IFRS Accounting

Staff paper

Agenda reference: 12C

IASB® meeting

Date	**July 2026**
Project	**Presentation of Taxes or Other Charges that Are Not Tax Expense or Tax Income Applying IAS 12 *Income Taxes* (IFRS 18)**
Topic	**Other related amendments to IFRS 18**
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Introduction

1. As Agenda Paper 12A explains, if the IASB decides to propose amending IFRS 18 in line with either Approach A or Approach B set out in Agenda Paper 12A for this meeting, it will need to consider whether to:

   (a) add specific disaggregation and disclosure requirements; and

   (b) amend other requirements in IFRS 18.

2. This agenda paper analyses these other amendments.

Structure of the paper

3. This paper includes:

   (a) summary of staff recommendations (paragraph 4); and

   (b) staff analysis (paragraphs 5–40).

Summary of staff recommendations

4. Based on our analysis in this paper, we recommend:

   (a) requiring an entity that classifies tax charges other than income taxes in the income taxes category:

      (i) to disaggregate, in the statement of profit or loss, income taxes from those other tax charges;

      (ii) to disclose the nature and amount of those other tax charges and the bases for their calculation;

      (iii) not to label the 'subtotal for profit before financing and income taxes' (as required by paragraph 69 of IFRS 18) and the 'subtotal for profit before income taxes' (as described in paragraph 118 of IFRS 18) in a way that implies those subtotals do not include those other tax charges; and

      (iv) applying paragraph 43 of IFRS 18, to label the subtotals in a way that faithfully represents the amounts included in those subtotals.

   (b) not amending the requirements in IFRS 18 relating to income tax recognised in other comprehensive income (OCI).

   (c) with respect to management-defined performance measures:

      (i) requiring an entity to disclose the effect on other tax charges classified in the income taxes category for each item disclosed in the reconciliation required by paragraph 123(c) of IFRS 18; and

      (ii) similar to the requirements in paragraph B141 of IFRS 18, allowing an entity to use any reasonable method to determine the effect on the other tax charges for the reconciling items.

   (d) amending paragraphs B63–B64 of IFRS 18—which set out requirements for classifying income or expenses from a transaction or other event for a group of assets (or a group of assets and liabilities)—to also refer to assets arising from tax charges other than income taxes that an entity classifies in the income taxes category.

Staff analysis

5. Our analysis discusses:

   (a) adding specific disaggregation and disclosure requirements (paragraphs 6–11); and

   (b) amending other requirements in IFRS 18 (paragraphs 12–40).

Adding specific disaggregation and disclosure requirements

Background

6. At its June 2026 meeting, the IASB considered whether, as a result of the potential amendment it discussed at that meeting (see Agenda Paper 12A for further information about the June potential amendment):

   (a) to require an entity to disaggregate, in the statement of profit or loss, income taxes from other covered taxes that would be included in the income taxes category; and

   (b) to require an entity to disclose additional information for other covered taxes that would be included in the income taxes category.

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7. Paragraphs 30–44 of Agenda Paper 12A to the IASB's June 2026 meeting (June Agenda Paper) set out our analysis of these matters.

8. If the IASB were to decide to proceed with the June potential amendment, we recommended the IASB also propose:

(a) to explicitly require an entity to disaggregate, in the statement of profit or loss, income taxes from other covered taxes that the entity classifies in the income taxes category; and

(b) to require an entity to disclose the nature and amount of other covered taxes that the entity classifies in the income taxes category and the bases for calculation of those other covered taxes.

9. At the June 2026 IASB meeting, IASB members generally agreed with—and raised no significant concerns about—our recommendations in this respect.

Staff analysis and conclusion

10. Approach A and Approach B for amending IFRS 18 set out in Agenda Paper 12A for this meeting would result in the inclusion of specific tax charges other than income taxes in the income taxes category of the statement of profit or loss.

11. We continue to think that the IASB should require an entity:

(a) to disaggregate, in the statement of profit or loss, income taxes from other tax charges that the entity classifies in the income taxes category; and

(b) to disclose the nature and amount of tax charges other than income taxes that the entity classifies in the income taxes category and the bases for their calculation.

Amending other requirements in IFRS 18

12. At its June 2026 meeting, the IASB considered whether amendments to other requirements in IFRS 18 would be necessary as a result of the potential amendment it discussed at that meeting. Paragraphs 45–65 of the June Agenda Paper set out our analysis.

13. We focused on IFRS 18 requirements that refer to 'income tax' or 'income taxes', namely:
    (a) the income taxes category (paragraphs 67 and B65–B69 of IFRS 18);
    (b) the subtotal for profit or loss before financing and income taxes and the subtotal for profit or loss before income taxes (paragraphs 69, 71 and 118 of IFRS 18);
    (c) the line item for income tax expense or income (paragraph 75 of IFRS 18);
    (d) income taxes relating to each item of other comprehensive income (paragraphs 93–94 of IFRS 18);
    (e) management-defined performance measures (paragraphs 123–124 and B136–B142); and
    (f) groups of assets and liabilities (paragraphs B63–B64).

14. If the IASB were to decide to proceed with the June potential amendment, we recommended the IASB also propose:
    (a) renaming to reflect the inclusion of other covered taxes in:
        (i) the income taxes category;
        (ii) the subtotal for profit before financing and income taxes; and
        (iii) the subtotal for profit before income taxes.
    (b) not amending the requirements in IFRS 18 relating to income tax recognised in other comprehensive income (OCI).
    (c) requiring an entity to qualitatively describe the effect on other covered taxes that the entity classifies in the income taxes category for each item disclosed in the reconciliation required by paragraph 123(c) of IFRS 18 for management-defined performance measures.
    (d) amending paragraphs B63–B64 of IFRS 18—which set out requirements for classifying income or expenses from a transaction or other event for a group of

assets (or a group of assets and liabilities)—to also refer to assets arising from other covered taxes that an entity classifies in the income taxes category.

15. We analyse below whether these amendments would still be necessary if the IASB decides to proceed with amending IFRS 18 in line with either Approach A or Approach B set out in Agenda Paper 12A for this meeting. In particular, we discuss:

(a) income taxes category and income taxes-related subtotals and line items (paragraphs 16–22);

(b) income taxes relating to each item of other comprehensive income (paragraphs 23–26);

(c) management-defined performance measures (paragraphs 27–34); and

(d) groups of assets and liabilities (paragraphs 35–40).

Income taxes category and income taxes-related subtotals and line items

Background

16. With regard to:

(a) *the income taxes category*—paragraph 67 of IFRS 18 requires an entity to '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 (see paragraphs B65–B68).'

(b) *subtotals*:

(i) paragraph 69 of IFRS 18 requires an entity to present in the statement of profit or loss a subtotal for 'profit or loss before financing and income taxes', and paragraph 71 specifies what that subtotal comprises.

(ii) paragraph 118 of IFRS 18 specifies the subtotal for 'profit before income taxes' is not a management-defined performance measure.

(c) *line item for income tax expense or income*—paragraph 75 of IFRS 18 requires an entity to present in the statement of profit or loss a line item for 'income tax expense or income' (subject to the line item being part of a useful structured summary).

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17. For the reasons set out in paragraphs 47–49 of the June Agenda Paper, if the IASB proceeded with the June potential amendment, we recommended renaming for the inclusion of other covered taxes in:

    (a) the income taxes category;

    (b) the subtotal for profit before financing and income taxes; and

    (c) the subtotal for profit before income taxes.

18. At the June 2026 IASB meeting, a few IASB members expressed a preference for not renaming the income taxes category and income taxes-related subtotals.

Staff analysis and conclusion

19. Approach A and Approach B for amending IFRS 18 set out in Agenda Paper 12A for this meeting would result in the inclusion of specific tax charges other than income tax in the income taxes category of the statement of profit or loss.

20. We note a few IASB members' preference for not renaming the income taxes category and income taxes-related subtotals (paragraph 18). If the IASB decides to amend IFRS 18 in line with either Approach A or Approach B without any such renaming, the requirements in paragraph 43 of IFRS 18 would still apply. The paragraph states:

    > An entity shall label and describe items presented in the primary financial statements (that is, totals, subtotals and line items) or items disclosed in the notes in a way that faithfully represents the characteristics of the item (see paragraphs B24–B26). …

21. Nonetheless, the IASB could still add an explicit requirement on the labelling of income taxes-related subtotals. We note there is precedent for such a requirement in

IFRS 18. Paragraph 69(b) of IFRS 18 requires an entity to present ‘profit or loss before financing and income taxes’ subtotal. However:

(a) paragraph 73 of IFRS 18 describes the situation in which an entity is precluded from presenting the subtotal. In that situation, the paragraph requires the entity to instead ‘apply paragraph 24 of IFRS 18 to determine whether to present an additional subtotal after operating profit and before the financing category.’

(b) paragraph 74 further states: ‘[i]f an entity described in paragraph 73 presents an additional subtotal comprising operating profit or loss and all income and expenses classified in the investing category, it shall not label the subtotal in a way that implies the subtotal excludes financing amounts, such as ‘profit before financing’. Applying paragraph 43, the entity shall label the subtotal in a way that faithfully represents the amounts included in the subtotal.’

22. We recommend requiring an entity that classifies tax charges other than income taxes in the income taxes category:

(a) not to label the ‘subtotal for profit before financing and income taxes’ (as required by paragraph 69 of IFRS 18) and the ‘subtotal for profit before income taxes’ (as described in paragraph 118 of IFRS 18) in a way that implies those subtotals do not include those other tax charges; and

(b) applying paragraph 43 of IFRS 18, to label the subtotals in a way that faithfully represents the amounts included in those subtotals.

Income taxes relating to each item of other comprehensive income

Background

23. Paragraph 93 of IFRS 18 requires an entity to ‘either present in the statement presenting comprehensive income or disclose in the notes the amount of income taxes relating to each item of other comprehensive income, including reclassification adjustments (see paragraphs 61A and 63 of IAS 12).’ Paragraph 94 of IFRS 18 sets out two alternatives for presenting that amount.

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24. For the reasons set out in paragraphs 51–53 of the June Agenda Paper, we thought no amendment was necessary in this respect.

25. At the June 2026 IASB meeting, no IASB members provided comments in this respect.

Staff analysis and conclusion

26. We continue to think no amendment is necessary in this respect.

Management-defined performance measures

Background

27. Paragraph 123 of IFRS 18 requires disclosure for each management-defined performance measure (MPM). In particular (emphasis added):
    (a) paragraph 123(c) requires 'a reconciliation between the management-defined performance measure and the most directly comparable subtotal listed in paragraph 118 or total or subtotal specifically required to be presented or disclosed by IFRS Accounting Standards (see paragraphs B136–B140)';
    (b) paragraph 123(d) requires 'the *income tax effect* (determined by applying paragraph B141) and the effect on non-controlling interests for each item disclosed in the reconciliation required by [paragraph 123](c)';
    (c) paragraph 123(e) requires 'a description of how the entity applies paragraph B141 to determine the *income tax effect* required by [paragraph 123](d)'; and
    (d) paragraph B141 sets out requirements for calculating the income tax effects and paragraph B142 sets out disclosure requirements if an entity uses more than one method to calculate the *income tax effects*.

28. Paragraph 124 of IFRS 18 sets out disclosure requirements for when an entity (among others) 'changes how it determines the income tax effects of the reconciling items required by paragraph 123(d).'

29. The Basis for Conclusions on IFRS 18 states:

> BC384 The IASB considered feedback that information on earnings per share is important to users of financial statements and that one of the benefits of management-defined performance measure disclosures is the detailed information users could use to calculate a related earnings per share figure. Users need information about the amounts of the adjustments attributable to owners of the parent and the tax effects of those adjustments to be able to adjust the earnings per share figure. Therefore, the IASB decided to require an entity to disclose separately the amount attributable to non-controlling interests and the effect of income taxes for each reconciling item in the reconciliation required by paragraph 123(c) of IFRS 18.
>
> BC385 The IASB decided to require this disclosure for each reconciling item because it gives users of financial statements information needed to calculate an adjusted earnings per share measure based on only the adjustments they want to consider in their analysis.

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30. For the reasons set out in paragraphs 57–60 of the June Agenda Paper, if the IASB proceeded with the June potential amendment, we recommended requiring an entity to qualitatively describe the effect on other covered taxes that the entity classifies in the income taxes category for each item disclosed in the reconciliation required by paragraph 123(c) of IFRS 18 (qualitative description).

31. At the June 2026 IASB meeting, some IASB members disagreed with requiring only the qualitative description. Instead, they expressed a preference for requiring the disclosure of the effect on tax charges other than income taxes classified in the income taxes category (other tax charges) for each item disclosed in the reconciliation required by paragraph 123(c) of IFRS 18 (reconciling item).

Staff analysis and conclusion

32. We think an entity would consider the effect on other tax charges when disclosing information about MPMs regardless of where in the statement of profit or loss those tax charges were classified. For example, we think an MPM of operating profit excluding unusual items would also exclude any effect on the other tax charges for the unusual items. Consequently, and consistent with the view of a few IASB members as discussed in paragraph 31, we think an entity would be able to—and should be required to—disclose the effect on other tax charges for each reconciling item.

33. We acknowledge there could be some challenges in determining the effect on the other tax charges for each reconciling item. Paragraph B141 of IFRS 18 allows alternate and simplified approaches for calculating the income tax effect for the reconciling items. The IASB can similarly specify that an entity would be allowed to use any reasonable method to determine the effect on the other tax charges for the reconciling items.

34. In light of our analysis and the preference expressed by some IASB members, we recommend:

    (a) requiring an entity to disclose the effect on other tax charges classified in the income taxes category for each item disclosed in the reconciliation required by paragraph 123(c) of IFRS 18; and

    (b) similar to the requirements in paragraph B141 of IFRS 18, allowing an entity to use any reasonable method to determine the effect on the other tax charges for the reconciling items.

Groups of assets and liabilities

Background

35. Paragraphs B63–B64 of IFRS 18 set out requirements for classifying income or expenses from a transaction or other event for a group of assets (or a group of assets and liabilities) that generated income and expenses that an entity classified in different categories immediately before the transaction or other event. These requirements are needed because the IASB did not intend an entity to disaggregate the single amount arising from the group into components that relate to individual assets and liabilities. For example, a gain or loss might arise from the disposal of a subsidiary. The requirements set out how that gain or loss—as a single amount—is classified.

36. In particular (emphasis added):

    (a) paragraph B63(a) requires an entity to classify income or expenses from such a transaction or other event (i) 'in the investing category if, other than any income tax assets, all the assets in the group generated income and expenses that the entity classified in the investing category immediately before the transaction or other event' and (ii) in the operating category otherwise; and

    (b) paragraph B64(c) includes an example whereby an entity classifies 'in the investing category—gains and losses on disposal of a consolidated subsidiary, if the only assets of the subsidiary were investment property that the consolidated reporting entity did not invest in as a main business activity and related income tax assets. The gains and losses include the reclassification from equity to profit or loss of foreign exchange differences required by paragraph 48 of IAS 21.'

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37. For the reasons explained in paragraphs 63–65 of the June Agenda Paper, if the IASB proceeded with the June potential amendment, we recommended amending paragraphs B63–B64 of IFRS 18 to also refer to assets arising from other covered taxes that an entity classifies in the income taxes category.

38. At the June 2026 IASB meeting, no IASB member provided comments in this respect.

Staff analysis and conclusion

39. Approach A and Approach B for amending IFRS 18 set out in Agenda Paper 12A for this meeting would result in the inclusion of specific tax charges other than income taxes in the income taxes category of the statement of profit or loss.

40. We continue to think that the IASB should amend paragraphs B63–B64 of IFRS 18 to also refer to assets arising from tax charges other than income taxes that an entity classifies in the income taxes category.