IFRS Accounting

Staff paper

Agenda reference: 12

IASB® meeting

Date	**September 2026**
Project	**Presentation of Taxes or Other Charges that Are Not Tax Expense or Tax Income Applying IAS 12 *Income Taxes* (IFRS 18)**
Topic	**Other aspects of the proposed amendments and due process steps**
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Introduction

1. At its July 2026 meeting, the International Accounting Standards Board (IASB) decided to propose amendments to IFRS 18 *Presentation and Disclosure in Financial Statements*. The proposed amendments would require an entity to classify, in the income taxes category of the statement of profit or loss (income taxes category), tax charges imposed by a government as a direct substitute for income taxes. For simplicity, we refer to those tax charges as 'specified tax charges' in the rest of this paper.

2. At this meeting, we will ask the IASB:

   (a) to discuss the remaining aspects of the proposed amendments—namely:

      (i) adding disclosure requirements to IFRS 19 *Subsidiaries without Public Accountability: Disclosures*;

      (ii) transition requirements; and

      (iii) the effective date.

(b) to discuss the steps in the *IFRS Foundation Due Process Handbook* (*Due Process Handbook*) that the IASB has taken in developing the proposed amendments. As part of this discussion, we will:

   (i) ask the IASB to decide on the comment period for an exposure draft;

   (ii) seek the IASB's permission to begin the process for balloting an exposure draft; and

   (iii) ask whether any IASB member plans to dissent from the proposals in the forthcoming exposure draft.

Structure

3. This paper sets out our analysis on:

   (a) adding disclosure requirements to IFRS 19 (paragraphs 4–11);

   (b) transition (paragraphs 12–18);

   (c) effective date (paragraphs 19–21); and

   (d) due process steps for publication of an exposure draft (paragraphs 22–29).

Adding disclosure requirements to IFRS 19

Background

Principles for requiring disclosures in IFRS 19

4. IFRS 19 permits some entities that are eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. An entity applying IFRS 19 applies the requirements in other IFRS Accounting Standards, except for the disclosure requirements. Instead, the entity applies the requirements in IFRS 19. IFRS 19 is effective for annual reporting periods on or after 1 January 2027, with earlier application permitted.

5. Paragraph BC33 of the Basis for Conclusions on IFRS 19 explains the six broad principles that guided the IASB in developing IFRS 19—namely that:

(a) users of financial statements of eligible subsidiaries are particularly interested in information about short-term cash flows and about obligations, commitments or contingencies, whether or not they are recognised as liabilities.

(b) users of the financial statements of eligible subsidiaries are particularly interested in information about liquidity and solvency.

(c) information on measurement uncertainties is important for eligible subsidiaries.

(d) information about an entity's accounting policy choices is important for eligible subsidiaries.

(e) disaggregation of amounts presented in eligible subsidiaries' financial statements is important for an understanding of those statements.

(f) some disclosures in IFRS Accounting Standards are more relevant to investment decisions in public capital markets than to the transactions and other events and conditions encountered by typical eligible subsidiaries.

6. Paragraph BC110 of the Basis for Conclusions on IFRS 19 explains how the IASB maintains IFRS 19 in the light of new or amended disclosure requirements in other IFRS Accounting Standards:

> … the IASB will continue to apply the principles in paragraph BC33 to determine whether new or amended disclosure requirements being proposed as part of IFRS Accounting Standards provide useful information to users of the financial statements of eligible subsidiaries and, thus, whether to include those disclosures in IFRS 19. As well as reviewing whether potential changes would satisfy those principles, the IASB will consider its previous discussions on a topic and whether new

information has come to light which merits revisiting past decisions. The IASB will also assess the overall disclosure requirements on a topic in IFRS 19 if more disclosure requirements are added, to monitor whether the requirements remain proportionate and appropriate for eligible subsidiaries.

Proposed disclosure requirements

7. At its July 2026 meeting, the IASB tentatively decided to propose adding some disclosure requirements to IFRS 18. Specifically, the IASB tentatively decided to require an entity that classifies specified tax charges in the income taxes category to disclose:

(a) the nature and amount of those specified tax charges and the bases for their calculation (nature and amount of specified tax charges); and

(b) the effect of those specified tax charges for each item disclosed in the reconciliation required by paragraph 123(c) of IFRS 18 (effect of specified tax charges on management-defined performance measures (MPMs)).[1]

Staff analysis

Nature and amount of specified tax charges

8. Applying the six broad principles (see paragraph 5), we think the proposed requirement to disclose the nature and amount of specified tax charges would:

(a) help users understand an entity's obligations arising from the specified tax charges and assess the impact of those tax charges on the subsidiary's short-term cash flows, liquidity and solvency. Because those tax charges are imposed as a direct substitute for income taxes, we expect them to often

[1] Paragraph 123(c) of IFRS 18 requires an entity to disclose 'a reconciliation between the [MPM] and the most directly comparable subtotal listed in paragraph 118 [of IFRS 18] or total or subtotal specifically required to be presented or disclosed by IFRS Accounting Standards…'

represent a large portion of an entity's expenses in a period and to be payable in the short term. Therefore, they could significantly affect an entity's short-term cash flows, liquidity and solvency.

(b) help users understand how the specified tax charges are calculated and, therefore, assess any related measurement uncertainty.

(c) result in information that complements the disaggregation of the specified tax charges in the statement of profit or loss, providing further contextual information about the disaggregated amounts.[2]

(d) be relevant to eligible subsidiaries applying IFRS 19—that is, the disclosures are not relevant only for investment decisions in public capital markets.

Effect of specified tax charges on MPMs disclosures

9. Paragraph 163 of IFRS 19 requires an entity to apply all the disclosure requirements in IFRS 18 related to MPMs if the entity uses those measures. Paragraphs BC122 and BC123 of the Basis for Conclusions on IFRS 19 explain the IASB's reasons for requiring eligible subsidiaries to provide these disclosures. In summary:

(a) disclosures of MPMs are important for eligible subsidiaries that use them. However, eligible subsidiaries are less likely to use MPMs in public communications than entities with public accountability. Therefore, many eligible subsidiaries will not use them.

(b) eligible subsidiaries are not expected to incur excessive costs because they can choose not to use MPMs in public communications if the benefits of doing so do not justify the costs of providing the disclosures.

10. In our view, the rationale in paragraph 9 for requiring eligible subsidiaries to disclose MPMs also applies to the requirement to disclose the effect of specified tax charges

[2] At its July 2026 meeting, the IASB also tentatively decided to require an entity to disaggregate, in the statement of profit or loss, specified tax charges from income taxes.

on MPMs. Not including those requirements would result in incomplete information about MPMs for eligible subsidiaries that use these measures.

Staff conclusion

11. Based on our analysis in paragraphs 8–10, we recommend adding to IFRS 19 the requirements to disclose the nature and amount of specified tax charges and the effect of those charges on MPMs.

Transition

12. This section considers transition requirements for the proposed amendments. We separately consider transition requirements for:

    (a) entities already applying IFRS Accounting Standards (paragraphs 13–15); and

    (b) first-time adopters (paragraphs 16–18).

Entities already applying IFRS Accounting Standards

13. IAS 8 *Basis of Preparation of Financial Statements* requires an entity to retrospectively apply a change in accounting policy upon the initial application of an IFRS Accounting Standard that does not include specific transition requirements, except to the extent it is impracticable to do so.

14. Beyond requiring an entity to disclose the nature and amount of specified tax charges and the effect of those charges on MPMs, the proposed amendments affect only the presentation of specified tax charges and the labelling of some subtotals. We think:

    (a) entities would not incur significant costs in applying the proposed amendments to prior periods; and

    (b) the benefits of consistently classifying the specified tax charges and providing comparative information for prior periods would outweigh those costs.

15. Therefore, we recommend requiring an entity to apply the proposed amendments retrospectively in accordance with IAS 8.

First-time adopters

16. Paragraph 7 of IFRS 1 *First-time Adoption of International Financial Reporting Standards* requires a first-time adopter to use—in its opening IFRS statement of financial position and throughout all periods presented in its first IFRS financial statements—accounting policies that comply with each IFRS Accounting Standard effective at the end of its first IFRS reporting period (subject to particular exemptions or exceptions).

17. Similar to our rationale for requiring entities already applying IFRS Accounting Standards to apply the amendments retrospectively (see paragraph 14), we think:

    (a) first-time adopters would not incur significant costs in applying the proposed amendments retrospectively to all periods presented; and

    (b) the benefits of consistently classifying the specified tax charges and providing comparative information for all periods presented would outweigh those costs

18. Therefore, we recommend providing first-time adopters with no exemption or exception from retrospective application of the proposed amendments.

Effective date

19. Paragraph 6.38 of the *Due Process Handbook* states:

> …The effective date is set so that jurisdictions have sufficient time to incorporate the new requirements into their legal systems or other systems of financial reporting requirements and those applying the Standards have sufficient time to prepare for the new requirements.

20. We will discuss the effective date at the time of issuing the amendments should the IASB decide to proceed with the proposed amendments. Nonetheless, we note that:

    (a) entities are currently in the process of implementing IFRS 18, which becomes effective for annual reporting periods beginning on or after 1 January 2027.

    (b) the proposed amendments are designed to apply only in a narrow set of circumstances—that is, when an entity is subject to tax charges imposed by a government as a direct substitute for income taxes.

21. Therefore, we think the IASB should:

    (a) set an effective date for the amendments that avoids disrupting the implementation of IFRS 18 for entities that are unaffected by the proposed amendments; but

    (b) allow entities affected by the proposed amendments to benefit from them by allowing early application. Those entities would therefore be able to apply the proposed amendments for the same annual reporting period in which they apply IFRS 18 for the first time.[3]

Due process steps for publication of an exposure draft

Due process requirements

22. Paragraph 6.7 of the *Due Process Handbook* states:

> After the board has decided on the technical matters in the project and has considered the likely effects of the proposals (see paragraphs 3.78–3.83), the technical staff presents a paper to the board:

[3] As paragraph 29 notes, subject to feedback on the Exposure Draft and the extent of analysis and redeliberations needed, the IASB could issue any amendments in Q4 2027. Therefore, we expect entities to be able to apply the amendments—if the IASB decides to proceed with them—for the first annual period in which they apply IFRS 18.

> (a) summarising the steps that the board has taken in developing the proposals, including a summary of when the board discussed the project in public meetings, public hearings, outreach activities and meetings of consultative groups;
>
> (b) …; and
>
> (c) recommending a comment period for the exposure draft.

Due process steps taken

23. Appendix A sets out the required due process steps in developing and publishing an exposure draft together with the current status of, and any planned action for, these steps.

Comment period

24. Paragraph 6.8 of the *Due Process Handbook* states:

> The board normally allows a minimum period of 120 days for comment on an exposure draft. If the matter is narrow in scope and urgent, the board can set a comment period of less than 120 days but no less than 30 days after requesting and receiving approval from the [Due Process Oversight Committee].

25. Entities affected by the proposed amendments will begin to prepare financial statements applying IFRS 18 for interim and annual reporting periods starting on or after 1 January 2027. We considered that:

    (a) a comment period shorter than 120 days would allow the IASB to issue any amendments sooner, which would allow those entities to benefit from them sooner; however

(b) the comment period should also give stakeholders sufficient time:

(i) to identify which specified tax charges would fall within the scope of the proposed amendments;

(ii) to assess whether presentation in the income taxes category would be appropriate for those charges; and

(iii) to identify any unintended consequences that could arise from the proposed amendments.

26. Considering the factors in paragraph 25, we recommend, on balance, setting a comment period of 120 days (considering that the end of the comment period should not fall on a weekend).

Permission for balloting and intention to dissent

27. This paper demonstrates that the IASB has completed all the applicable due process steps to date for balloting the exposure draft. Consequently, we request permission to begin the balloting process.

28. In accordance with paragraph 6.10 of the *Due Process Handbook*, we also ask if any IASB member intends to dissent from the proposals in the exposure draft.

Proposed timetable for balloting and publication

29. If the IASB agrees with our recommendations, we think it would be feasible:

(a) to publish an exposure draft in Q4 2026;

(b) to complete consultation on the exposure draft by mid-Q2 2027; and

(c) subject to feedback and the extent of analysis and redeliberations needed, to issue amendments in Q4 2027.

Questions for the IASB

1. **Adding disclosure requirements to IFRS 19**—does the IASB agree with our recommendation to add to IFRS 19 the requirements to disclose the nature and amount of specified tax charges and the effect of those charges on MPMs (see paragraph 11)?

2. **Transition**—does the IASB agree with our recommendation:

   a. to require an entity to apply the proposed amendments retrospectively in accordance with IAS 8 (see paragraph 15); and

   b. to provide first-time adopters with no exemption or exception from retrospective application of the proposed amendments (see paragraph 18)?

3. **Effective date**—does the IASB have any comments on our analysis regarding the effective date for the proposed amendments in paragraphs 19–21?

4. **Comment period**—does the IASB agree with our recommendation to allow a comment period of 120 days for the exposure draft (see paragraph 26)?

5. **Intention to dissent**—does any IASB member intend to dissent from the proposals in the exposure draft (see paragraph 28)?

6. **Permission to begin the process for balloting the exposure draft**—is the IASB satisfied that it has complied with the applicable due process steps and that it should begin the process for balloting the exposure draft?

Appendix A—Due process steps taken

A1. The following table summarises the required due process steps taken in developing the proposed amendments. The table does not list all the optional steps.

Step	Actions
IASB and IFRS Interpretations Committee meetings are held in public, with papers available for observers. All decisions are made in public sessions.	The Committee discussed the matter at its meetings in November 2025 and March 2026. The IASB discussed the matter at its meetings in May 2026, June 2026, and July 2026 (see Agenda Papers as well as this meeting). The project page on the IFRS Foundation website is updated after every meeting. Agenda papers were posted on the website before every meeting on a timely basis, and a summary of each meeting was included in IASB *Update* or IFRIC *Update* as appropriate.
Analysis of the likely effects of the proposed amendment, for example, initial costs or ongoing associated costs.	The proposed amendments aim to address concerns about the presentation of some tax charges when entities apply IFRS 18. Those concerns arose from discussions of the IFRS Interpretations Committee (Committee). The IASB considered the likely effects of the proposed amendments while developing the proposals. Specifically: (a) in June 2026, the IASB has considered the likely effects of proposing amendments to address the matter under a different but similar approach (requiring presentation of covered taxes in the income taxes category).

Step	Actions
	(b) in July 2026, the IASB decided to address the matter using a different approach (requiring presentation of specified tax charges in the income taxes category). The IASB considered the benefits and costs of that approach beyond what it had previously considered. In summary, we think the benefits of the proposed amendments outweigh the costs because the amendments would: (a) provide more useful information to investors by helping them compare the operating profit of different entities, better understand the nature of specified tax charges and forecast future cash flows related to them. (b) address concerns identified by the Committee's discussion; and (c) result in limited costs for entities because the proposed amendments would apply only in narrowly specified situations.
Outreach meetings with stakeholders	Although the IASB has not conducted outreach meetings with stakeholders on the proposed amendments specifically, the IASB has nonetheless considered stakeholders' views in developing those proposed amendments. At its May 2026 meeting, the IASB considered: a. stakeholders' concerns about the outcome of applying IFRS 18 on particular non-income tax charges, as conveyed in comment letters on Tentative Agenda Decision *Presentation of*

Step	Actions
	Taxes or Other Charges that are Not Income Taxes within the Scope of IAS 12 Income Taxes (IFRS 18); b. the Committee's discussion of those concerns and suggestions for addressing them; and c. input from targeted outreach with some users of financial statements. We will undertake further consultation with stakeholders during the comment period of the exposure draft.
Due process steps reviewed by the IASB.	This step is being met by this agenda paper.
The forthcoming exposure draft has an appropriate comment period.	This step is being met by this agenda paper.
Drafting	
Drafting quality assurance steps are adequate.	The IASB as well as the IFRS Foundation's translations, digital reporting and editorial teams will review drafts during the balloting process.
Publication	
Exposure draft published.	We plan to make the Exposure Draft available on our website when published.
Press release to announce publication of the exposure draft.	We plan to publish a press release on our website with the Exposure Draft.