
IFRS® Interpretations Committee meeting

Date	March 2026
Project	Presentation of Taxes or Other Charges that are Not Income Taxes within the Scope of IAS 12 (IFRS 18)
Topic	Comment letters on tentative agenda decision
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Introduction

1. As Agenda Paper 9—*Cover paper* for this meeting explains, this paper:
 - (a) summarises and analyses comments on the Tentative Agenda Decision *Presentation of Taxes or Other Charges that are Not Income Taxes within the Scope of IAS 12 Income Taxes (IFRS 18 Presentation and Disclosure in Financial Statements)*; and
 - (b) asks the IFRS Interpretations Committee (Committee) whether it agrees with our recommendation to finalise the agenda decision.

Structure of this paper

2. This paper includes:
 - (a) [the Committee's prior analysis and conclusions](#) (paragraphs 4–8);
 - (b) [comment letter summary](#) (paragraphs 9–13);
 - (c) [staff analysis](#) (paragraphs 14–41);

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- (d) [staff recommendation](#) (paragraphs 42–43); and
 - (e) questions for the Committee.
3. There are two appendices to this paper:
- (a) [Appendix A](#)—Proposed wording for the agenda decision; and
 - (b) [Appendix B](#)—Staff analysis of other comments.

The Committee’s prior analysis and conclusions

4. At its November 2025 meeting, the Committee considered the matter referred to it by the International Accounting Standards Board (IASB). Agenda Paper 9—*Cover Paper* for this meeting provides the background to the matter.
5. The Committee observed that:
- (a) 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.
 - (b) 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).
6. The Committee therefore 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. 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.

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8. 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 taxes or other charges that are not income taxes within the scope of IAS 12. Consequently, the Committee tentatively decided not to add a standard-setting project to the work plan and, instead, published a tentative agenda decision.

Comment letter summary

9. The Committee received 49 comment letters by the comment letter deadline. All comment letters received, including any late comment letters, are available on our [website](#).¹ This paper includes analysis of only the comment letters received by the comment letter deadline.
10. Most of these respondents—34—are from Saudi Arabia. They comprise:
- (a) the national standard-setter—the Saudi Organization of Certified and Public Accountants (SOCPA);
 - (b) the central bank—the Saudi Central Bank;
 - (c) two accounting firms;
 - (d) twenty-four preparers of financial statements;
 - (e) five individuals; and
 - (f) one research group—Zakat & Tax Association.
11. The other respondents comprise:
- (a) five accounting firms;
 - (b) one preparer of financial statements—Crédit Agricole;
 - (c) one professional body—the South African Institute of Chartered Accountants;

¹ At the date of posting this paper, there were no late comment letters.

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- (d) seven standard-setters;
 - (e) one regional group of standard-setters—the Group of Latin American Standard Setters (GLASS).
12. Of the respondents who comment on the Committee’s technical analysis and conclusions:
- (a) fourteen respondents agree—and a few of these respondents make some suggestions and/or request clarifications.
 - (b) two respondents express concern about the Committee being unduly restrictive in its reading of paragraph 67 of IFRS 18.
13. Of the other respondents:
- (a) one respondent—a standard-setter—disagrees with the Committee’s tentative decision to not add a standard-setting project to the work plan and raises concerns about the scoping requirements in IAS 12.
 - (b) almost all—particularly those from Saudi Arabia—express concerns about the outcome of applying the tentative agenda decision.

Staff analysis

14. Our analysis considers respondents’:
- (a) [comments on the tentative agenda decision](#) (paragraphs 16–30); and
 - (b) [concerns about the outcome of applying the tentative agenda decision](#) (paragraphs 31–41).

Comments on the tentative agenda decision

15. This section discusses:
- (a) [agreement with the Committee’s technical analysis and conclusions](#) (paragraphs 16–17);
 - (b) [concerns about the Committee’s technical analysis and conclusions](#) (paragraphs 18–24);
 - (c) [disagreement with the tentative decision not to add a standard-setting project to the work plan](#) (paragraphs 25–28);
 - (d) [other comments](#) (paragraph 29); and
 - (e) [staff conclusion](#) (paragraph 30).

Agreement with the Committee’s technical analysis and conclusions

16. Fourteen respondents agree with the Committee’s conclusion and tentative decision not to add a standard-setting project to the work plan. These respondents comprise six standard-setters, one regional group of standard-setters, three accounting firms, three preparers of financial statements and one professional body.
17. Furthermore, two of these respondents—preparers of financial statements—explicitly say restricting the ‘income tax expense or income’ line item and the income taxes category to only items within the scope of IAS 12 will improve transparency, clarity and comparability in financial reporting. One of these respondents acknowledges entities may have to reassess how they currently present non-income tax charges upon the initial application of IFRS 18 as a result of the agenda decision—particularly if, when applying IAS 1, those entities presented certain non-income tax charges as part of income tax expense. However, in its view, the ‘long term benefits in transparency and consistency outweigh the short-term implementation costs.’

Concerns about the Committee's technical analysis and conclusions

Respondents' comments

18. Two respondents—BDO and Grant Thornton—say the tentative agenda decision is unduly restrictive in its reading of paragraph 67 of IFRS 18. Both respondents say:
- (a) 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...*’ (emphasis added).
 - (b) the tentative agenda decision, in their view, goes beyond the requirements in paragraph 67 because it states ‘an entity is not permitted to present taxes or other charges *that are not income taxes within the scope of IAS 12...*’ (emphasis added).
19. Both respondents say, for particular items that are outside the scope of IAS 12, entities have developed accounting policies in accordance with IAS 8 *Basis of Preparation of Financial Statements* and apply IAS 12 to those items by analogy. Those items include, for example, investment tax credits. The respondents say, applying paragraph 4 of IAS 12, investment tax credits are outside the scope of IAS 12. Nonetheless, many entities apply IAS 12 by analogy to account for investment tax credits.
20. Both respondents suggest aligning the tentative agenda decision with the requirement in paragraph 67 of IFRS 18. They say an entity should be able to present, in the income taxes category, items accounted for by applying IAS 12 by analogy. Grant Thornton says if a more restrictive reading of the requirement in paragraph 67 of IFRS 18 is intentional, the Committee should make that intention clear.

Staff analysis

21. We disagree with respondents who say the tentative agenda decision is unduly restrictive in its reading of paragraph 67 of IFRS 18.
22. 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...’ (emphasis added).
23. Consequently, we think an entity:
 - (a) classifies in the income taxes category items that meet the definition of tax expense or tax income in IAS 12; and
 - (b) does not classify in the income taxes category items that do not meet the definition of tax expense or tax income in IAS 12 even if the entity applies IAS 12 by analogy to account for those items.
24. Based on our analysis, we continue to agree with the Committee’s conclusion in the agenda decision that states:

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.

Disagreement with the tentative decision not to add a standard-setting project to the work plan

Respondent's comments

25. One respondent—the Accounting Methodological Centre (AMC)—does not disagree with the Committee's reading of paragraph 67 of IFRS 18 but disagrees with the Committee's tentative decision not to add a standard-setting project to the work plan. The respondent says:
- (a) 'IAS 12 does not provide operational criteria capable of consistently determining what is and is not within its scope across jurisdictions.' The respondent says this gives rise to questions in practice about whether a tax is in the scope of IAS 12 and the related consequences.
 - (b) the tentative agenda decision introduces a third category of government charges—namely 'taxes or other charges that are not income taxes within the scope of IAS 12'—in addition to income taxes within the scope of IAS 12 and levies within the scope of IFRIC 21 *Levies*. The respondent says government charges having similar substance could consequently be presented differently in the statement of profit or loss, thereby reducing comparability and providing less useful information.
26. The respondent suggests undertaking standard-setting to resolve its concerns.

Staff analysis

27. The respondent does not disagree with the Committee's analysis of the applicable IFRS 18 requirements. Instead, they express concerns about the scoping requirements in IAS 12 and the interaction of the agenda decision with IFRIC 21. We note:
- (a) concerns about the scoping requirements in IAS 12 go beyond the specific request considered by the Committee. The request addresses the presentation of taxes and other charges that are *not in the scope* of IAS 12.

- (b) we disagree that the agenda decision introduces a third category of ‘governmental charges’. The agenda decision simply refers to ‘taxes or other charges that are not income taxes within the scope of IAS 12’ which is not a new category of ‘governmental charges’.

28. Consequently, we also disagree with the respondent’s suggestion to undertake standard-setting.

Other comments

29. We recommend no action with respect to other comments raised by respondents. [Appendix B](#) to this paper sets out those comments and our analysis.

Staff conclusion

30. We recommend no change to the agenda decision in respect of concerns raised and suggestions made by respondents on the tentative agenda decision.

Concerns about the outcome of applying the tentative agenda decision

Respondents’ comments

31. Many respondents—including almost all of the respondents from Saudi Arabia—discuss the outcome of applying the tentative agenda decision to *zakat* and other similar charges. These respondents explain that in Saudi Arabia:
- (a) *zakat* exists alongside income tax. Both *zakat* and incomes tax are levied by the government on entities operating in Saudi Arabia.
- (b) *zakat* is calculated using a hybrid model, with net income- or net assets-based measures used as the basis of its calculation.

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- (c) whether and in what proportion an entity pays income tax or zakat depends on its ownership structure. For example, if an entity is 75% owned by an entity based in Saudi Arabia or a Gulf Cooperation Council (GCC) member state and 25% owned by a foreign entity, it is liable to pay 75% of its total assessed zakat and 25% of its total assessed income tax.
- (d) zakat is recognised as a ‘covered tax’ under the Organisation for Economic Co-operation and Development’s Pillar Two model rules² and is eligible for relief under double taxation treaties.
- (e) although zakat and income tax have their own legal and administrative frameworks—including registration, filing of return, assessment and appeal—both are administered by the same authority.
32. These respondents say, when preparing statements of profit or loss by applying IAS 1, entities have generally presented zakat alongside—but often separately from—income tax expense. Respondents say that once IFRS 18 becomes effective—and as reinforced by the tentative agenda decision if finalised—entities will not be able to continue this practice.
33. One preparer of financial statements—who also agrees with the tentative agenda decision—agrees with the outcome of applying IFRS 18 to zakat. The respondent says the outcome is ‘consistent with the objectives of IFRS 18 in enhancing clarity of presentation and comparability among entities.’ Nonetheless, the respondent suggests adding application guidance and disclosure requirements to help users understand zakat, distinguish it from income tax and assess its effect on financial performance.
34. However, other respondents—primarily from Saudi Arabia—disagree with the outcome. In their view, presenting zakat outside the ‘income tax expense or income’ line item or the income taxes category would:

² [Agenda Paper 12A](#) for the November 2022 IASB meeting explain the mechanism for Pillar Two model rules—including how covered taxes are used in the computation of top-up tax under the rules.

(a) *fail to reflect the economic substance of zakat.*

Respondents say zakat is considered to have similar economic substance to, and is an alternative to, income taxes because of its characteristics as summarised in paragraph 31 of this paper. Presenting zakat outside the ‘income tax expense or income’ line item or the income taxes category would fail to reflect zakat’s economic substance. For example, Public Investment Fund (PIF) says:

...zakat is a comprehensive charge that encompasses an entity's overall wealth, including its operating, investing, and financing activities, as well as its profits. Therefore, any presentation of zakat that deviates from the presentation of income tax could be considered misleading.

(b) *reduce comparability.*

Respondents say zakat is substantively similar to income taxes and consequently, presenting it outside the ‘income tax expense or income’ line item or the income taxes category would reduce comparability (i) between entities that pay different proportions of income tax and zakat; and (ii) over time for the same entity when its ownership structure changes over time. Respondents say entities operating in Saudi Arabia and other countries in which zakat is levied would report operating profit figures that are systematically lower than those of their peers, not due to weaker operational performance but solely because of how their governments collect taxes.

(c) *provide less useful information.*

SOCPA says zakat has long been presented within the income taxes category in Saudi Arabia. Any change in practice would ‘go against investors’ expectations’, and the outcome ‘could be so misleading that it would conflict with the objective of financial statements set out in the *Conceptual Framework*.’

35. These respondents say entities should, when applying IFRS 18, be allowed to present zakat in the income taxes category. To achieve such an outcome, some of these respondents suggest:

- (a) *reconsidering the analysis in the tentative agenda decision.*

Elm Company, Manara Minerals Investment Company and Saudi Arabian Mining Company suggest specifically addressing the presentation of zakat in the tentative agenda decision—with a view of allowing zakat to be presented within the income taxes category or as a separate line item alongside ‘income tax expense or income’ line item.

- (b) *clarifying that the tentative agenda decision does not apply to zakat.*

A few respondents suggest explicitly clarifying that the tentative agenda decision should not be applied to zakat. Instead:

- (i) Saudi Agricultural and Livestock Investment Company suggest clarifying that zakat ‘should not be automatically classified in the operating (residual) category merely because it falls outside the scope of IAS 12.’
- (ii) PIF suggests stating ‘the analysis primarily addresses taxes that arise from operating activities and the items which are in substance akin to income taxes (i.e. zakat expenses) are permitted to be presented in income taxes category (as separate line item from income tax).’
- (iii) Rami Khaled Al Kheder Accountants & Auditors suggests stating ‘due consideration be given to local statutory and regulatory characteristics when adopting or interpreting’ agenda decisions.

- (c) *adding a standard-setting project to the work plan.*

SOCPA and Saudi Aramco disagree with the Committee’s assessment of the criteria in paragraph 5.16(b) of the IFRS Foundation’s *Due Process*

*Handbook*³ (*Handbook*)—they say IFRS 18 does not provide an adequate basis to present zakat in a way that faithfully reflects its economic substance and they and other respondents recommend undertaking standard-setting to address the matter. For example:

- (i) PIF and Saudi Aramco suggest amending IFRS 18 to allow the presentation of certain items outside the scope of IAS 12 (including zakat) within the income taxes category of the statement of profit or loss—if such items are similar in substance to income taxes.
- (ii) Saudi Aramco alternatively suggests amending the scope of IAS 12 to include ‘zakat and similar taxes.’ Saudi Aramco acknowledges this amendment would be broader in scope ‘as the change would have to be considered in the context of the whole of IAS 12, for example calculation of deferred taxes.’
- (iii) SOCPA also suggests amending IFRS 18 ‘to accommodate jurisdictions with comprehensive tax substitute regimes that are not within IAS 12 but have substance similar to income taxes.’
- (iv) Saudi Agricultural and Livestock Investment Company suggests requiring additional disclosure on zakat to ‘ensure transparency while maintaining faithful representation.’

Staff analysis

36. We acknowledge respondents’ concerns that the agenda decision, if finalised, may require entities to reconsider the presentation of zakat in the Saudi Arabian context. However, it is not unusual for agenda decisions with explanatory material to result in change for at least some entities. Questions are often submitted to the Committee because there is some doubt about how to read the principles and requirements in IFRS Accounting Standards and entities have applied, or are expected to apply, those

³ Reproduced in paragraph 37(b) of this paper.

principles and requirements differently (thus resulting in material effects for entities affected). Any reconsideration of the presentation of non-income tax charges resulting from the agenda decision would be made as part of an entity's initial application of IFRS 18.

37. Respondents' comments summarised in paragraphs 31–35 of this paper do not express disagreement with the Committee's analysis of the application of IFRS 18 requirements—instead, they express disagreement with the outcome of applying IFRS 18 to zakat in the Saudi Arabian context.
38. The request discussed by the Committee:
- (a) asked a specific question—namely, whether an entity is permitted to present taxes or other charges that are not income taxes within the scope of IAS 12 in the 'income tax expense or income' line item or in the income taxes category;
 - (b) assumed that the tax or other charge in question is *not* an income tax within the scope of IAS 12—it did not ask the Committee to consider whether a particular tax or other charge in question is an income tax in the scope of IAS 12;
 - (c) did not name zakat or any specific charge.
39. Consequently, we think there is no basis—and it would be inappropriate—for the Committee to:
- (a) as suggested in paragraph 35(a) of this paper, specifically address the presentation of zakat in the tentative agenda decision—with a view to allowing zakat to be presented within the income taxes category or as a separate line item alongside 'income tax expense or income' line item in the statement of profit or loss.⁴
 - (b) as suggested in paragraph 35(b) of this paper, specify that the tentative agenda decision does not apply to zakat.

⁴ We also understand from discussions with stakeholders that the calculation of zakat is not standardised globally.

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40. We disagree with the suggestion in paragraph 35(c) of this paper to add a standard-setting project to the work plan:
- (a) one of the criteria that must be met for adding a standard-setting project to the work plan, included in paragraph 5.16(b) of the *Handbook*, is that:

it is necessary to add or change requirements in IFRS [Accounting] Standards to improve financial reporting—that is, the principles and requirements in the Standards do not provide an adequate basis for an entity to determine the required accounting.
 - (b) we disagree with respondents who say the criterion in paragraph 5.16(b) of the *Handbook* is met. The Committee’s analysis and conclusions as set out in the tentative agenda decision demonstrates that criterion in paragraph 5.16(b) of the *Handbook* is not met—in particular, it demonstrates that the principles and requirements provide an adequate basis for an entity to determine *the required accounting*. Based on our analysis of feedback in this paper, we continue to agree with the Committee’s analysis and conclusion that applying IFRS 18, an entity is not permitted to present taxes or other charges that are not income taxes within the income taxes category or as a separate line item alongside ‘income tax expense or income’ line item.
41. The IASB considers the effects of requirements when it develops requirements—and it is not the Committee’s role to reconsider the effects of those requirements. Nonetheless, the Committee can—and, in this instance, we recommend that the Committee does—report respondents’ concerns (as summarised in paragraphs 31–35 of this paper) to the IASB.

Staff recommendation

42. Based on our analysis in this paper, we recommend finalising the agenda decision with no changes other than to remove the square brackets indicating the tentative stage of the agenda decision. If the Committee agrees with our recommendation, we will ask the IASB whether it objects to the agenda decision at the first IASB meeting at which it is practicable to present the agenda decision.
43. We also acknowledge respondents' concerns about the outcome of applying IFRS 18 requirements to zakat in the Saudi Arabian context as summarised in paragraphs 31–35 of this paper. Notwithstanding our recommendation to finalise the agenda decision, we also recommend reporting these concerns to the IASB. If the Committee agrees with our recommendation, we will report these concerns to the IASB at the same time as when we ask the IASB whether it objects to the agenda decision (see paragraph 42 of this paper).

Questions for the Committee

1. Does the Committee agree with our recommendation set out in paragraphs 42–43 of this paper?
2. Do Committee members have any comments on the wording of the agenda decision in [Appendix A](#) to this paper?
3. In addition to respondents' comments on the outcome of applying the agenda decision as summarised in paragraphs 31–35 of this paper, do Committee members have additional observations they would like to report to the IASB regarding this matter?

Appendix A—Proposed wording of the agenda decision

A1. We propose the following wording for the final agenda decision (deleted text is struck through).

Presentation of Taxes or Other Charges that are Not Income Taxes within the Scope of IAS 12 *Income Taxes* (IFRS 18 *Presentation and Disclosure in Financial Statements*)

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

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

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

Applying the requirements in IFRS Accounting Standards

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

As 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.

Appendix B—Staff analysis of other comments

B1. This appendix summarises other comments, together with our analysis of those comments.

No.	Respondent's comment	Staff analysis
(a)	Deloitte suggests clarifying that the reference to paragraph 24 of IFRS 18 in the agenda decision refers to line items and subtotals not within the income taxes category. Otherwise, the respondent says such a reference 'could be misconstrued as permitting a subtotal including items from both the income taxes category and the category in which the non-income tax charge is classified (typically, the operating category).'	<p><i>We recommend no action.</i></p> <p>The tentative agenda decision includes a direct reference to the wording of paragraph 24 of IFRS 18—and we are not aware of differences in how entities read the wording in that paragraph. The wording, in our view, does not suggest that an entity can include in a subtotal in the statement of profit or loss items from both the income taxes category and the category in which the non-income tax charge is classified.</p>
(b)	GLASS suggests clarifying that, applying paragraph B69 of IFRS 18, 'in addition to exchange differences, the gain or loss on the net monetary position of monetary assets or liabilities related to income taxes may be classified in the income taxes category.'	<p><i>We recommend no action.</i></p> <p>The suggested clarification would go beyond the specific request considered by the Committee—namely, whether an entity applying IFRS 18 is permitted to present non income tax charges in the 'income tax expense or income' line item or in the income taxes category. The request did not ask what other items—such as a portion of the gain or loss on the net monetary position—may be presented as such.</p>
(c)	Notwithstanding its agreement with the tentative agenda decision, RSM suggests undertaking a standard-setting project to clarify what constitutes a 'tax based on taxable profits' in accordance with IAS 12 to remove ambiguity in applying those requirements.	<p><i>We recommend no action.</i></p> <p>The suggested standard-setting project would go beyond the specific request considered by the Committee, which relates to the application of IFRS 18—rather than IAS 12—to non-income tax charges.</p>