
IASB[®] meeting

Date	June 2026
Project	Presentation of Taxes or Other Charges that Are Not Tax Expense or Tax Income Applying IAS 12 <i>Income Taxes</i> (IFRS 18)
Topic	Background, effects analysis and questions for the IASB
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Introduction

1. At its May 2026 meeting, the International Accounting Standards Board (IASB):
 - (a) was asked whether it objected to Agenda Decision *Presentation of Taxes or Other Charges that Are Not Tax Expense or Tax Income Applying IAS 12 Income Taxes (IFRS 18 Presentation and Disclosure in Financial Statements)* and updates to two related agenda decisions; and
 - (b) considered whether to amend any IFRS Accounting Standards to address concerns about the outcome of applying the requirements in IFRS 18 to particular taxes or other charges that are not tax expense or tax income applying IAS 12 (non-income tax charges).
2. At that meeting, the IASB:
 - (a) deferred a decision on the agenda decisions; and, instead
 - (b) decided to explore amending IFRS 18 to require or allow an entity to classify, in the income taxes category of the statement of profit or loss, non-income tax charges that meet the definition of 'covered taxes' under the Pillar Two model rules of the Organisation for Economic Co-operation and Development (OECD) (potential amendment).

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3. For this meeting, we present the IASB with two papers on the topic:
- (a) this paper presents the background, a summary of our analysis of the technical aspects of the potential amendment, our analysis of the effects of the potential amendment and our questions for the IASB; and
 - (b) Agenda Paper 12A presents our analysis of, and views on, the technical aspects of the potential amendment.

Structure

4. This paper sets out:
- (a) [background](#) (paragraphs 6–19);
 - (b) our analysis of:
 - (i) [the technical aspects of the potential amendment](#) (paragraph 20);
 - (ii) [comments received since the May 2026 IASB meeting](#) (paragraph 21);
and
 - (iii) [the effects of the potential amendment](#) (paragraphs 22–30);
 - (c) [staff views and next steps](#) (paragraphs 31–32); and
 - (d) our questions for the IASB (page 14).
5. The [appendix](#) to this paper summarises and analyses comments we have received since the IASB’s discussion of this matter at its May 2026 meeting. These comments inform us of other covered taxes in particular jurisdictions and suggest other potential approaches to address the concerns.

Background

The Committee's discussions in November 2025

6. At its [November 2025 meeting](#), the IFRS Interpretations Committee (Committee) discussed an application matter concerning the presentation, in the statement of profit or loss, of taxes or other charges that are not tax expense or tax income applying IAS 12.¹ The Committee concluded that, applying IFRS 18, an entity is not permitted to present non-income tax charges:
- (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.
7. Based on its analysis, 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 non-income tax charges. Consequently, the Committee tentatively decided not to add a standard-setting project to the work plan and, instead, published a tentative agenda decision.
8. In addition, the Committee has previously considered matters related to specific non-income tax charges and has published the following two agenda decisions (related 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)*.²

¹ For ease of reference, throughout the rest of this paper and in Agenda Paper 12A, we refer to (a) taxes or other charges that are not tax expense or tax income applying IAS 12 as 'non-income tax charges'; and (b) taxes or other charges that are tax expense or tax income applying IAS 12 as 'income taxes'.

² We refer to these two agenda decisions as the 'related agenda decisions' throughout the rest of this paper and in Agenda Paper 12A.

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9. Following a request from the IASB to consider updating some agenda decisions which referred to IAS 1 (which IFRS 18 replaces), the Committee also proposed some updates to these related agenda decisions.

Feedback and the Committee's consideration of feedback

10. As [May Agenda Paper 12B](#)³ explains, the Committee received 49 comment letters on the tentative agenda decision and ten comment letters on the proposed updates to the related agenda decisions. While respondents raised concerns about the outcome of applying the requirements in particular situations (as paragraphs 12–13 discuss), they did not raise significant concerns about the Committee's technical analysis and conclusions.
11. At its March 2026 meeting, the Committee decided to finalise the agenda decision and the updates to the related agenda decisions with some wording changes.

Concerns raised and the Committee's consideration of those concerns

12. Many respondents to the tentative agenda decision—including almost all of the 34 respondents who were from Saudi Arabia⁴—discussed the outcome of applying IFRS 18 requirements, as reinforced by the tentative agenda decision if finalised, to zakat in Saudi Arabia (SA zakat).
13. [May Agenda Paper 12C](#) explains the concerns raised and the Committee's considerations of those concerns. In summary:
- (a) we understand from feedback that SA zakat is a non-income tax charge which an entity would—applying IFRS 18 as reinforced by the tentative agenda decision if finalised—generally classify in the operating category.

³ We refer to Agenda Papers 12A–12D for the May 2026 IASB meeting as 'May agenda papers' throughout the rest of this paper and in Agenda Paper 12A.

⁴ As paragraph 15 of [May Agenda Paper 12B](#) notes, these respondents primarily comprised the national standard-setter—the Saudi Organization of Certified and Public Accountants (SOCPA); the central bank—the Saudi Central Bank; preparers; individuals and accounting firms.

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- (b) respondents said classifying SA zakat in the operating category would (i) fail to reflect the economic substance of SA zakat, which in their view, is similar to that of income taxes; (ii) reduce comparability between entities that pay different proportions and amounts of income tax and zakat only because of different ownership structures and over time for the same entity when its ownership structure changes; and (iii) provide less useful information.
14. Notwithstanding the Committee’s decision to finalise the agenda decision, all Committee members acknowledged the concerns and decided to report these concerns to the IASB.

Possible ways forward to address the concerns

15. As [May Agenda Paper 12C](#) explains, Committee members discussed possible ways the IASB could consider in response to the concerns, namely:
- (a) *not amending IFRS 18*—in which case, an entity that is required to classify a non-income tax charge like SA zakat outside of the income taxes category of the statement of profit or loss may nonetheless be required, or able to, provide additional useful information by:
- (i) presenting ‘additional line items and subtotals if such presentations are necessary for a primary financial statement to provide a useful structured summary’ as required applying paragraph 24 of IFRS 18; and
- (ii) disclosing management-defined performance measures in accordance with IFRS 18.
- (b) *making a narrow-scope amendment to IFRS 18*—by requiring or allowing an entity to classify particular non-income tax charges that are similar to income taxes in the income taxes category—namely, those:

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- (i) that are paid in lieu of income taxes; or
 - (ii) that meet the definition of covered taxes under the OECD's Pillar Two model rules.⁵
16. As suggested by Committee members, we performed targeted outreach with users. [May Agenda Paper 12C](#) explains the outreach we did and our findings. In summary, we met:
- (a) collectively with a group of users in Saudi Arabia;
 - (b) collectively with a group of users in Malaysia; and
 - (c) individually with five users from other jurisdictions.
17. In those meetings, users confirmed that they shared the concerns and expressed support for amending IFRS 18 to require or allow an entity to classify particular non-income tax charges that are similar to income taxes in the income taxes category.

The IASB's discussions in May 2026

18. At its [May 2026 meeting](#), the IASB:
- (a) was asked whether—as required by paragraph 8.7 of the IFRS Foundation [Due Process Handbook](#)—it objected to the agenda decision and the proposed updates to the two related agenda decisions;
 - (b) considered the possible ways forward to respond to the concerns, including by:
 - (i) not amending IFRS Accounting Standards; or
 - (ii) amending IFRS 18 to require or allow an entity to classify particular non-income tax charges in the income taxes category of the statement of profit or loss.

⁵ Paragraph 2 of Chapter 4 from the OECD's [Consolidated Commentary to the Global Anti-Base Erosion Model Rules](#) (2025) states 'the term [covered taxes] is broadly defined to include Taxes imposed on a Constituent Entity's income or profits as well as Taxes that are functionally equivalent to such income taxes and Taxes on retained earnings and corporate equity.'

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19. After considering the Committee's discussions, respondents' and users' feedback and our analysis of the possible ways forward, the IASB:
- (a) deferred a decision on whether it objects to the Agenda Decision and the updates to the two agenda decisions; and, instead
 - (b) decided to explore amending IFRS 18 to require or allow an entity to classify in the income taxes category of the statement of profit or loss non-income tax charges that meet the definition of covered taxes under the OECD's Pillar Two model rules (potential amendment).⁶

Staff analysis

Technical aspects of the potential amendment

20. Agenda Paper 12A for this meeting sets out our analysis of, and views on, the technical aspects of the potential amendment set out in paragraph 19(b). Based on our analysis, if the IASB decides to proceed with the potential amendment, we think it should:
- (a) incorporate the definition of covered taxes in the Pillar Two model rules into IFRS 18 by referring to—rather than by reproducing—that definition in IFRS 18.
 - (b) allow—rather than require—an entity to classify other covered taxes in the income taxes category. An entity should be allowed to make this accounting policy choice separately for each of those covered taxes.
 - (c) 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.

⁶ We refer to non-income tax charges that meet the definition of 'covered taxes' under the OECD's Pillar Two model rules as 'other covered taxes' throughout the rest of this paper and in Agenda Paper 12A.

- (d) 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.
- (e) rename 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.
- (f) not amend the requirements in IFRS 18 relating to income tax recognised in other comprehensive income (OCI).
- (g) require an entity to qualitatively describe the effect of other covered taxes that the entity classifies in the income taxes category on each item disclosed in the reconciliation required by paragraph 123(c) of IFRS 18 for management-defined performance measures.
- (h) amend 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.

Comments received since the May 2026 IASB meeting

21. The [appendix](#) to this paper summarises and analyses comments from stakeholders informing us of other covered taxes in particular jurisdictions and suggesting other potential approaches to address the concerns. Based on our analysis in the appendix, we think no action is needed in respect of these comments.

Effects of the potential amendment

22. In this section, we analyse the effects of the potential amendment (as set out in Agenda Paper 12A and summarised in paragraph 20), namely:
- (a) [pervasiveness of the matter](#) (paragraph 23);
 - (b) [feasibility of standard-setting](#) (paragraphs 24–25);
 - (c) [expected benefits and costs from applying the proposed amendment](#) (paragraphs 26–29).
 - (d) [conclusion](#) (paragraph 30).

Pervasiveness

23. Consistent with our analysis in paragraph 33 of [May Agenda Paper 12A](#), we think the matter the potential amendment would address is pervasive. As row (a) of Table 1 of that paragraph notes:

Feedback to the tentative agenda decision and our discussions with users confirms the prevalence of the issue. In particular:

- (a) we note [Saudi Arabian] zakat affects a number of entities and users who analyse or invest in those entities. In addition to Saudi Arabia, we understand zakat exists in many countries. However, the nature and method of determining zakat is not standardised globally and in at least some situations, zakat would not meet the definition of covered taxes and would—appropriately in that situation—not be captured by the [potential amendment]
- (b) we do not have a comprehensive list of other non-income tax charges that are functionally equivalent to income taxes and are unable to assess the prevalence of such non-income tax charges. However, users generally said if a tax is similar to an income tax (for example, a tonnage

tax that an entity elects to pay instead of an income tax), it would be useful to classify it in the income taxes category (with sufficient disaggregation and additional information to assist in their analysis)

Feasibility of standard-setting

24. Consistent with our analysis in paragraph 33 of [May Agenda Paper 12A](#) (row (c) of Table 1 of that paragraph), we think it would be feasible to amend IFRS 18 in line with the potential amendment. We think such a potential amendment would be narrow in scope, thereby allowing the standard-setting project to be completed in a timely manner.
25. We still need to consider some aspects of the proposed amendment (for example, assessment of whether any amendments are needed to IFRS 19 *Subsidiaries without Public Accountability: Disclosures*, transition, effective date and compliance with applicable due process requirements for the proposed amendment). However, considering these aspects will not require significant effort. In our view, it would be feasible to complete our analysis of these matters and publish an exposure draft by late Q3 or early Q4 2026. This will allow the IASB:
 - (a) to complete its consultation by early to mid Q1 2027; and
 - (b) subject to feedback and the extent of analysis and redeliberation needed, to possibly be in a position to issue any final amendment in Q2 2027, thereby allowing jurisdictions and entities time to endorse and implement the amendment in time for an entity's first annual financial statements prepared applying IFRS 18.

*Expected benefits and costs****Expected benefits***

26. The potential amendment would address pervasive concerns about classifying particular non-income tax charges outside the income taxes category by allowing entities an accounting policy choice to classify, in the income taxes category, non-income tax charges that meet the definition of covered taxes. The potential amendment would also result in:
- (a) income taxes (which IFRS 18 already requires to be classified in the income taxes category) being disaggregated from other covered taxes classified in that category; and
 - (b) a more consistent level of disclosure for covered taxes that an entity classifies in the income taxes category, regardless of which IFRS Accounting Standards apply to those covered taxes.
27. We acknowledge we do not have a complete list of taxes that meet the definition of covered taxes. However, a few stakeholders have informed us of non-income tax charges that meet the definition of covered taxes in some jurisdictions (paragraph A2 of the [appendix](#)). Publishing an exposure draft would allow the IASB to receive feedback on other taxes or charges that meet the definition of covered taxes and which would consequently be subject to the potential amendment.
28. We accept there is a risk that the potential amendment could result in an entity classifying a particular covered tax in the income taxes category which some might consider inappropriate to be classified as such. However, based on information available, we think this risk would be mitigated because:
- (a) we understand from informal discussions with the OECD's staff that, in developing the definition of covered taxes, it was anticipated that only a few non-income tax charges would meet that definition.

- (b) applying the potential amendment as set out in paragraph 20, entities that classify other covered taxes in the income taxes category would be required to disaggregate income taxes from those other covered taxes and to provide disclosure relating to those other covered taxes. As a result, we think users would receive sufficient information about other covered taxes that an entity classifies in the income taxes category to make any adjustments they deem necessary.

Costs

29. We think the costs of applying the potential amendment would be limited. In particular:
- (a) an entity would be allowed—rather than required—to classify other covered taxes in the income taxes category. Consequently, entities that do not apply Pillar Two model rules would not incur any costs in applying the proposed amendments unless they choose to classify a particular covered tax in the income taxes category.
- (b) we accept that allowing entities an accounting policy to classify other covered taxes in the income taxes category would reduce comparability and introduce optionality in the classification requirements in IFRS 18. However, allowing an accounting policy choice appropriately limits any initial and ongoing costs of applying the potential amendment.
- (c) many entities and jurisdictions have already assessed whether particular non-tax charges meet the definition of covered taxes under the OECD’s Pillar Two model rules and entities that choose to classify a particular covered tax in the income taxes category can leverage the work done in applying the Pillar Two model rules. Entities might incur some costs in situations in which (i) new taxes or charges that meet the definition of covered taxes are introduced; and (ii) changes to legislations or to the definition of covered taxes result in existing taxes or charges meeting (or no longer meeting) the definition of covered taxes. However, entities will already need to make this assessment in

applying the Pillar Two model rules and any incremental costs in relation to the potential amendment would be minimal (and optional).

Conclusion

30. Based on our analysis of the effects of the potential amendment, we think:
- (a) the potential amendment would address an identified pervasive matter;
 - (b) it is feasible to complete the standard-setting project on a timely basis; and
 - (c) based on the information available, we think the expected benefits of the potential amendment could outweigh the costs. Publishing an exposure draft with the potential amendment would allow the IASB to receive feedback on which to make an informed decision.

Staff views and next steps

31. As paragraph 30 notes, based on information available, we think the expected benefits of the potential amendment could outweigh the costs. Publishing an exposure draft with the potential amendment would allow the IASB to receive feedback on which to make an informed decision.
32. If the IASB decides:
- (a) to proceed with the potential amendment (by publishing an exposure draft) we will bring a paper to a future meeting discussing any remaining aspects of the potential amendment (paragraph 25).
 - (b) to instead make no amendment to IFRS 18, at a future meeting we will ask the IASB whether it objects to the finalised agenda decision and the updates to the related agenda decisions.

Questions for the IASB

1. Do IASB members have any questions or comments on our analysis on:
 - a. the technical aspects of the potential amendment (as summarised in paragraph 20);
 - b. comments received since the IASB's May 2026 meeting (as summarised in paragraph 21);
and
 - c. the effects of the potential amendment (as explained in paragraphs 22–30)?
2. Does the IASB agree to proceed with the potential amendment?

Appendix—Comments received since the May 2026 IASB meeting

A1. This appendix summarises and analyses comments we have received from stakeholders informing us of other covered taxes in particular jurisdictions and suggesting other potential approaches to address the concerns.

Other covered taxes

Feedback

- A2. Some stakeholders informed us of specific other covered taxes that would be classified in the income taxes category if the IASB decided to proceed with the potential amendment. These include:
- a. a capital-based tax (in one jurisdiction in Asia-Oceania) on large entities levied even if the entities report a loss;
 - b. a profit-sharing payment to the government (in another jurisdiction in Asia-Oceania) levied on oil and gas companies;
 - c. a capital gains tax (in another jurisdiction in Asia-Oceania) levied on the sale of a property;
 - d. ‘alternative’ taxes (in several jurisdictions in Africa), including those based on revenue; and
 - e. hybrid taxes and other taxes in various jurisdictions.

Staff analysis

A3. We consider these other covered taxes in our discussion of the effects of the amendments (paragraphs 22–30).

Other potential approaches***Feedback***

- A4. At the May 2026 meeting of the Emerging Economies Group (EEG), one member suggested amending IFRS 18:
- (a) to require entities to classify only zakat—and not other covered taxes—in the income taxes category (or a separate category) of the statement of profit or loss;
or
 - (b) to introduce separate categories in the statement of profit or loss for (i) taxes other than income taxes that are related to profit; and (ii) levies based on distributions or wealth, including zakat.
- A5. Another stakeholder suggested limiting the potential amendment to only entities that pay no income taxes.

Staff analysis

- A6. As paragraph 3 of [May Agenda Paper 12D](#) notes, we agreed with feedback from Committee members who said the IASB should not address specifically the classification of only zakat. Consequently, we have not considered further the suggestion in paragraph (a).
- A7. We think introducing separate categories for particular type of taxes as suggested in paragraph A4(b) would complicate the structure of the statement of profit or loss. We nonetheless considered whether to amend IFRS 18 to allow or require an entity to classify taxes of the type noted in paragraph (b) in the income taxes category. However, similar to concerns we noted for amending IFRS 18 to allow or require an entity to classify tax charges paid in lieu of income taxes in the income taxes category (paragraphs 13–14 of [May Agenda Paper 12D](#)), we think such an amendment could give rise to application questions about how to determine, for example, whether a tax that is not an income tax relates to ‘profit’ and whether a particular levy is based on

distributions. The IASB would need to develop application guidance to ensure consistent application across jurisdictions. Developing such application guidance could require significant time and effort. We have consequently not considered further this alternative.

- A8. We disagree with the suggestion to limit the potential amendment to only entities that pay no income taxes and have consequently not considered it further. This could result in the same covered tax being presented in different categories by different entities which would hinder comparability. We note for example that some entities in Saudi Arabia that have a mix of local and foreign ownership pay both Saudi Arabian (SA) zakat—a covered tax—and income taxes while other entities that have only local ownership pay only SA zakat. We think limiting the potential amendment to only entities that pay no income taxes would result in the entity that is locally owned classifying SA zakat in the income taxes category while the entity that has a mix of local and foreign ownership classifying SA zakat in a different—generally operating—category in the statement of profit or loss.