity as a whole. Accordingly, the assessment of whether investing in assets is a main business activity by a reporting entity that is a consolidated group and a reporting entity that is one of the subsidiaries in the consolidated group could have different outcomes. Paragraph BC99 of the Basis for Conclusions explains the IASB's rationale for the related requirements and notes that a parent entity's conclusion as to whether an activity is a main business activity for the purposes of its separate financial statements might differ from its conclusion for the purposes of the group's consolidated financial statements.

### **Applying the requirements in IFRS 18 to the fact pattern**

In accordance with paragraph 55 of IFRS 18, an entity can have a main business activity of investing in unconsolidated subsidiaries. The Committee observed that assessing whether a parent has a main business activity of investing in unconsolidated subsidiaries for the purposes of its separate financial statements requires judgement—in particular, when the parent has more than one business activity—and depends on the parent's specific facts and circumstances.

In the fact pattern described in the request, the parent has no substantive business activity apart from holding and managing investments in subsidiaries and distributing returns from those investments. In those circumstances, concluding that investing in unconsolidated subsidiaries is not a main business activity for the parent would result in the parent not having any main business activity. The Committee observed that an outcome in which an entity has no main business activity would be inconsistent with the IASB's rationale underlying the requirements of the Standard. In particular:

- a. all income and expenses included in profit or loss—other than those related to investing, financing, income taxes and discontinued operations—arise from an entity's operations; and

- b. an entity's operations include—but are not limited to—one or more main business activities, including income and expenses from investing in assets if that activity is a main business activity of the entity.

The Committee observed that, for the parent described in the request, the absence of any other substantive activity is sufficient evidence to conclude that investing in unconsolidated subsidiaries is a main business activity for the purposes of the parent's separate financial statements.

Therefore, the Committee concluded that the parent, for the purposes of its separate financial statements, has a specified main business activity—specifically, a main business activity of investing in unconsolidated subsidiaries. The parent accounts for its investments in unconsolidated subsidiaries at cost. Consequently, the parent is required to classify the income and expenses from its investments in unconsolidated subsidiaries in the operating category of its statement of profit or loss.

The Committee also observed that:

- a. the parent described in the request does not provide to its shareholders any segmental analysis or use any subtotals to explain its operating performance related to its separate financial statements; therefore, the examples provided in paragraphs B34–B36 of IFRS 18 of the types of factors an entity considers in assessing whether it has a specified main business activity do not apply in the fact pattern described in the request. The absence of those factors is not determinative and does not indicate that the parent's only substantive business activity is not its main business activity.
- b. the absence of a parent from the examples provided in paragraph B31 of IFRS 18 is not determinative; those examples are not intended to be an exhaustive list.
- c. consistent with the IASB's rationale in developing the requirements (as set out in paragraphs BC98–BC99 of the Basis for Conclusions on IFRS 18), the assessment of a main business activity is made for the reporting entity as a whole and, therefore, the outcome of that assessment for the purposes of the separate financial statements of a parent can differ from the outcome of the assessment for the purposes of the consolidated financial statements of the parent and its subsidiaries as a single economic entity.

## Conclusion

The Committee concluded that the principles and requirements in IFRS 18 provide an adequate basis for the parent described in the request to assess, for the purposes of its separate financial statements, whether it has a specified main business activity—specifically, a main business activity of investing in unconsolidated subsidiaries. Consequently, the Committee [decided] not to add a standard-setting project to the work plan.

## **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*)—Agenda Paper 8**

*Open for comment until 6 February 2026*

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 required by paragraph 67 of IFRS 18, an entity classifies in the income taxes category of the statement of profit or loss 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.

The Committee noted that in accordance with paragraph 24 of IFRS 18, an entity presents additional line items and subtotals in a primary financial statement if such presentations are necessary for the statement to provide a useful structured summary.

### **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 how it presents in the statement of profit or loss taxes or other charges that are not income taxes within the scope of IAS 12.

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

## **[Draft] Updates to Committee's agenda decisions for IFRS 18**

In the light of its discussions on *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)*, for which the Committee decided to publish a tentative agenda decision, the Committee [decided] to not finalise but instead to propose additional updates to two of the nine agenda decisions for which it had previously proposed updates (see section *Updates to Committee's agenda decisions for IFRS 18* in this IFRIC Update). The two agenda decisions are:

- 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)*.

New text proposed to be added to the original agenda decision is underlined and text proposed to be deleted from the original agenda decision is struck through. The Committee is asking for feedback only about the proposed updates and not about other aspects of these agenda decisions.

*Open for comment until 6 February 2026*

### ***Presentation of payments on non-income taxes (IAS 1 Presentation of Financial Statements and IAS 12 Income Taxes)—Agenda Papers 9–9C***

*Published in July 2012*

*Updated in [Month Year] to replace references to IAS 1 with references to IFRS 18.*

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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 includes 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 income taxes category of the statement of profit or loss 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*)—Agenda Papers 9–9C**

Published in May 2009

Updated in [Month Year] to replace references to IAS 1 with references to IFRS 18.

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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 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. (See also the [Agenda Decision] *Presentation of Taxes or Other Charges that are Not Income Taxes within the Scope of IAS 12 (IFRS 18)*). Given the requirements of IAS 12, the IFRIC decided not to add the issue to its agenda.

## **Agenda decisions for the IASB's consideration**

### **Embedded Prepayment Option (IFRS 9 *Financial Instruments*)—Agenda Paper 4**

The Committee considered feedback on the **tentative agenda decision** published in the June 2025 IFRIC *Update* about the application of the requirements in paragraph B4.3.5 of IFRS 9 to determine whether to separate an embedded prepayment option in a loan contract.

The Committee concluded its discussions on that agenda decision. In accordance with paragraph 8.7 of the IFRS Foundation's ***Due Process Handbook***, the IASB will consider this agenda decision at a future meeting. If the IASB does not object to the agenda decision, it will be published in an addendum to this IFRIC *Update*.

### **Determining and Accounting for Transaction Costs (IFRS 9 *Financial Instruments*)—Agenda Paper 5**

The Committee considered feedback on the **tentative agenda decision** published in the June 2025 IFRIC *Update* about the application of the definition of transaction costs in IFRS 9 and the requirements in IFRS 9 relating to transaction costs.

The Committee concluded its discussions on that agenda decision. In accordance with paragraph 8.7 of the IFRS Foundation's ***Due Process Handbook***, the IASB will consider this agenda decision at a future meeting. If the IASB does not object to the agenda decision, it will be published in an addendum to this IFRIC *Update*.

### **Updates to Committee's agenda decisions for IFRS 18 *Presentation and Disclosure in Financial Statements*—Agenda Papers 9–9C**

The Committee considered feedback on its **proposals** published in the June 2025 IFRIC *Update*:

- a. to replace the references to IAS 1 *Presentation of Financial Statements* with references to the new or amended requirements in IFRS 18 *Presentation and Disclosure in Financial Statements* for nine agenda decisions that refer to the general requirements about presentation, materiality and aggregation of information in the financial statements; and
- b. to explain how an entity applies the requirements in IFRS 18 to the fact pattern addressed by the Agenda Decision *Supply Chain Financing Arrangements—Reverse Factoring*.

The Committee concluded its discussions on the proposed updates to these agenda decisions. The Committee decided:

- a. to recommend to the IASB to withdraw the two agenda decisions *Presentation of income and expenses arising on financial instruments with a negative yield* and *Supply Chain Financing Arrangements—Reverse Factoring*;
- b. to propose additional updates to the two agenda decisions *Presentation of payments on non-income taxes* and *Presentation of payments on non-income taxes* (see section **[Draft] Updates to Committee's agenda decisions for IFRS 18** in this IFRIC *Update*); and
- c. to finalise the proposed updates to the remaining six agenda decisions.

The IASB will consider the Committee's decisions at a future meeting. If the IASB agrees, the updates to the six agenda decisions will be published in an addendum to this IFRIC *Update*.

## **Other matters**

### **Business Combinations—Disclosures, Goodwill and Impairment—Agenda Paper 10**

The Committee discussed aspects of the proposed requirements for an entity to disclose information about a business combination in the Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment*. Committee members provided their views on:

- a. whether to require an entity to disclose a statement of whether performance of a business combination is meeting targets;
- b. whether to restrict the population of business combinations for which an entity would be required to disclose expected synergy information; and
- c. whether to require an entity to disclose the basis of preparation for performance and expected synergy information.

The IASB will consider input from Committee members and other stakeholders.

### **Work in Progress—Agenda Paper 11**

The Committee received an update on the status of open matters not discussed at its November 2025 meeting.