

Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules

[AASB 112]



Australian Government

**Australian Accounting
Standards Board**

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Australian Accounting Standards Board
PO Box 204
Collins Street West
Victoria 8007
AUSTRALIA

Phone: (03) 9617 7600
E-mail: standard@aasb.gov.au
Website: www.aasb.gov.au

Other enquiries

Phone: (03) 9617 7600
E-mail: standard@aasb.gov.au

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AVAILABLE ON THE AASB WEBSITE
IASB Basis for Conclusions – Amendments

Australian Accounting Standard AASB 2023-2 *Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules* is set out on pages 5–6. All the paragraphs have equal authority.

Preface

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 this Standard

Main requirements

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.

Accounting Standard AASB 2023-2

The Australian Accounting Standards Board makes Accounting Standard AASB 2023-2 *Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules* under section 334 of the *Corporations Act 2001*.

Dated 22 June 2023

Keith Kendall
Chair – AASB

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

Objective

This Standard amends AASB 112 *Income Taxes* as a consequence of the issuance of International Financial Reporting Standard *International Tax Reform—Pillar Two Model Rules* (Amendments to IAS 12) by the International Accounting Standards Board in May 2023.

Application

The amendments set out in this Standard apply to entities and financial statements in accordance with the application of AASB 112 set out in AASB 1057 *Application of Australian Accounting Standards*.

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.

Amendments to AASB 112

Paragraphs 4A, 88A–88D (including their related heading and the examples) and 98M are added. Ellipses (...) are used to help provide the context within which amendments are made.

Scope

...

4A This Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes described in those rules. Such tax law, and the income taxes arising from it, are hereafter referred to as ‘Pillar Two legislation’ and ‘Pillar Two income taxes’. As an exception to the requirements in this Standard, an entity shall neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

...

Disclosure

...

International tax reform—Pillar Two model rules

- 88A** An entity shall disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes (see paragraph 4A).
- 88B** An entity shall disclose separately its current tax expense (income) related to Pillar Two income taxes.
- 88C** In periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, an entity shall disclose known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar Two income taxes arising from that legislation.
- 88D** To meet the disclosure objective in paragraph 88C, an entity shall disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. This information does not have to reflect all the specific requirements of the Pillar Two legislation and can be provided in the form of an indicative range. To the extent information is not known or reasonably estimable, an entity shall instead disclose a statement to that effect and disclose information about the entity's progress in assessing its exposure.

Examples illustrating paragraphs 88C–88D

Examples of information an entity could disclose to meet the objective and requirements in paragraphs 88C–88D include:

- (a) qualitative information such as information about how an entity is affected by Pillar Two legislation and the main jurisdictions in which exposures to Pillar Two income taxes might exist; and
- (b) quantitative information such as:
 - (i) an indication of the proportion of an entity's profits that might be subject to Pillar Two income taxes and the average effective tax rate applicable to those profits; or
 - (ii) an indication of how the entity's average effective tax rate would have changed if Pillar Two legislation had been in effect.

...

Effective date

...

- 98M** AASB 2023-2 *Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules*, issued in June 2023, added paragraphs 4A and 88A–88D. An entity shall:
- (a) apply paragraphs 4A and 88A immediately upon the issue of these amendments and retrospectively in accordance with AASB 108; and
 - (b) apply paragraphs 88B–88D for annual reporting periods beginning on or after 1 January 2023 that end on or after 30 June 2023. An entity is not required to disclose the information required by these paragraphs for any interim period ending on or before 31 December 2023.

Commencement of the legislative instrument

For legal purposes, this legislative instrument commences on 29 June 2023.