Classification of top-up tax liability – Illustrative example (1/2)

Fact pattern

- Company P is liable for Pillar Two top-up taxes in Jurisdiction K.
- The local tax law specifies separate payment terms for top-up taxes – i.e. separate to other corporate income taxes.
- P is required to make a single payment on filing its Pillar Two tax return, which is due 15 months after the annual reporting date.
- P is preparing its annual financial statements for the period ending 31 December 2025.

Question

Should P classify its top-up tax liability as current or non-current at 31 December 2025?

Classification of top-up tax liability – Illustrative example (2/2)

Answer

- P applies the relevant classification criteria in paragraph 69 of IAS 1 *Presentation of Financial Statements* and notes that none of the criteria for current classification are met, including the criterion of holding the liability primarily for trading purposes.
- Therefore, in this example P classifies its top-up tax liability as non-current at 31 December 2025.

Modified fact pattern

- Modifying the fact pattern, if P were required to make a single payment that was due within 12 months after the annual reporting date, then it would classify the top-up tax liability as current at 31 December 2025.

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