

# **Explanatory Statement**

## **Accounting Standard AASB 2023-2** ***Amendments to Australian Accounting Standards –*** ***International Tax Reform – Pillar Two Model Rules***

**June 2023**



**Australian Government**

**Australian Accounting  
Standards Board**

# EXPLANATORY STATEMENT

## Standards Amended by AASB 2023-2

This Standard makes amendments to AASB 112 *Income Taxes* (August 2015).

These amendments arise from the issuance of International Financial Reporting Standard *International Tax Reform—Pillar Two Model Rules* (Amendments to IAS 12) by the International Accounting Standards Board (IASB) in May 2023.

## Main Features of AASB 2023-2

This Standard amends AASB 112 to introduce:

- (a) a mandatory temporary exception to accounting for deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD); and
- (b) targeted disclosure requirements to help financial statement users better understand an entity's exposure to income taxes arising from the reform, particularly in periods before legislation implementing the rules is in effect.

## Application Date

This Standard applies to annual periods beginning on or after 1 January 2023 that end on or after 30 June 2023. Earlier application is permitted.

## Consultation Prior to Issuing this Standard

The AASB issued ED 322 *International Tax Reform – Pillar Two Model Rules* in January 2023 for public comment, with comments due by 24 February 2023. ED 322 incorporated IASB Exposure Draft ED/2023/1 *International Tax Reform—Pillar Two Model Rules*.

The AASB received one comment letter on ED 322, which was supportive of the proposed amendments and suggested additional disclosures that may be helpful to users of the financial statements. The AASB made a submission to the IASB on ED/2023/1 supporting the IASB's proposed amendments and suggesting additional matters for the IASB's consideration.

The IASB analysed the feedback it received on the proposed amendments and decided to finalise the amendments after making some minor changes to the proposed disclosure requirements, which addressed the Board's concerns. The IASB concluded that these amendments will provide companies temporary relief from accounting for deferred taxes arising from the OECD's international tax reform and provide information that will help investors better understand a company's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect. The IASB set an effective date for the amendments of annual periods beginning on or after 1 January 2023, with earlier application permitted.

The AASB considered and adopted the amendments made by the IASB to IAS 12 in finalising AASB 2023-2 and the amendments to AASB 112. The AASB set an effective date of annual periods beginning on or after 1 January 2023 that end on or after 30 June 2023, with earlier application permitted.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2023-2 as the amendments made do not have a substantial direct or indirect impact on business or competition.

## Legislative Features of Accounting Standards

### Power to Make Amendments

Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws), the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such instrument. Accordingly, the AASB has the power to amend the Accounting Standards that are made by the AASB as legislative instruments under the *Corporations Act 2001*.

### References to Other AASB Standards

References in this Standard to the titles of other AASB Standards that are legislative instruments are to be construed as references to those other Standards as originally made and as amended from time to time and incorporate provisions of those Standards as in force from time to time.

## Copyright

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## Exemption from Sunsetting

Accounting Standards promulgated by the AASB that are legislative instruments are exempt from the sunsetting provisions of the *Legislation Act 2003* through section 12 of the *Legislation (Exemptions and Other Matters) Regulation 2015* (Item 18(a)).

The AASB's Standards incorporate Standards set by the International Accounting Standards Board in respect of publicly accountable for-profit entities. The AASB's Standards are exempt from sunsetting because a more stringent review process than sunsetting applies to the Standards. This review process ensures Australia's Accounting Standards regime remains consistent with international Standards. Typically, the AASB Standards are revised at least once within a ten-year period, with most of the Standards subject to much more frequent revisions. Each revision follows the stringent review process (which includes the opportunity for public comment) in order to remain consistent with international Standards. It is very unlikely that any AASB Standard would not have been amended (or else considered for amendment) within a ten-year period through these review processes. Therefore, if it applied, a ten-year sunsetting regime would have very limited practical application to AASB Standards. Parliamentary oversight is retained whenever a Standard is replaced or amended since the Standards are disallowable instruments and subject to the normal tabling and scrutiny process as required by the *Legislation Act 2003*.

## Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the  
*Human Rights (Parliamentary Scrutiny) Act 2011*

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## Overview of the Accounting Standard

This Standard amends AASB 112 *Income Taxes* to introduce:

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- (b) targeted disclosure requirements to help financial statement users better understand an entity's exposure to income taxes arising from the reform, particularly in periods before legislation implementing the rules is in effect.

These amendments arise from the issuance of International Financial Reporting Standard *International Tax Reform—Pillar Two Model Rules* (Amendments to IAS 12) by the International Accounting Standards Board (IASB) in May 2023.

## Human Rights Implications

This Standard is issued by the AASB in furtherance of the objective of facilitating the Australian economy. It does not diminish or limit any of the applicable human rights or freedoms, and thus does not raise any human rights issues.

## Conclusion

This Standard is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.