

IFRS Developments

Accounting and financial reporting considerations for IEEPA tariffs and potential recoveries

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Entities seeking clarity on how to recover tariffs paid should continue to monitor developments related to trade and tariffs.



What you need to know

- The US Supreme Court ruled on 20 February 2026 that the tariffs imposed under the US International Emergency Economic Powers Act (IEEPA) are unlawful.
- US Customs and Border Protection (CBP) on 6 March 2026 outlined its plans to establish a system for tariff refunds within 45 days, following the order by the US Court of International Trade (CIT) for the agency to progress with the tariff refund process.
- Entities need to closely monitor developments related to recoveries of previously paid IEEPA tariffs, newly imposed tariffs and other regulatory and policy changes.
- Entities should consider any accounting effects and appropriate disclosures of these events in the reporting period when they occur.

Overview

The United States (US) Supreme Court ruled on 20 February 2026 that the US International Emergency Economic Powers Act (IEEPA) does not provide the executive branch of government with the authority to impose tariffs. The ruling invalidated tariffs imposed by US President Trump in April 2025 under the IEEPA on goods from Canada, Mexico and China, as well as other global and country-specific tariffs. The ruling also invalidated the potential for tariffs in accordance with executive orders related to Venezuela, Russia, Iran, Brazil and Cuba.

The US Supreme Court did not decide whether, and to what extent, importers may claim refunds of IEEPA tariffs already paid. Entities seeking clarity on how to recover tariffs paid should continue to monitor developments related to trade and tariffs.

Tariffs imposed by President Trump's administration under Section 232 of the Trade Expansion Act of 1962 or Section 301 of the Trade Act of 1974 remain in place.

The administration has already invoked other available authorities to impose tariffs and maintain continuity in its tariff policy. Following the ruling, the 10% global tariffs imposed by President Trump on most US imports fall under Section 122 of the Trade Act of 1974, which allows the President to adjust import duties for up to 150 days in response to trade imbalances. In addition to the tariff measures imposed under Sections 122, 232 and 301, other authorities include Section 338 of the Trade Act of 1930, which allows the President to increase tariffs up to 50% or block imports if a trading partner is discriminating against US goods or commerce.



The US Court of International Trade (CIT) on 4 March 2026 ordered the US Customs and Border Protection (CBP) to progress with the tariff refund process, noting that “all importers of record whose entries were subject to IEEPA duties are entitled to the benefit” of the US Supreme Court ruling that tariffs imposed under the IEEPA are unlawful. In a sworn declaration filed 6 March 2026, US CBP’s Executive Director for Trade Programs detailed, for the CIT’s consideration, why immediate sweeping liquidation and reliquidation “without regard to IEEPA duties” is operationally infeasible and described a new Automated Commercial Environment (ACE) refund process CBP aims to deploy within 45 days. The recent CIT order and the CBP response are key steps in determining how the IEEPA refund process will operate.

This publication highlights accounting and financial reporting considerations related to the ruling. See our publication *IFRS Developments, Issue 238 IFRS accounting impacts of tariffs* for accounting considerations related to tariffs imposed by the US and other countries, including President Trump’s initial levy of tariffs under IEEPA.¹

Key considerations

Subsequent events

We believe the Supreme Court ruling should be viewed as a change in law that an entity accounts for in the reporting period when the change occurs. Entities need to consider the timing of the ruling (i.e., 20 February 2026) relative to the end of their reporting period.

If the ruling occurred after an entity’s balance sheet date but before the financial statements are issued (or are available to be issued), we believe it is a non-adjusting subsequent event under IAS 10 *Events after the Reporting Period*.

Entities also need to consider whether disclosures are required under IAS 10 to prevent the financial statements from being misleading. If so, entities need to disclose both the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made.

Derecognition of tariff obligations

Entities may have payables to the US government recorded for IEEPA tariffs on goods imported before CBP stopped collecting duties imposed under the IEEPA. Those payables should be derecognised under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IFRIC 21 *Levies*, in the reporting period when an entity is released from its obligation to CBP to remit payment. When determining whether to derecognise their liabilities, entities should consider whether they are legally released from their obligation to the US government.

Refund receivables

Entities that have historically paid tariffs related to the importation of goods generally expect that any discrepancies between amounts paid and those legally owed can be recovered from the relevant government agency through customary refund processes. However, for this circumstance (i.e., a legal invalidation of previously paid tariffs), no recovery mechanism previously existed. Therefore, and as discussed above, at the direction of the CIT, the CBP provided its plan on 6 March 2026 to have a system for tariff refunds in place and said it would be operational in approximately 45 days.

While the CIT order and CBP’s response provide additional information on eligibility and potential refund processes, uncertainty may continue to exist until the CBP’s plan for issuing refunds is finalised and communicated or clarity is otherwise provided. The ability to recognise a refund receivable depends on whether the entity has a legally enforceable right to receive the refund.

¹ Available on [ey.com/IFRS](https://www.ey.com/IFRS).

Until the entity has established that it has a legally enforceable right to a refund, we believe the right to refund is a contingent asset. In accordance with the requirements in IAS 37 for contingent assets, an entity would be able to recognise and measure an IEEPA tariff refund from the US government when it is virtually certain to be realised. If it is not yet virtually certain, but has become probable, an entity discloses the contingent asset and a brief description of the nature of the contingent asset and, where practical, an estimate of the financial effect. Also refer to further discussion on disclosures below. Determining whether a refund is virtually certain will require significant judgement. Entities need to consider all relevant facts and circumstances, including any remaining uncertainty with the IEEPA refund process.

An entity may receive a tariff refund from a vendor. IFRS accounting standards do not contain explicit guidance on a customer's accounting for payments received (or receivable) from vendors, so judgement will be required to account for these payments received (or receivable). Entities need to identify whether some (or all) of the payment received (or receivable) is in exchange for a distinct good or service transferred to the supplier. If so, entities account for it in the same way they would other similar sales or disposals of goods or services. If it is not in exchange for a distinct good or service, entities need to consider whether some (or all) of the payment is a reimbursement of a specific cost incurred on behalf of the vendor or is a discount or rebate on purchased goods or services. If an entity receives payment from the supplier as a discount or rebate on purchased goods or services, the payment is deducted from the cost of the purchased good or service.

For more details, refer to our publication, [Applying IFRS: Accounting for payments received from suppliers](#).²

Classification and presentation of tariff recoveries

Entities may have capitalised IEEPA tariffs as part of the initial cost of assets, such as inventory or property, plant and equipment (PP&E). We generally believe it would be most appropriate to record the tariff recovery in the same manner as it was originally recorded. Under this approach, tariff recoveries for tariffs originally recorded to inventory or PP&E would be accounted for, as follows:

- Inventory – a reduction (i.e., credit) to the cost of the related inventory if still on-hand, or to cost of goods sold (COGS) if the inventory has been sold to customers. Entities may need to evaluate their inventory turnover and costing method to determine the appropriate amount to record in inventory and COGS.
- PP&E – a reduction (i.e., credit) to the cost basis of the PP&E. We believe either of the following approaches are acceptable:
 - Prospectively, by recording the full refund as a reduction to the carrying value of the PP&E and adjusting depreciation on a prospective basis
 - Cumulative catch-up, by allocating the refund between the carrying value of the PP&E and the reversal of previously recorded depreciation expense

While we generally believe it is appropriate to record tariff recoveries in this manner, other approaches may also be acceptable based on facts and circumstances. Entities also need to consider providing disclosures describing where the IEEPA tariffs and related tariff recoveries are recorded in the financial statements.

Revenue

Entities will need to apply significant judgement to determine the US Supreme Court ruling's impact on revenue, if any. This includes careful consideration of contractual terms and customary business practices to determine whether obligations to refund tariff costs paid by customers exist and, if so, when to recognise such obligations. An entity would record a refund liability when it expects to refund some or all of the consideration received from a customer.

² Available on ey.com/IFRS.

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While the CIT order and CPB’s response provide additional information on eligibility and potential refund processes, uncertainty continues to exist.

Any refund of tariffs to a customer needs to be evaluated as a potential reduction of revenue. Consideration (such as a tariff refund) paid to a customer that is not in exchange for a distinct good or service is accounted for as a reduction in the transaction price and recognised when the latter of the following occurs: (1) the entity recognises revenue for the related goods or services; or (2) the entity pays or promises to pay the consideration.

Refunds of tariff costs might affect the measure of progress for over-time performance obligations that are partially unsatisfied under which an input method based on costs incurred (i.e., costs incurred relative to total expected costs, also called ‘cost-to-cost’) is applied to measure an entity’s progress toward satisfaction of the performance obligation to recognise revenue.

Forward-looking financial information

Management needs to carefully evaluate the implications of the recent decision on projections and other assumptions used in preparing the financial statements, including determining how tariffs may affect cash flow projections used in prospective financial information. Entities need to consider whether, and how, the uncertainty could affect cash-flow projections, the discount rate and other assumptions. Projections need to be consistently applied (e.g., measurement of fair value, asset impairment tests, deferred tax assets recognition) and should reflect the effects of the current economic environment, including tariffs, that exist as of the reporting date.

Disclosures

Applying paragraph 31 of IAS 1 *Presentation of Financial Statements* (paragraph 20 of IFRS 18 *Presentation and Disclosure in Financial Statements*),³ an entity needs to apply judgement to determine whether it should provide additional disclosures, and to what extent, about the impact of the court ruling on the entity’s financial position and financial performance. Entities need to consider whether omitting this information could reasonably be expected to influence the decisions that primary users of their financial statements make on the basis of those financial statements. When assessing which disclosures are needed, entities should consider the amount of tariffs already paid, and, if applicable, those that were recovered based on pass-through arrangements with customers.

The financial statement disclosures for entities affected by IEEPA tariffs and the US Supreme Court ruling will vary depending on the magnitude, duration and nature of the effects on their businesses and the availability of information. Entities will need to closely monitor developments and evaluate any impact on their financial statements and related information (e.g., management’s discussion and analysis (MD&A), risk factors) and update these disclosures in future reporting periods when information that is known and can be reasonably estimated becomes available that assists users’ understanding of the impacts on the entity’s financial statements.

Paragraph 125 of IAS 1⁴ requires entities to disclose information about the assumptions concerning the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the

³ Paragraph 31 of IAS 1 (paragraph 20 of IFRS 18) requires an entity to consider whether to provide additional disclosures when compliance with the specific requirements in IFRS accounting standards is insufficient to enable users of financial statements to understand the effect of transactions and other events and conditions on the entity’s financial position and financial performance.

⁴ Upon adoption of IFRS 18 *Presentation and Disclosure in Financial Statements*, the IAS 1 requirements will be transferred to IAS 8 *Basis of Preparation of Financial Statements*.

next financial year. An entity is also required to disclose the judgements, apart from those involving estimations, that management has made in the process of applying its accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Next steps

- Entities need to continue to monitor developments on how the US government may refund previously paid IEEPA tariffs.
- Entities seeking refunds from the government should start developing a cross-organisational plan (e.g., legal, procurement, finance, IT) to gather evidence of past IEEPA tariff payments that may become necessary to support refund documentation.
- Entities need to carefully consider impacts of the ruling when preparing their financial statements (e.g., determining whether and when to recognise tariff refund obligations to customers) and the extent of information to be disclosed.

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