

## **IFRS Interpretations Committee Podcast—March 2026**

*This is an edited transcript of the podcast.*

### **Bruce**

Hello and welcome to our quarterly podcast, where we discuss activities to support the consistent application of IFRS Accounting Standards.

My name is Bruce Mackenzie, a member of the IASB and Chair of the IFRS Interpretations Committee.

### **Renata**

And I'm Renata Bandeira, a member of the Committee.

### **Bruce**

Thanks for joining us, Renata.

Now, we had an incredibly busy two days in March with a significant focus on application questions relating to the new IFRS 18 on *Presentation and Disclosure in Financial Statements*.

Now, the Committee decided to finalise seven agenda decisions—five of those relating to IFRS 18.

In this episode we are focussing on two of those IFRS 18 agenda decisions being:

- Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability (or Asset); and
- Presentation of Taxes or Other Charges that are Not Tax Expense or Tax Income Applying IAS 12.

### **Renata**

Ok Bruce, I will start with the topic on the classification of a foreign exchange difference from an intragroup monetary liability or asset in consolidated financial statements.

The fact pattern involved an intragroup loan between a parent and its subsidiary, where the two entities have different functional currencies. Remember that in applying IAS 21, exchange differences that arise in translation of the loan are not eliminated on consolidation even though the intragroup balances themselves are eliminated on consolidation.

The question was how an entity determines the classification of that exchange difference. Paragraph B65 of IFRS 18 requires foreign exchange differences to be classified in the same category as the income and expenses from the items that give

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rise to those exchange differences, unless doing so would involve undue cost or effort.

The Committee first looked at what exactly gives rise to the exchange difference. In this fact pattern, the Committee observed that, applying paragraph 45 of IAS 21, it is the intragroup monetary liability or asset itself that gives rise to the exchange difference.

That paragraph also notes that the item represents a commitment to convert one currency into another currency.

On that base, the agenda decision explains that there are two reasonable readings of paragraph B65 of IFRS 18 in this fact pattern.

The first reading is that the exchange difference is classified in the operating category, which is the default category under paragraph 52 of IFRS 18. That view is based on the fact that the income and expenses from the item that give rise to the exchange difference are not included in the consolidated statement of profit or loss. So, there is no “same” category available for the exchange difference to follow.

The second reasonable reading is that the exchange difference is classified in the category in which the income and expenses from the intragroup loan would have been classified before their elimination on consolidation. If doing that would involve undue cost or effort, the entity would instead classify the exchange difference in the operating category, consistent with paragraph B68 of IFRS 18.

### **Bruce**

Thanks Renata.

Now obviously this was one of the more debated topics of the meeting, and opinions were divided.

Some Committee members continued to support only the first view on technical grounds. In particular, they questioned whether IFRS 18 provides a sufficient basis to look through to income and expenses that have been eliminated on consolidation.

Now, other members were more supportive of the second view on technical grounds. These members also said that automatically presenting all such exchange differences in the operating category could distort operating profit and might not faithfully represent the underlying economics of the intragroup funding arrangements.

So, although members had different preferences, the Committee reached a conclusion that both View 1 and View 2 are reasonable readings of the requirements.

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Now the agenda decision also reminds entities that they are required to develop and apply an accounting policy consistently— so, either View 1 or View 2—in accordance with IAS 8.

So, the Committee concluded its discussions and in accordance with the *Due Process Handbook*, the IASB will consider this and obviously any other agenda decisions at a future meeting.

Let's now turn to the second IFRS 18 topic, which is about presentation in the statement of profit or loss of taxes or other charges that are not tax expense or tax income applying IAS 12.

### **Renata**

Here Bruce, the Committee considered whether an entity applying IFRS 18 is permitted to present such amounts:

- either in the line item “income tax expense or income” required by paragraph 75(a)(iv) of IFRS 18; or
- in the same income taxes category of the statement of profit or loss.

The Committee concluded that the answer is no.

The analysis is based on a paragraph 67 of IFRS 18. It requires an entity to classify in the income taxes category tax expense or tax income that is included in profit or loss applying IAS 12, and any related foreign exchange differences.

Having considered feedback on the matter, the Committee decided to finalise the agenda decision with some wording changes.

### **Bruce**

Now what the Committee spent a lot of time then discussing was the feedback we received through the comment letters—particular respondents from the Kingdom of Saudi Arabia—about the outcome of applying the agenda decision to zakat—which is effectively a form of tax in Saudi Arabia and some other jurisdictions—and similar such charges.

Now those concerns included that presenting such amounts outside the income taxes category would not reflect the economic substance of these amounts. It could reduce comparability and provide less useful information. Now, the Committee has asked staff to report these concerns to the IASB for consideration when it is asked whether it objects to finalising the agenda decision.

Now, some members suggested that the IASB consider whether to amend IFRS 18 to allow entities to present taxes that are similar in nature to income taxes in the

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income tax category of the statement of profit or loss. Now, some of these members said feedback from the investors on this matter would be especially important.

So the Committee obviously concluded discussions on this agenda decision as well, as much, as well as the foreign exchange matter and the IASB will consider these at a future meeting.

### **Renata**

In addition to the seven agenda decisions that we agreed to finalise, we also discussed two new matters relating to IFRS 10. One resulted in a tentative agenda decision that is open for comment until May 29 2026. The Committee requested additional outreach on the other matter, and that is expected to come back to the Committee at a future meeting.

Lastly, the Committee provided input on the IASB's Post-implementation Review of IFRS 9—*Hedge Accounting*.

Thanks for listening.

### **Bruce**

Thanks very much Renata, and we look forward to speaking to you again after the Committee's next meeting.

**End**