In brief

Global Implementation of Pillar Two: proposed amendments to IAS 12

Publication Date: 11 January 2023

In brief INT2023-01

Key Points

In January 2023 the IASB issued the Exposure Draft proposing amendments to IAS 12, “Income Taxes”. The amendments aim to provide temporary relief from accounting for deferred taxes arising from the implementation of the Pillar Two model rules.

The comment period for the Exposure Draft is 60 days. It is likely that IAS 12 will be amended in the second quarter of 2023.

What is the issue?

What´s already happened

In October 2021, more than 130 countries – representing more than 90% of global GDP – agreed to implement a minimum tax regime for multinationals, ‘Pillar Two’. In December 2021, the OECD released the Pillar Two model rules (the Global Anti-Base Erosion Proposal, or ‘GloBE’) to reform international corporate taxation.

For an overview of the Pillar Two model rules and their disclosure implications, refer to In brief INT2022-10 Global implementation of Pillar Two and the disclosure implications.

For details of the IASB decision to start a standard-setting in response to the imminent implementation of the Pillar Two model rules and its implications, refer to In brief INT2022-17 Global implementation of Pillar Two: Proposed amendment to IAS 12.

What's new

On 9 January 2023, the IASB issued the Exposure Draft proposing amendments to IAS 12. The proposed amendments aim to provide temporary relief from accounting for deferred taxes arising from the implementation of the Pillar Two model rules issued by the OECD.

The proposed amendments would introduce:

- a temporary exception to the accounting for deferred taxes arising from the implementation of the rules; and
- targeted disclosure requirements for affected companies.

Due to the project's accelerated nature, there is a reduced 60-day comment period for the Exposure Draft, and the comment letter period is open until 10 March 2023.

Provided that IAS 12 will be amended in the manner proposed in the Exposure Draft, reporting entities will be exempt from recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

As part of the expected amendments, an entity might be required to disclose:

- the fact that it has applied the exception;
- its current tax expense (if any) related to the Pillar Two top-up tax; and
- during the period between the legislation being enacted and the legislation becoming effective, entities might be required to provide other targeted disclosures. The objective of the additional disclosures would be to give an indication of what the impact to the tax expense might be after legislation becomes effective.

The amendments to IAS 12 providing an exception to the requirements in the standard will be applied immediately upon their issuance (subject to any local endorsement processes) and retrospectively in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

The amendments providing the disclosure requirements with regard to the periods in which Pillar Two legislation is enacted or substantively enacted, but not yet in effect, shall apply for annual reporting periods beginning on or after 1 January 2023.

What is the impact and for whom?

The Pillar Two rules apply to multinational enterprises that have consolidated revenues (which, as defined by the OECD, include any form of income and is therefore not limited to revenue recognized in accordance with IFRS 15) of €750m in at least two out of the last four years. If the amendments are finalised as drafted, we expect that entities subject to the Pillar Two rules could ignore any potential deferred tax implications in their 2023 financial statements as a result of Pillar Two legislation being enacted. However, these entities would still need to provide additional disclosure as described above.

When does it apply?

Assuming that the proposed amendment is finalised in the second quarter of 2023 (and endorsed in the relevant jurisdiction, where applicable), we expect the amendment to impact financial statements of most entities in the scope of Pillar Two rules in 2023 onwards.

Newsletter IFRS Aktuell. Bleiben Sie informiert.

Aktuelle Informationen zu den Entwicklungen in der internationalen Rechnungslegung – **jeden Monat kostenlos in Ihrem Mailfach!**

Zur Online-Anmelden:

www.pwc.at/de/newsletter

Ansprechpartner in Ihrer Nähe

Ulf Kühle
Tel: +43 1 501 88-1688
ulf.kuehle@pwc.com

Beate Butollo
Tel: +43 1 501 88-1814
beate.butollo@pwc.com

Medieninhaber und Herausgeber: PwC Österreich GmbH Wirtschaftsprüfungsgesellschaft, Donau City Straße 7, 1220 Wien
Für den Inhalt verantwortlich: Ulf Kühle, Beate Butollo
Kontakt: IFRS.Aktuell@at.pwc.com

www.pwc.at