

IASB proposes amendments to the fair value option in IAS 28



What you need to know

- The IASB has issued a consultation proposing targeted amendments to IAS 28 to clarify which investments in associates and joint ventures qualify for the fair value option.
- The proposals address diversity in practice and the related effects on profit or loss classification under IFRS 18.
- The consultation is subject to a shortened comment period, with comments due by 20 April 2026.

Highlights

On 19 February 2026, the International Accounting Standards Board (IASB) issued an Exposure Draft (the ED) proposing targeted amendments to IAS 28 *Investments in Associates and Joint Ventures* to clarify which investments in associates and joint ventures can be measured using the fair value option.

The proposals respond to diversity in practice in applying the fair value option in IAS 28 and the resulting effects on the classification of income and expenses in the statement of profit or loss under IFRS 18 *Presentation and Disclosure in Financial Statements*. The issue has become more prominent as entities consider whether to apply the transitional provisions in IFRS 18 that allow an entity to change its election for measuring an investment in an associate or joint venture from the equity method to fair value through profit or loss in accordance with IFRS 9 *Financial Instruments*. The proposed narrow-scope amendments are intended to improve consistency in application and provide clarity ahead of the effective date of IFRS 18.

The consultation is subject to a shortened comment period. Comments are due by 20 April 2026, and the IASB expects to finalise any amendments by mid-2026.



Background

In October 2025, the IASB added to its work plan a project to explore narrow-scope amendments to IAS 28 following stakeholder input on the application of the fair value option. The IASB was informed of diversity in practice in assessing eligibility for the fair value option and the implications for the presentation of income and expenses in the statement of profit or loss under IFRS 18. Stakeholders, particularly those in the insurance industry, noted that clearer requirements would be helpful as entities prepare for the implementation of IFRS 18, which is effective for annual reporting periods beginning on or after 1 January 2027, highlighting the need for any related amendments to IAS 28 to be completed on a timely basis.

Proposed amendments

The ED proposes targeted amendments to paragraphs 18 and 19 of IAS 28 to clarify which entities are eligible to elect the fair value option. The election would apply to “an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities”.

The ED removes the reference to “investment-linked insurance funds” and instead clarifies that “similar entities” include those that have a main business activity of investing in particular types of assets, as described in paragraph 49(a) of IFRS 18. The IASB intends this clarification to address diversity in how the scope of the fair value option in IAS 28 is interpreted in practice, particularly in assessing whether certain types of entities qualify as similar entities.

In developing the ED, the IASB considered, but did not propose, extending the fair value option in IAS 28 to all entities. Instead, it proposes a narrow-scope clarification focused on clarifying the meaning of “similar entities” and minimising differing outcomes arising from the interaction between IAS 28 and IFRS 18.

The ED proposes that on transition:

- Where entities have yet to adopt IFRS 18, the amendments will apply at the same time they adopt IFRS 18
- Where entities have adopted IFRS 18 early, the amendments will be applied retrospectively in accordance with paragraph C7 of IFRS 18.

Next Steps

The comment period ends on 20 April 2026. The IASB will consider comment letters and other feedback from its consultations on the proposals in the ED and will then decide whether to issue the proposed amendments.

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ED None

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How we see it

The ED is designed to clarify eligibility for applying the fair value option in IAS 28 by explicitly linking the notion of “similar entities” to IFRS 18’s description of entities with a main business activity of investing in particular types of assets.

Entities with a main business activity of investing in particular types of assets may wish to change their election for measuring an investment in an associate or joint venture from the equity method to fair value through profit or loss in accordance with IFRS 9 on transition to IFRS 18. The decision will impact not only the measurement of the investments but will have presentation consequences under IFRS 18.

We strongly encourage stakeholders to provide feedback to the IASB on the proposed amendments.