
IASB[®] meeting

Date	May 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	Finalisation of agenda decision and updates to related agenda decisions
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Introduction

1. As Agenda Paper 12A explains, this paper sets out background to, and the Committee's discussions and analysis on:
 - (a) the Agenda Decision *Presentation of Taxes and Other Charges that Are Not Tax Expense or Tax Income Applying IAS 12 Income Taxes* (IFRS 18) (paragraphs 3–20); and
 - (b) the updates to two related agenda decisions (paragraphs 21–30).
2. This paper supports the information and analysis in Agenda Paper 12A and does not include any questions for the IASB.

Agenda Decision *Presentation of Taxes and Other Charges that Are Not Tax Expense or Tax Income Applying IAS 12 Income Taxes* (IFRS 18)

3. This section summarises:
 - (a) background (paragraphs 4–8);
 - (b) the Committee's initial consideration (paragraphs 9–13);

- (c) feedback on the tentative agenda decision (paragraphs 14–17); and
- (d) the Committee’s consideration of the feedback (paragraphs 18–20).

Background

4. The IASB’s horizon-scanning activities had revealed a consistent application matter concerning the presentation in the statement of profit or loss of non-income tax charges.
5. As reported to the IASB at its [October 2025 meeting](#), we understand from prior research and informal conversations with stakeholders that non-income tax charges are prevalent across jurisdictions and the amounts involved can be material.
6. Furthermore, research suggested some entities applying IAS 1:
 - (a) present non-income tax charges as an additional line item within a ‘tax expense’ subtotal; or
 - (b) present non-income tax charges as part of the ‘tax expense’ line item and disaggregate this amount in the notes.
7. Although IFRS 18 is not yet effective, informal conversations with stakeholders suggested:
 - (a) there are different views about whether an entity may present non-income tax charges:
 - (i) as part of the line item ‘income tax expense or income’ applying paragraph 75(a)(iv) of IFRS 18; or
 - (ii) as an additional line item within the ‘income taxes’ category of the statement of profit or loss.
 - (b) these different views can have a material effect on those affected—in particular, the different views would result in some entities classifying a non-income tax charge in the income taxes category and some entities classifying

that same non-income tax charge in another category in the statement of profit or loss.

8. IFRS 18 replaces IAS 1 and is effective 1 January 2027. In the light of the imminent effective date of IFRS 18, at its October 2025 meeting, the IASB decided to ask the Committee to consider the matter.

The Committee's initial consideration in November 2025

9. The Committee discussed the matter at its [November 2025 meeting](#).
10. 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).
11. 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.
12. 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.
13. 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. Therefore, the Committee tentatively decided not to add a standard-setting project to the work plan and, instead, published a tentative agenda decision.

Feedback on the tentative agenda decision

14. The Committee received 49 comment letters which are available on our [website](#). [Agenda Paper 9A](#) for the Committee's March 2026 meeting summarised respondents' comments and set out our analysis of those comments.
15. Of the 49 respondents:
 - (a) most—34—were from Saudi Arabia. They 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.
 - (b) the others were from various other jurisdictions. They primarily comprised accounting firms and standard-setters.
16. Of the respondents who commented on the technical analysis and conclusions:
 - (a) fourteen agreed with the Committee's conclusion and tentative decision not to add a standard-setting project to the work plan. A few of these respondents made some suggestions and/or requested clarifications.
 - (b) two respondents—accounting firms—expressed concern about the Committee being unduly restrictive in its reading of paragraph 67 of IFRS 18.
17. Of the other respondents:
 - (a) one—a standard-setter—disagreed with the tentative decision to not add a standard-setting project to the work plan and raised concerns about the scoping requirements in IAS 12.
 - (b) almost all—particularly those from Saudi Arabia—expressed concerns about the outcome of applying IFRS 18 requirements (as reinforced by the agenda decision) to zakat in Saudi Arabia.

The Committee's consideration of the feedback in March 2026

18. The Committee discussed the feedback at its March 2026 meeting. For the reasons set out in [Agenda Paper 9A](#) for the Committee's March 2026 meeting, the Committee decided to finalise the tentative agenda decision with some wording changes.
19. Eleven of 14 Committee members voted to finalise the agenda decision. [Appendix A](#) to this paper includes the wording of the agenda decision approved by the Committee.
20. The Committee also discussed and acknowledged concerns about the outcome of applying IFRS 18 requirements to zakat in Saudi Arabia. The Committee decided to report these concerns to the IASB. Agenda Paper 12C summarises these concerns, the Committee's discussion of those concerns and related findings from additional outreach with users of financials statements.

Updates to the related agenda decisions

21. This section summarises:
 - (a) background (paragraphs 22–25);
 - (b) the proposed updates (paragraphs 26–27);
 - (c) feedback on the proposed updates (paragraph 28); and
 - (d) the Committee's consideration of the feedback (paragraphs 29–30).

Background

22. The Committee has previously considered matters related to specific non-income taxes and has published the following two agenda decisions (related agenda decisions):
 - (a) [Presentation of payments on non-income taxes](#) (IAS 1 and IAS 12); and
 - (b) [Classification of tonnage taxes](#) (IAS 12).

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23. Paragraph 82 of IAS 1 requires an entity to present a line item for ‘tax expense’ in the statement of profit or loss. The related agenda decisions address, among other things, how an entity applies paragraph 82 of IAS 1 when deciding how to present specific non-income taxes in the statement of profit or loss.
24. Following a request from the IASB, the Committee, at its June 2025 meeting proposed updates to the related agenda decisions (and some other agenda decisions). Among other changes, the Committee proposed replacing references to the requirements in paragraph 82 of IAS 1 with references to the requirements in paragraph 75(a)(iv) of IFRS 18 (June proposed updates). The Committee considered feedback on those proposed updates at its [November 2025 meeting](#).
25. In the light of its decision in November 2025 to publish the tentative agenda decision (see paragraphs 9–13 of this paper), the Committee decided to not finalise but instead—and for consistency with the tentative agenda decision—to propose additional updates to the two related agenda decisions (November proposed updates).

The proposed updates

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

26. The Committee proposed:
- (a) replacing the reference to paragraph 82(d) of IAS 1 in the Agenda Decision with a reference to paragraph 75(a)(iv) of IFRS 18. 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 (June proposed update).

- (b) aligning the wording of the conclusion on the presentation of payments on non-income tax charges in this agenda decision with the November tentative agenda decision (November proposed update).

Agenda Decision Classification of tonnage taxes (IAS 12)

27. The Committee proposed:
- (a) 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 (June proposed update).
 - (b) 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 to add a cross-reference in this agenda decision to the tentative agenda decision discussed in paragraphs 4–20 above (November proposed update).

Feedback on the proposed updates

28. [Agenda Paper 9A](#) for the Committee's November 2025 meeting and [Agenda Paper 9B](#) for the Committee's March 2026 meeting summarise and analyse feedback on the June and November proposed updates respectively.

The Committee's consideration of the feedback

29. The Committee discussed feedback on the proposed updates and decided to finalise the proposed updates with some wording changes to the Agenda Decision *Presentation of payments on non-income charges (IAS 1 and IAS 12)*.

30. All 14 Committee members voted to finalise the updates to the related agenda decisions. [Appendix B](#) to this paper includes the wording of the two related agenda decisions with the updates as approved by the Committee.

Appendix A—The agenda decision

A1. The agenda decision below was approved by the Committee at its March 2026 meeting.

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*)

The Committee discussed whether, in applying IFRS 18, an entity is permitted to present taxes or other charges that are not tax expense or tax income applying 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 was informed of different views about whether an entity may present taxes or other charges that are not tax expense or tax income applying 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 tax expense or tax income applying 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 an entity presents additional line items and subtotals in a primary financial statement—in accordance with paragraph 24 of IFRS 18—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 tax expense or tax income applying IAS 12.

Consequently, the Committee decided not to add a standard-setting project to the work plan.

Appendix B—The updates to related agenda decisions

- B1. The updates to the related agenda decisions below were approved by the Committee at its March 2026 meeting. New text is underlined and deleted text is struck through.
- B2. The markups show the final updates to the agenda decisions based on the original agenda decisions.

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*

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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 are tax expense or tax income applying 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~~ If the production-based royalties are not income taxes tax expense or tax income applying IAS 12, the royalty payments should are 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 Tax Expense or Tax Income Applying IAS 12 Income Taxes (IFRS 18)*). Given the requirements of IAS 12, the IFRIC decided not to add the issue to its agenda.