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## IFRS<sup>®</sup> Interpretations Committee meeting

Date	<b>March 2026</b>
Project	<b>Presentation of Taxes or Other Charges that are Not Income Taxes within the Scope of IAS 12 (IFRS 18)</b>
Topic	<b>Comment letters on proposed updates to related agenda decisions</b>
Contacts	Stefano Tampubolon ( <a href="mailto:stampubolon@ifrs.org">stampubolon@ifrs.org</a> )

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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 proposed updates to agenda decisions<sup>1</sup>:
    - (i) [\*Presentation of payments on non-income taxes\*](#) (IAS 1 *Presentation of Financial Statements* and IAS 12 *Income Taxes*); and
    - (ii) [\*Classification of tonnage taxes\*](#) (IAS 12); and
  - (b) asks the IFRS Interpretations Committee (Committee) whether it agrees with our recommendation to finalise the proposed updates to the two agenda decisions.

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<sup>1</sup> As Agenda Paper 9—*Cover paper* explains, we refer to these agenda decisions as 'related agenda decisions' throughout the rest of this paper.

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## Structure of this paper

2. This paper discusses:
  - (a) [the Committee's prior analysis and conclusions](#) (paragraphs 4–12);
  - (b) [additional updates proposed by the Committee in November 2025](#):
    - (i) [background](#) (paragraphs 13–15);
    - (ii) [comment letter summary](#) (paragraphs 16–17);
    - (iii) [respondent's comments](#) (paragraphs 18–21); and
    - (iv) [staff analysis](#) (paragraph 22);
  - (c) [staff recommendation](#) (paragraph 23); and
  - (d) questions for the Committee.
3. The [appendix](#) to this paper sets out the proposed wording of the final updates to the two agenda decisions.

## The Committee's prior analysis and conclusions

### ***Updates proposed by the Committee in June 2025***

4. Following a request from the International Accounting Standards Board (IASB), the Committee proposed updates to the related agenda decisions (and some other agenda decisions) in June 2025 to refer to the applicable requirements in IFRS 18 *Presentation and Disclosure in Financial Statements* (June proposed updates). Agenda Paper 9—*Cover paper* for this meeting provides further background to the proposed updates.
5. This section sets out the background, the feedback received and the staff analysis of that feedback on the June proposed updates to the related agenda decisions.

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*Agenda Decision* Presentation of payments on non-income taxes (*IAS 1 and IAS 12*)

**Background**

6. Paragraph 82 of IAS 1 requires an entity to present a line item for ‘tax expense’ in the statement of profit or loss. Paragraph 75(a)(iv) of IFRS 18 requires the line item ‘income tax expense or income’. The IASB carried over the line items in paragraph 75 of IFRS 18 from the equivalent list in paragraph 82 of IAS 1 with some wording changes.
7. The June proposed updates to the Agenda Decision *Presentation of payments on non-income taxes* (IAS 1 and IAS 12) comprised replacing the reference to paragraph 82(d) of IAS 1 with a reference to paragraph 75(a)(iv) of IFRS 18.

**Feedback**

8. As [Agenda Paper 9A](#) for the Committee’s November 2025 meeting (November Agenda Paper) summarises:
  - (a) five respondents commented on the June proposed updates to this agenda decision and agreed (or did not disagree) with the updates.
  - (b) one of these respondents suggested updating the agenda decision to clarify that taxes not in the scope of IAS 12 cannot be presented in the income tax category of the statement of profit or loss.

**Staff analysis**

9. As the November Agenda Paper summarises, our view was that the request from the respondent (see paragraph 8(b) of this paper) went beyond the updates the IASB asked the Committee to make to the agenda decisions at that time. As such, we recommended no action in response to the comment.

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### *Agenda Decision Classification of tonnage taxes (IAS 12)*

#### **Background**

10. The proposed updates to the Agenda Decision *Classification of tonnage taxes* (IAS 12) include replacing the reference to paragraph 85 of IAS 1 with a reference to the requirements in paragraph 24 of IFRS 18 relating to when an entity presents additional line items and subtotals in its primary financial statements.

#### **Feedback**

11. As the November Agenda Paper summarises, one respondent commented on this agenda decision. They said the agenda decision would be more useful if it specified how an entity should present tonnage taxes (as opposed to stating that tonnage taxes cannot be presented in the income tax category of the statement of profit or loss).

#### **Staff analysis**

12. As the November Agenda Paper summarises, our view was that the request from the respondent went beyond the updates the IASB asked the Committee to make to the agenda decisions at the time. As such, we recommended no action in response to the comment.

## **Additional updates proposed by the Committee in November 2025**

#### **Background**

13. At its November 2025 meeting, in the light of its decision to publish Tentative Agenda Decision [\*Presentation of Taxes or Other Charges that are Not Income Taxes within the Scope of IAS 12 \(IFRS 18\)\*](#) (Tentative Agenda Decision), the Committee decided to propose additional updates to the two related agenda decisions as follows:
  - (a) *Presentation of payments on non-income taxes* (IAS 1 and IAS 12)—to align the wording of the conclusion on the presentation of payments on non-income taxes in this agenda decision with the Tentative Agenda Decision.

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- (b) *Classification of tonnage taxes* (IAS 12):
- (i) to retain the conclusion in this agenda decision that the tonnage taxes described in the agenda decision would not be considered income taxes in accordance with IAS 12 while removing the rest of the conclusion relating to the presentation of such taxes; and, instead
  - (ii) to add a cross-reference in this agenda decision to the Tentative Agenda Decision.
14. Consistent with the June proposed updates to the other agenda decisions which the Committee decided to finalise, the Committee also proposed to add some information to the title of the related agenda decisions to indicate that these related agenda decisions were updated after their original publication date statement.
15. The Committee published the proposed additional updates (together with the June proposed updates) for comments. The comment period ended 6 February 2026.

### ***Comment letter summary***

16. The Committee received ten comment letters by the comment letter deadline. All comment letters received, including any late comment letters, are available on our [website](#).<sup>2</sup> This paper includes analysis of only the comment letters received by the comment letter deadline.
17. Of the ten respondents:
- (a) nine respondents agree and provide no additional comments.
  - (b) one respondent—the Saudi Organization for Chartered and Professional Accountants (SOCPA)—agrees subject to some comments. Paragraphs 18–21 set out the respondent’s comments and paragraph 22 sets out our analysis of those comments.

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<sup>2</sup> At the date of posting this paper, there were no late comment letters.

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**Respondent's comments**

18. SOCPA says its comments on the proposed additional updates should be read in conjunction with its comments on the Tentative Agenda Decision. Agenda Paper 9A—*Comment letters on tentative agenda decision* for this meeting analyses comments from SOCPA and other respondents on the Tentative Agenda Decision.
19. With regard to the proposed additional updates, SOCPA supports the Committee's objective of aligning both agenda decisions with the requirements in IFRS 18.
20. However, SOCPA says some jurisdictions have 'comprehensive tax-substitute regimes' which are outside the scope of IAS 12 but are nonetheless similar in substance to income taxes—and users of financial statements often analyse them as part of an entity's statutory tax burden. SOCPA suggests clarifying that both of the related agenda decisions:
- (a) address the specific charge described in those agenda decisions 'and other activity-linked charges' whose substance is not similar to income taxes; and
  - (b) are not intended to address 'comprehensive tax-substitute regimes that, while outside the scope of IAS 12, have substance similar to income taxes'.
21. Furthermore, with regard to the Agenda Decision *Classification of tonnage taxes* (IAS 12), SOCPA says:

While we understand the need to remove superseded IAS 1 references, we recommend the Committee replace that reminder with a short IFRS 18-aligned statement so the agenda decision continues to provide decision-useful direction in practice. For example: 'Although tonnage taxes are not income taxes within IAS 12 and therefore are not included in the income taxes category, an entity applies IFRS 18's general presentation principles when determining whether separate presentation, labelling, and/or additional subtotals are necessary to provide a useful structured summary of its financial performance.'

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**Staff analysis**

22. We recommend no action in response to the respondents' suggestions summarised in:

(a) *paragraph 20 of this paper.*

We think the suggestions go beyond the updates the IASB asked the Committee to make to the agenda decisions and the Committee's objective of the additional updates proposed in November 2025. Paragraph 8.4 of the IFRS Foundation *Due Process Handbook* states that explanatory material in an agenda decision 'explains how the applicable principles and requirements in IFRS [Accounting] Standards apply to the transaction or fact pattern described in the agenda decision' (emphasis added). We think further clarification—such as the suggested disclaimer language—is unnecessary and would be inconsistent with past agenda decisions that do not include such disclaimers.

(b) *paragraph 21 of this paper.*

the additional updates proposed by the Committee include a cross-reference to the Tentative Agenda Decision which—if finalised—will set out the applicable IFRS 18 requirements, thereby making the suggestion unnecessary.

**Staff recommendation**

23. Based on our analysis, we recommend finalising the updates to agenda decisions *Presentation of payments on non-income taxes* (IAS 1 and IAS 12) and *Classification of tonnage taxes* (IAS 12). The [appendix](#) to this paper includes our proposed wording. If the Committee agrees with our recommendation, we will ask the IASB whether it agrees with the updates to the agenda decisions at the first IASB meeting at which it is practicable to present the updates to the agenda decisions.

### Questions for the Committee

1. Does the Committee agree with our recommendation to finalise the updates to the agenda decisions *Presentation of payments on non-income taxes* (IAS 1 and IAS 12) and *Classification of tonnage taxes* (IAS 12) as explained in paragraph 23 of this paper?
2. Do Committee members have any comments on the wording of the updates to the two agenda decisions as set out in the [appendix](#) to this paper?

## Appendix—Proposed wording of the updates to the agenda decisions

- A1. This appendix sets out the suggested wording of the final updates to the two agenda decisions. New text is underlined and deleted text is struck through.
- A2. The markups show the final updates to the agenda decisions based on the original agenda decisions—and not only the additional updates proposed in November 2025.

### **Presentation of payments on non-income taxes (IAS 1 *Presentation of Financial Statements* and IAS 12 *Income Taxes*)**

*Published in July 2012*

*Updated in [Month Year] to replace references to IAS 1 Presentation in Financial Statements with references to IFRS 18 Presentation and Disclosure in Financial Statements*

...

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 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*)**

*Published in May 2009*

*Updated in [Month Year] to replace references to IAS 1 Presentation of Financial Statements with references to IFRS 18 Presentation and Disclosure in Financial Statements*

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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 Income Taxes (IFRS 18)*). Given the requirements of IAS 12, the IFRIC decided not to add the issue to its agenda.