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Mr Andreas Barckow  
Chairman  
International Accounting Standards Board  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London E14 4H

By e-mail only – [commentletters@ifrs.org](mailto:commentletters@ifrs.org)

**Re: IFRS Interpretations Committee ('Committee') Tentative Agenda Decision: Presentation of Taxes or Other Charges that are Not Income Taxes within the Scope of IAS 12 Income Taxes (IFRS 18)**

Dear Mr Barckow,

On behalf of RSM International Limited, a worldwide network of independent audit, tax and consulting firms, we are pleased to comment on the IFRS Interpretations Committee ('Committee') Tentative Agenda Decision: Presentation of Taxes or Other Charges that are Not Income Taxes within the Scope of IAS 12 Income Taxes (IFRS 18).

We concur with the Committee's provisional agenda decision that, in accordance with IFRS 18, entities are not permitted to present taxes or other charges which do not qualify as income taxes under IAS 12 within the income tax category, nor within the 'income tax expense or income' line item on the statement of profit or loss.

Nonetheless, we recommend that a standard-setting initiative be incorporated into the work plan to address the scope of IAS 12, in respect of what constitutes a tax "based on taxable profits." Examples where such ambiguity arises include R&D tax credits, as well as certain government royalty arrangements in the mining or oil and gas industries, as current practice varies significantly regarding the treatment of these items across jurisdictions.

For example, in Australia the Research and Development Tax Incentive (RDTI) has two versions depending on the entity size. For entities with revenue of less than A\$20m, the refundable RDTI is treated as a form of government assistance as it is received in cash regardless of whether any taxable profits are generated. It is therefore not in scope of AASB 112, which mirrors the scope requirements of IAS 12.

However, for entities with revenue over AUS \$20m, the RDTI is deducted from the income tax liability, with a link between its receipt and the existence of future taxable profits. There is diversity in practice in the recognition of RDTI for large entities in Australia, with one of three accounting policies generally being applied, being a government grant approach, an income tax approach or a hybrid approach. This diversity in practice results in a lack of comparability.

We would be pleased to respond to any questions the Board or its staff may have about any of our response. If you have any questions or comments, please do not hesitate to contact Monique Cole (+1 6172411461; [monique.cole@rsmus.com](mailto:monique.cole@rsmus.com)) or Claire Blanton (+44 (0) 207 601 1842; [Claire.Blanton@rsm.global](mailto:Claire.Blanton@rsm.global)).

Yours faithfully,

**RSM International**

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