
IFRS Taxonomy Consultative Group (ITCG) meeting

Date	05 March 2025
Project	Digital Financial Reporting
Topic	Digital financial reporting work plan update
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Purpose of this session

- To provide ITCG members with an update and opportunity to comment on the suggested taxonomy modelling approach for the *IFRS for SMEs Accounting Standard*.
- To seek input from ITCG members on possible topics for Common Practice and General Improvements (CP & GI)—to help us decide which topics to work on this year.

IFRS[®] Accounting
Taxonomy 2025—*IFRS for
SMEs Accounting
Standard*



Background

- The Third Edition of the *IFRS for SMEs Accounting Standard* (Standard) is planned to be issued in February 2025.
- The IASB considered aligning the Standard with:
 - IFRS Accounting Standards, amendments to IFRS Accounting Standards and IFRIC Interpretations issued since the first comprehensive review (in 2015) and effective on or before 1 January 2019; and
 - IFRS Accounting Standards issued before the first comprehensive review that did not result in amendments to the Standard at that time, as the IASB decided to reconsider alignment with these Standards in a future review.
- Among other changes, sections in the Standard that are expected to have a significant impact on the existing taxonomy modelling, as they have been newly added/completely revised include:
 - Section 12 *Fair Value Measurement* (requirements for measuring fair value and disclosing information about fair value measurements);
 - Section 19 *Business Combinations and Goodwill* (to align with IFRS 3 (2008) *Business Combinations* and subsequent amendments); and
 - Section 23 *Revenue from Contracts with Customers* (to align with IFRS 15 *Revenue from Contracts with Customers*).

Suggested taxonomy modelling approach

- We plan to maintain the IFRS for SMEs Accounting Taxonomy as a separate taxonomy (i.e. the **'ifrs_for_smes'** core schema, as discussed in [ITCG meeting in July 2024](#)).
- Currently we are analysing the requirements of the Standard and considering the initial taxonomy modelling proposals.
 - We plan to follow the same modelling approach as for the IFRS Accounting Taxonomy, if the new/amended requirements of this Standard, are aligned with the requirements of the full IFRS Accounting Standards.
 - For any presentation and disclosure requirements that are not aligned with the requirements of the full IFRS Accounting Standards, we plan to follow our general policies for taxonomy modelling. If the modelling approach for these requirements, needs deviating from following our general policies, we will seek input from ITCG members.

Question



Question 1—Do ITCG members have any comments or questions on our approach for modelling the changes to the taxonomy for *IFRS for SMEs Accounting Standard*?

Possible topics for Common Practice and General Improvements (CP & GI 2025)



Background

- In February 2024, the ITCG discussed (as part of [Agenda paper 2](#)) possible topics for CP & GI update. The ITCG was generally supportive of the identified topics.
- While finalising the IFRS 18 IFRS Taxonomy Update, the staff identified a few further topics that might impact our CP & GI project.
- We have compiled a list of possible topics for CP & GI 2025, and ranked the topics according to a prioritisation framework that considers:
 1. the expected level of resourcing involved; and
 2. the expected benefits for digital financial reporting (see next slides).
- Considering the availability of resources, we need to shortlist some of the topics from this list for further research, focussing on topics which are more pervasive across jurisdictions thereby maximising the benefits to preparers and users.

Possible topics for CP & GI 2025

Buckets		Topics (slides 13–15 in Appendix A)	Expected resourcing involved	Expected benefits for digital reporting
Common Practice (CP) review arising from	use of extensions	1. Review of financial instrument related extensions used in note disclosures of financial institutions	Moderate	Improved digital comparability, but for a limited group of entities
	standard setting projects	2. Review of lease related extensions as part of the Post-implementation Review of IFRS 16 <i>Leases</i>	Low	Improved digital comparability, for a large population of entities
	work on other projects leading to review of old CP elements	3. Review of existing IAS 1 related CP elements	Moderate	Reduced risk of tagging errors by eliminating redundant elements

More details about these possible topics are given in Appendix A.

Possible topics for CP & GI 2025

Buckets		Topics (slides 16–22 in Appendix A)	Expected resourcing involved	Expected benefits for digital reporting
General Improvements topics arising from	retrospective implementation of recently developed policies	4. Review of narrative elements	High	Reduced cost of tagging and improved usefulness and comparability of tagged information
		5. Further work on categorical elements	Low	Enhanced digital comparability of narrative information
		6. Rearranging elements related to primary financial statements based on references	Low	Improved navigation and understandability of taxonomy
		7. Review of other primary financial statements for ‘Useful Structured Summary’	Low	Improved navigation and understandability of taxonomy
		8. Past CP & GI changes to the <i>IFRS for SMEs</i> Accounting Taxonomy	Moderate	Limited benefits, given limited use of <i>IFRS for SMEs</i> Accounting Taxonomy
	data quality improvements	9. Possible use of guidance elements	Moderate	Improved tagging consistency— but expected to be of limited use
	improved usefulness	10. Possible use of category metadata	Moderate / high	Improved usefulness and understandability of tagged information

Question



Question 2—Do ITCG members have any comments/ suggestions on the proposed list of CP & GI topics?

- Are there any other topics that you think may warrant further research for inclusion in either the 2025 Common Practice and General Improvements Update or a future update?
- Do you have any feedback on the scope and urgency of topics with respect to the greatest potential benefit to digital financial reporting?

Appendix A

Initial analysis of potential CP and GI work



1. Review of financial instrument related extensions in notes of financial institutions

Background	<ul style="list-style-type: none">• In 2024, we finished our review of financial instruments related extensions used in primary financial statements of financial institutions.• We plan to continue our review of financial instruments related extensions used in note disclosures of financial institutions.• We discussed this at the February 2024 ITCG meeting and ITCG members were supportive of us continuing our work on this topic.• However, given that this topic is expected to require a lot of resources to analyse in full, we are considering whether to address only a few sub-topics within financial instrument note disclosures in the upcoming Update, and work on other sub-topics in future Updates.
Expected benefits for digital reporting	<ul style="list-style-type: none">• By potentially adding new common practice elements, this topic is expected to reduce extensions for financial instruments disclosures, therefore improving comparability of tagged financial information.• However, such common practice elements may only be relevant to a limited group of entities.

2. Review of extensions related to Leases

Background	<ul style="list-style-type: none">• In June 2024, the IASB began the <u>Post-implementation Review of IFRS 16 Leases</u> (PIR). The next milestone of this project is to publish the ‘Request for Information’ in Q2 2025.• As part of the review of presentation and disclosures requirements in the IFRS 16, we plan to review extensions used related to leases in the financial statements.• Findings from the review of extensions could also benefit the research conducted as part of the PIR.
Expected benefits for digital reporting	<ul style="list-style-type: none">• By potentially adding new common practice elements, this topic is expected to reduce extensions for lease disclosures, therefore improving comparability of tagged financial information.• A large population of reporting entities have leases and apply IFRS 16.

3. Review of existing IAS 1 related Common Practice elements

Background	<ul style="list-style-type: none">• Many of the existing common practice elements in the IFRS Accounting Taxonomy have references to IAS 1 <i>Presentation of Financial Statements</i>.• Some of these elements were introduced many years ago and reflect historic reporting practices that may not be of relevance anymore and furthermore, some elements may lose relevance after new Accounting Standards come into effect.• As part of work on the IFRS 18 Taxonomy Update, we considered reviewing these elements but since this was outside the scope of the IFRS 18 update, we decided to carry these elements over for a future General Improvements Update, unless their inclusion would be misleading for the understanding and application of IFRS 18.• We are now therefore planning to comprehensively review the common practice elements referenced to IAS 1, with a view to eliminate those not used to tag financial statements.
Expected benefits for digital reporting	<ul style="list-style-type: none">• By removing historic IAS 1 common practice elements that are no longer relevant, this topic is expected to reduce the risk of tagging errors.

4. Review of narrative elements (also see agenda paper 3)

Background

- During work on the [IFRS Sustainability Disclosure Taxonomy](#), we refined an approach to narrative elements by creating elements for narrative disclosures expected to be:
 - (a) separately understandable to users of general purpose financial reports;
 - (b) readily identifiable for tagging in general purpose financial reports; and
 - (c) at the most granular level(s) at which both (a) and (b) are met.
- This approach balances the usefulness of having distinct narrative elements with the costs to tag multiple nested narrative elements. More nested narrative elements do not necessarily contribute to usefulness of digital financial information.
- We have implemented this approach in taxonomy updates since then and plan to review the narrative elements in the rest of IFRS Accounting Taxonomy in accordance with this policy and deprecate the narrative elements which are too narrow.

Expected benefits for digital reporting

- By potentially merging some granular narrative elements, this topic is expected to reduce the cost of tagging and improve the usefulness and comparability of tagged information—with sufficient context to be analysed using artificial intelligence, and similar analysis tools.

5. Further work on categorical elements

Background	<ul style="list-style-type: none">• Considering the benefits of categorical elements and positive support from stakeholders, the IASB included categorical elements in the IFRS Accounting Taxonomy in 2024.• To continue this work, we plan to investigate the further use of categorical elements for some requirements in the IFRS Accounting Standards, such as requirements to disclose options/choices, for which we do not already have a categorical element.
Expected benefits for digital reporting	<ul style="list-style-type: none">• Including additional categorical elements is expected to enhance the digital comparability of narrative disclosure, provided preparers use these categorical elements in their digital financial statements.

6. Rearranging elements related to primary financial statements based on references

<p>Background</p>	<ul style="list-style-type: none"> • As part of project on the IFRS 18 Taxonomy, the IASB included income and expense elements in presentation groups as follows: <ul style="list-style-type: none"> • included elements the IASB reasonably expects entities to use for presentation in the statement of profit or loss in the presentation group '[330000] Statement presenting comprehensive income, profit or loss'; • included elements the IASB does not reasonably expect entities to use for presentation in the statement of profit or loss, but which have a reference to IFRS 18 in the presentation group '[800200] Notes - Analysis of income and expense'; and • included elements the IASB does not reasonably expect entities to use for presentation in the statement of profit or loss, and which have reference(s) only to other IFRS Accounting Standards in the presentation group(s) to which the reference(s) refers. • As part of this topic, we plan to similarly review the presentation of taxonomy elements relating to the statement of financial position, the statement of cash flows and the statement of changes in equity.
<p>Expected benefits for digital reporting</p>	<ul style="list-style-type: none"> • Re-organising elements is expected to improve ease of navigation and understandability of elements.

7. Review of other primary financial statements for ‘Useful Structured Summary’

Background	<ul style="list-style-type: none">• IFRS 18 requires entities to present their primary financial statements so that they provide a useful structured summary of an entity’s recognised assets, liabilities, equity, income, expenses and cash flows.• The IFRS 18 Taxonomy Update rearranged taxonomy elements for income and expenses in accordance with this requirement for the statement of profit or loss.• As part of this topic, we plan to similarly review and re-arrange the presentation of taxonomy elements relating to the statement of financial position, the statement of cash flows and the statement of changes in equity.
Expected benefits for digital reporting	<ul style="list-style-type: none">• Re-organising elements is expected to improve ease of navigation and understandability of elements.• Users are expected to benefit from more consistent tagging, thus facilitating comparability of tagged information presented in the primary financial statements.

8. Past CP & GI changes to the IFRS for SMEs Taxonomy

Background	<ul style="list-style-type: none">• Since the <i>IFRS for SMEs Accounting Taxonomy</i> was last updated in 2015,^{1,2} the Foundation has introduced CP and GI changes to the IFRS Accounting Taxonomy.• The IASB has completed the second comprehensive review of the <i>IFRS for SMEs Accounting Standard</i>, for which we plan to develop a Taxonomy Update (see slides 4-5).• Accordingly, we plan to incorporate the recent CP and GI changes from the IFRS Accounting Taxonomy to the <i>IFRS for SMEs Accounting Taxonomy</i> at the same time.
Expected benefits for digital reporting	<ul style="list-style-type: none">• The nature of the improvements introduced to the IFRS Accounting Taxonomy are expected to benefit preparers and users, if introduced in the <i>IFRS for SMEs Accounting Taxonomy</i>.• However, the <i>IFRS for SMEs Accounting Taxonomy</i> is not used in many jurisdictions and hence, benefits are expected to be limited.

¹ The IASB decided to update the *IFRS for SMEs Accounting Taxonomy* only when the [IFRS for SMEs Accounting Standard](#) is updated to balance the costs and benefits of maintaining the *IFRS for SMEs Accounting Taxonomy*.

² The *IFRS for SMEs Accounting Taxonomy* was last updated in 2015, except for a narrow scope amendment relating to Pillar Two Model Rules, issued in 2024.

9. Possible use of guidance elements

Background	<ul style="list-style-type: none">• As part of the consultation on the IFRS 18 Taxonomy Update, we received feedback to provide more guidance to facilitate the consistent use of new taxonomy elements.• To address this feedback, the staff included:<ul style="list-style-type: none">• guidance on the use of new elements in the IFRS 18 Taxonomy Update; and• guidance labels for some elements to help preparers and users understand the intended use of the elements.• We plan to investigate the use of ‘guidanceitemtype’ elements in the IFRS Accounting Taxonomy—included as abstract type elements in the presentation tree, thereby improving the visibility of guidance for preparers and users.
Expected benefits for digital reporting	<ul style="list-style-type: none">• This topic is expected to improve the understandability of how elements should be used to tag financial information, therefore improving tagging consistency and comparability of tagged information.

10. Exploring use of category metadata¹

Background	<ul style="list-style-type: none">• As part of the IFRS 18 Taxonomy project, we consulted on the use of category metadata in the IFRS Accounting Taxonomy. There was a mixed response on its cost and benefits.• Hence, the IASB did not include it in the IFRS Accounting Taxonomy Update <i>IFRS 18</i>.• However, the IASB intend to explore further the usage of category metadata and the potential benefits it offers. Hence, as part of this topic, we will explore more about category metadata or any other technical mechanism(s) and bring this topic again as part of General Improvements to the IFRS Accounting Taxonomy.
Expected benefits for digital reporting	<ul style="list-style-type: none">• The use of category metadata is expected to help users identify relationships between elements, improving the usefulness and understandability of tagged information.• This topic is expected to benefit a broad range of users.

¹ Category metadata (trait-concept relationship) was discussed at ITCG meetings in [October 2024](#), [October 2023](#), [February 2023](#) and [December 2022](#).

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