
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	Concerns and findings from additional outreach
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Introduction

1. As Agenda Paper 12A explains, this paper summarises:
 - (a) concerns about the outcome of the agenda decision (paragraphs 3–8);
 - (b) the Committee's discussion of those concerns (paragraphs 9–17); and
 - (c) findings from outreach with users of financial statements (paragraphs 18–34).
2. This paper supports the information and analysis in Agenda Paper 12A and does not include any questions for the IASB.

Concerns about the outcome of the agenda decision

3. Agenda Paper 12B summarises feedback on the Committee's Tentative Agenda Decision *Presentation of Taxes and Other Charges that are Not Income Taxes within the Scope of IAS 12 Income Taxes (IFRS 18 Presentation and Disclosure in Financial Statements)*.

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4. As that paper notes, many respondents—including almost all of the 34 respondents from Saudi Arabia¹—discussed the outcome of applying IFRS 18 requirements—as reinforced by the agenda decision—to zakat in Saudi Arabia (SA zakat). These respondents explained 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.
 - (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 meets the definition of ‘covered taxes’ under the Organisation for Economic Co-operation and Development (OECD)’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.
5. These respondents said, when preparing statements of profit or loss by applying IAS 1, entities have generally presented SA zakat alongside—but often separately from—income tax expense. Respondents said 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.

¹ As paragraph 15 of 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.

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

6. One preparer of financial statements—who also agreed with the tentative agenda decision—agreed with the outcome of applying IFRS 18 to SA zakat. The respondent said the outcome is ‘consistent with the objectives of IFRS 18 in enhancing clarity of presentation and comparability among entities.’ Nonetheless, the respondent suggested adding application guidance and disclosure requirements to help users understand SA zakat, distinguish it from income tax and assess its effect.
7. However, other respondents—primarily from Saudi Arabia—disagreed with the outcome. In their view, presenting SA zakat outside the ‘income tax expense or income’ line item or the income taxes category would:

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

Respondents said SA zakat is considered to have similar economic substance to, and is an alternative to, income taxes because of its characteristics as summarised in paragraph 4 of this paper. Presenting SA zakat outside the ‘income tax expense or income’ line item or the income taxes category would fail to reflect SA zakat’s economic substance. For example, Public Investment Fund (PIF) said:

...[SA] 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 [SA] zakat that deviates from the presentation of income tax could be considered misleading.

(b) *reduce comparability.*

Respondents said that although the calculation of SA zakat differs from income taxes, SA 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 said 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 said SA zakat has been presented with income taxes in Saudi Arabia. Any change 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*.’

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

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

Three preparers—Elm Company, Manara Minerals Investment Company and Saudi Arabian Mining Company—suggested specifically addressing the presentation of SA zakat in the tentative agenda decision—with a view of allowing SA 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 suggested explicitly clarifying that the tentative agenda decision should not be applied to SA zakat. Instead:

- (i) one preparer—Saudi Agricultural and Livestock Investment Company—suggested clarifying that SA zakat ‘should not be automatically classified in the operating (residual) category merely because it falls outside the scope of IAS 12.’
- (ii) PIF suggested stating ‘the analysis primarily addresses taxes that arise from operating activities and the items which are in substance akin to income taxes (i.e. [SA] zakat expenses) are permitted to be presented in income taxes category (as separate line item from income tax).’

- (iii) an accounting firm (based in Saudi Arabia) suggested 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 one preparer—Saudi Aramco—disagreed with the Committee’s assessment of the criteria in paragraph 5.16(b) of the IFRS Foundation’s [Due Process Handbook](#)³ (*Handbook*). They said IFRS 18 does not provide an adequate basis to present zakat in a way that faithfully reflects its substance and they and other respondents recommended standard-setting. For example:

- (i) both respondents suggested amending IFRS 18 to allow the presentation of particular non-income tax charges (including SA zakat) that are similar in substance to income taxes within the income taxes category.
- (ii) Saudi Aramco alternatively suggested amending the scope of IAS 12 to include ‘[SA] 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 suggested 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) another preparer suggested requiring additional disclosure on SA zakat to ‘ensure transparency while maintaining faithful representation.’

³ This paragraph (subsequently moved to paragraph 5.19(b) of the *Handbook* published in April 2026) requires the Committee to consider whether it is necessary to add or change requirements in IFRS Accounting Standards to improve financial reporting—that is, whether the principles and requirements provide an adequate basis for an entity to determine the required accounting.

The Committee's discussion and report to the IASB

9. Paragraphs 36–41 of [Agenda Paper 9A](#) for the Committee's March 2026 meeting (reproduced in Appendix A to this paper) set out our analysis of the concerns in the context of the Committee's process as set out in the *Handbook*. The Committee agreed with our analysis and, as Agenda Paper 12B notes, the Committee decided to finalise the agenda decision.
10. Notwithstanding the Committee's decision to finalise the agenda decision (that is, not to add a standard-setting project to the work plan), all Committee members acknowledged the concerns (see paragraphs 3–8 of this paper) and decided to report these concerns to the IASB. In particular, Committee members said the outcome of presenting SA zakat in the income taxes category appears counterintuitive. For example, one Committee member with a user background said the outcome could be 'misleading'—and in their view, presenting SA zakat in the income taxes category would improve comparability, provide more useful information and be more 'user-friendly'.

Possible ways forward

11. Committee members discussed possible ways forward the IASB could consider in response to the concerns. These comprised:
 - (a) not amending IFRS Accounting Standards (paragraphs 13–14); and
 - (b) amending IFRS 18 (paragraphs 15–17).
12. However, Committee members also said feedback on the tentative agenda decision came primarily from preparers of financial statements, accounting firms and accounting standard-setters. They said it would be important to obtain user feedback to help the IASB determine whether and how to amend IFRS 18 to respond to the concerns and suggested we (staff) perform targeted outreach with users to better understand if they share the concerns. Paragraphs 18–34 of this paper discuss our outreach with users and feedback from that outreach.

Not amending IFRS Accounting Standards

13. A few Committee members said if the IASB does not amend IFRS Accounting Standards, an entity that is required to classify a non-income tax charge that is similar to income taxes (like SA zakat) outside of the income taxes category may nonetheless be required, or able to, provide additional useful information by:
- (a) presenting ‘additional line items and subtotals if such presentations are necessary for a primary financial statement to provide a useful structured summary’ applying paragraph 24 of IFRS 18; and
 - (b) disclosing management-defined performance measures (MPMs) in accordance with IFRS 18.
14. These members said, for example, an entity that is required to classify SA Zakat in the operating category of the statement of profit or loss might—applying IFRS 18—be required, or able to, present a subtotal that shows its operating profit before SA zakat followed by a line item for SA zakat and then its operating profit. This could give users information to make necessary adjustments in relation to SA zakat.

Amending IFRS 18

15. Many Committee members suggested a narrow-scope amendment to IFRS 18 to address the concerns. They viewed the matter as a classification and presentation matter—that is, a matter relating to the application of IFRS 18 requirements, rather the scope of IAS 12. Consequently, they said if the IASB were to consider amending IFRS Accounting Standards to respond to the concerns, it should consider amending IFRS 18 and not IAS 12. However, one Committee member said amending IFRS 18 could result in other requests to amend IFRS 18.
16. Committee members also said the IASB should not amend IFRS 18 to specifically address the classification of only SA zakat or zakat. They said there might be other non-income tax charges that, like SA zakat, are similar to income taxes and there would be no basis for classifying SA zakat in income taxes and not these other non-

income tax charges. A Committee member gave an example of a tonnage tax that an entity elects to pay instead of an income tax and said this non-income tax charge might also be similar to income taxes. They therefore said it would be better to develop a solution that more holistically addresses the concerns.

17. A few Committee members said a solution could be to amend 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. They said this could be done by allowing or requiring an entity to classify, in the income taxes category, non-income tax charges:
- (a) that are paid *in lieu of* income taxes; or
 - (b) that meet the definition of ‘covered taxes’ under the Organisation for Economic Co-operation and Development’s (OECD) Pillar Two model rules.

Findings from outreach with users of financial statements

18. As suggested by Committee members (see paragraph 12 of this paper), we performed targeted outreach with some users. In particular, we met:
- (a) collectively with a group of users in Saudi Arabia (paragraphs 20–24);
 - (b) collectively with a group of users in Malaysia (paragraphs 25–28); and
 - (c) individually with five users from other jurisdictions (paragraphs 29–34).
19. In those meetings, we explained concerns raised by respondents to the tentative agenda decision⁴ and asked users whether:
- (a) in their view, it would be more useful to classify particular non-income tax charges (such as SA zakat) in the income taxes category of the statement of profit or loss; and

⁴ We illustrated the concerns using simplified examples similar to the ones presented in Appendix B to this paper.

- (b) they had identified other non-income tax charges for which, in their view, presentation in the income taxes category of the statement of profit or loss would provide more useful information.

Feedback from users in Saudi Arabia

- 20. We attended a meeting with 23 users based in Saudi Arabia who are affiliated with 17 Saudi-based financial institutions and investment entities. These entities included a state-owned social insurer, a sovereign wealth fund, investment banks, asset managers and holding companies.
- 21. Consistent with the view of respondents to the Committee's tentative agenda decision (see paragraphs 3–8 of this paper), the users said SA zakat is similar in substance to income taxes. Furthermore:
 - (a) one user said zakat is an unavoidable charge imposed by the government—similar to income tax—which entities pay on behalf of their shareholders.
 - (b) one user said zakat—like income tax—is forecastable because it is calculated using formulas that are pre-defined, publicly available and set by the relevant authority. Such a forecast is used when developing financial models.
 - (c) one user said entities engage in 'zakat planning' in a manner similar to 'income tax planning'.
- 22. All users disagreed with classifying zakat outside the income taxes category—particularly in the operating category. Notwithstanding that 'operating profit' is not defined and the operating category is the 'default' category in which an entity classifies all income and expenses that are not classified in the other categories, these users said they do not view zakat as being 'operating'. For example:
 - (a) two users said zakat was not a 'cost of operating business' or part of an 'operating activity'; and
 - (b) another user said an entity that performs no operations could still be liable to pay zakat thus demonstrating that zakat is not 'operating'.

23. We asked users about Committee members' suggestion that an entity that classifies SA zakat in the operating category could present subtotals, additional line items and disclose MPMs. Users said this would:

- (a) *not sufficiently improve information usefulness and comparability.*

One user said regardless of subtotals, additional line items and MPMs classifying zakat in the operating category would distort operating profits and reduce comparability with entities that pay income taxes instead. The user said this, in turn, would reduce users' ability to perform sectoral analysis.

While acknowledging an entity could use additional sub-totals and management performance measures to convey information about zakat, one user said doing so would go against IFRS 18's 'spirit of standardisation'. Another user said additional disclosure in the notes to the financial statements would not provide the same level of 'scrutiny, standardisation and clarity' as classification and presentation in the statement of profit or loss.

- (b) *fragment information about the entity's statutory burden.*

One user said classifying SA zakat outside the income taxes category would unnecessarily fragment information about an entity's statutory burden (comprising both income taxes and zakat).

- (c) *require additional work.*

One user said users consider SA zakat and income taxes together or similarly when analysing financial statements. Another user said, if SA zakat is classified in the operating category, users would have to manually adjust for including SA zakat in the income taxes category—thus resulting in additional costs. Furthermore, the user said even if subtotals, additional line items and MPMs are provided, artificial intelligence and automation tools used to compare entities across different jurisdictions might not pick up information on SA zakat that has been classified in the operating category.

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24. All users said they would support amending IFRS 18 to allow entities to classify SA zakat within the income taxes category. No user expressed disagreement with either of the possible approaches for amending IFRS 18 as suggested by Committee members (see paragraph 17 of this paper).

Feedback from users in Malaysia

25. We attended a meeting with four users based in Malaysia. These users are affiliated with two state-owned funds and one private equity firm.
26. We understand from the discussion that zakat in Malaysia:
- (a) while not mandatory, is a religious obligation and is expected to be—and is—paid by entities that conduct businesses or hold assets under Islamic principles;
 - (b) is tax-deductible for the purposes of calculating income taxes up to a particular amount; and
 - (c) is not a covered tax under the OECD’s Pillar Two model rules.
27. The users based in Malaysia disagreed with classifying Malaysian zakat outside of the income taxes category—particularly in the operating category. They said such a classification would:
- (a) *fail to reflect the economic substance of Malaysian zakat.*

Although acknowledging Malaysian zakat is similar to a charitable donation, the users viewed Malaysian zakat as having similar economic substance to income taxes—particularly because it is an obligation and in substance non-voluntary for the entities that pay it. One user confirmed they analyse Malaysian zakat similarly to how they analyse income taxes. One user said classifying Malaysian zakat in a category other than the income taxes category may confuse retail and foreign investors who—unlike domestic institutional investors—might not fully understand the nature of Malaysian zakat.

- (b) *provide less useful information and reduce comparability.*

Similar to feedback from users based in Saudi Arabia (see paragraph 22 of this paper), two users said zakat is neither an operating expense nor a cost of generating revenue and consequently should not be classified in the operating category.

28. All users said they would support amending IFRS 18 to require or allow entities to classify Malaysian zakat in the income taxes category. However, as summarised in paragraph 26 of this paper, Malaysian zakat differs from SA zakat—notably, it is tax-deductible and does not meet the definition of ‘covered taxes’ under the OECD’s Pillar Two model rules. The users acknowledged the two possible approaches for amending IFRS 18 suggested by Committee members (see paragraph 17 of this paper) would still not allow entities to classify Malaysian zakat in the income taxes category. The users suggested finding another approach that would require or allow such classification.

Feedback from other users

29. We met individually with five users individually, namely:
- (a) two users, based in the United Kingdom, who are affiliated with multinational investment banks.
 - (b) one user, based in the United Kingdom, who is affiliated with a private equity firm.
 - (c) one user, based in Hong Kong, who is affiliated with a global asset manager.
 - (d) one user, based in Germany, who is affiliated with a consultancy firm.
30. Two of these users confirmed that analysts consider and analyse SA zakat in a manner similar to income taxes. In particular:
- (a) one user—who supports analysts covering entities in the Middle East—said most entities that pay SA zakat present SA zakat alongside income tax. If an

entity presents SA zakat separately, analysts make manual adjustments to facilitate their analysis.

- (b) the other user—who covers entities across the global oil and gas industry—said analysing SA zakat in a manner similar to income taxes improves the forecasting of an entity’s statutory burden and enhances comparability between oil and gas entities operating in the Middle East region and those in other regions.
31. Three other users said they have not seen SA zakat in practice. Nonetheless, based on their understanding of SA Zakat—which they recognise is calculated differently from income taxes—and the concerns, they also said classifying non-income tax charges that are similar to income taxes (like SA zakat) within the income taxes category would result in more useful information. One user also said, for example, that if an entity elected to pay tonnage tax instead of income taxes, it would be more useful to classify that tonnage tax in the income taxes category than to classify it in the operating category. However:
- (a) one user expressed a preference for an entity to classify only any variable portion—and not any fixed portion—of any non-income tax charges (and income taxes) within the income taxes category. The user said this would help better assess an entity’s tax charge on any profits.
 - (b) another user said they would classify a non-income tax charge like SA zakat within the income taxes category only to the extent that non-income tax charge is based on taxable profits.
32. All users said they would support amending IFRS 18 to require or allow entities to classify non-income tax charges that are similar to income taxes (like SA zakat) within the income taxes category. They said doing so would help users better assess and forecast entities’ effective tax rates and their statutory burden. However, because non-income tax charges like SA zakat and income taxes are calculated differently, they supported requiring an entity to disaggregate income taxes from other non-

income tax charges classified in the same category (either on the statement of profit or loss or in the notes to the financial statements).

33. Users acknowledged that if the IASB did not amend IFRS 18, it would be possible to adjust for non-income tax charges like SA zakat that are classified in a category other than the income taxes category if the entity provided sufficient information. However:
- (a) one user said it would be a ‘step backward’ to require a user to make an extra adjustment because of a new IFRS Accounting Standard.
 - (b) one user questioned the need for such an adjustment.
34. Of the two possible approaches identified for amending IFRS 18 (see paragraph 17 of this paper), one user expressed a preference for allowing taxes or other charges that are paid ‘in lieu of’ income taxes to be classified in the income taxes category. The user said this option appeared to be more principle-based than the other option.

Appendix A—Excerpts from Agenda Paper 9A for the Committee’s March 2026 meeting

A1. This appendix reproduces paragraphs 36–41 of [Agenda Paper 9A](#) for the Committee’s March 2026 meeting which set out our analysis of the concerns in the context of the Committee’s process as set out in the *Handbook*.

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 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. [Footnote: We also understand from discussions with stakeholders that the calculation of zakat is not standardised globally.]
- (b) as suggested in paragraph 35(b) of this paper, specify that the tentative agenda decision does not apply to zakat.
40. We disagree with the suggestion in paragraph 35(c) of this paper to add a standard setting project to the work plan:
- (a) is one of the criteria that must be met for adding a standard-setting project to the work plan, included in paragraph [5.19(b)] of the *Handbook*, is that: it 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 [5.19](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 [5.19(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...to the IASB.

Appendix B—Simplified examples

B1. The examples included in this appendix are adapted from SOCPA’s presentation at the March 2026 Accounting Standards Advisory Meeting. (See [Agenda Paper 10](#) for that meeting).

Example 1—Different ownership structures between entities

B2. Entities A, B and C report identical revenue (CU1,000) and operating expenses excluding zakat (CU700). Because of different ownership structures:

- (a) Entity A pays only income tax (CU50);
- (b) Entity B pays only zakat (CU50); and
- (c) Entity C pays a mixture of income tax (CU25) and zakat (CU25).⁵

B3. Applying IFRS 18, Entities B and C include zakat in the operating category.

	Entity A <i>(pays only income tax)</i>	Entity B <i>(pays only zakat)</i>	Entity C <i>(pays a mixture of income tax and zakat)</i>
Revenue	CU1,000	CU1,000	CU1,000
Operating expenses (excluding zakat)	(700)	(700)	(700)
Zakat	–	(50)	(25)
Operating profit	300	250	275
Income tax expense	(50)	–	(25)
Profit	250	250	250

⁵ For simplicity, we have assumed that the total amount paid by the entities for Zakat and Income taxes combined is the same (CU50 for each entity). However, because the method of calculation differs for Zakat and Income Taxes the total amount paid by the entity for Zakat and Income Taxes could differ.

Example 2—Different ownership structures between entities

- B4. From Years 1 to 3, an entity reports the same revenue (CU1,000) and operating expenses excluding zakat (CU700). In:
- (a) Year 1, the entity is fully domestic-owned. Therefore, the entity is liable to pay zakat (CU50).
 - (b) Year 2, the entity is 50% domestic-owned and 50% foreign-owned and, therefore, is liable to pay a mixture of income tax (CU25) and zakat (CU25).
 - (c) Year 3, the entity is fully foreign owned and is therefore liable to pay income tax (CU50).⁶
- B5. Applying IFRS 18, the entity includes zakat in the operating category.

	Year 1 <i>(domestic-owned)</i>	Year 2 <i>(mixed ownership)</i>	Year 3 <i>(foreign-owned)</i>
Revenue	CU1,000	CU1,000	CU1,000
Operating expenses (excluding zakat)	(700)	(700)	(700)
Zakat	(50)	(25)	–
Operating profit	250	275	300
Income tax expense	–	(25)	(50)
Profit	250	250	250

⁶ For simplicity, we have assumed that the total amount paid by the entities for zakat and income taxes combined is the same (CU50 for each entity). However, because the method of calculation differs for zakat and income taxes the total amount paid by the entity for zakat and income taxes could differ.