UKEB
UK Endorsement Board

Draft Endorsement Criteria Assessment

International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)

June 2023

Contents

Introduction

Purpose

1. The purpose of this Draft Endorsement Criteria Assessment (DECA) is to determine whether *International Tax Reform–Pillar Two Model Rules* (Amendments to IAS 12) (the Amendments)[1], issued by the International Accounting Standards Board (IASB) in May 2023, meet the UK's statutory requirements for adoption as set out in Regulation 7 of Statutory Instrument (SI) 2019/685[2].

2. The IASB's proposals were set out in Exposure Draft ED/2023/1 *International Tax Reform–Pillar Two Model Rules* (Amendments to IAS 12) (the ED)[3]. The UKEB submitted its Final Comment Letter (FCL) on the ED to the IASB on 9 March 2023[4].

Background to the Amendments

3. The Pillar Two model rules introduce a minimum tax rate for entities and groups with turnover of €750m or above. In jurisdictions where an entity or group's effective tax rate is below 15%, the Pillar Two model rules require the entity or group to top up the tax it pays to that rate.

4. Stakeholders expressed concern about the complexities of accounting for deferred tax in respect of the Pillar Two model rules. They also highlighted to the IASB that there is an urgent need for clarity due to the expected enactment of the Pillar Two model rules in 2023 across multiple jurisdictions, including the UK. In response to this feedback, the IASB developed the Amendments.

5. If adopted, the Amendments will introduce a mandatory temporary exception from deferred tax accounting in relation to Pillar Two income taxes, a requirement to disclose that this exception has been applied and targeted disclosure requirements. The exception from deferred tax accounting will be effective immediately and retrospectively, together with the requirement to disclose that it has been applied. The targeted disclosure requirements will be effective for annual periods beginning on or after 1 January 2023. Section 2 of this DECA provides a brief description of the Amendments.

1 *International Tax Reform – Pillar Two Model Rules* (Proposed Amendments to IAS 12)

2 The International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019 No. 685 (SI 2019/685)

3 ED/2023/1 *International Tax Reform–Pillar Two Model Rules: Proposed Amendments to IAS 12*

4 Final Comment Letter – *International Tax Reform – Pillar Two Model Rules: Amendments to IAS 12*

Scope of the adoption assessment

6. The Amendments to the Basis for Conclusions of IAS 12 *Income Taxes* have not been included as part of the UKEB's assessment as UK-adopted international accounting standards comprise only the mandatory[5] sections of standards.

7. This DECA does not therefore consider any amendments to the IAS 12 Basis for Conclusions.

Structure of the assessment

8. We have presented our analysis in the following sections:

   a) **Section 1:** describes UK statutory requirements for adoption of new or amended international accounting standards; and

   b) **Section 2:** assesses whether the Amendments meet the criteria in Section 1.

Do the Amendments lead to a significant change in accounting practice?

9. A standard adopted by the UKEB under Regulation 6 of SI 2019/685 that it considers is likely to lead to a "*significant change in accounting practice*", is subject to the requirements in paragraph 3 of Regulation 11 of SI 2019/685 that the UKEB:

   a) "*carry out a review of the impact of the adoption of the standard; and*

   b) *publish a report setting out the conclusions of the review no later than 5 years after the date on which the standard takes effect (being the first day of the first financial year in respect of which it must be used)*".

10. **Section 2** of the DECA assesses whether the Amendments lead to a significant change in accounting practice and concludes that they do not.

[5] Mandatory pronouncements are International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), Interpretations and mandatory application guidance. Non-mandatory guidance includes the basis for conclusions, dissenting opinions, implementation guidance and illustrative examples, together with the IFRS practice statements. This categorisation is set out in the introduction to the IASB yearly bound volumes.

1. Section 1: UK statutory requirements for adoption

UK statutory requirements

1.1 Paragraph 1 of Regulation 7 of SI 2019/685 requires that an international accounting standard only be adopted if:

a) "*the standard*[6] *is not contrary to either of the following principles—*

i. *an undertaking's accounts must give a true and fair view of the undertaking's assets, liabilities, financial position and profit or loss;*

ii. *consolidated accounts must give a true and fair view of the assets, liabilities, financial position and profit or loss of the undertakings included in the accounts taken as a whole, so far as concerns members of the undertaking;*

b) *the use of the standard is likely to be conducive to the long term public good in the United Kingdom; and*

c) *the standard meets the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.*"

1.2 This DECA assesses the criteria above in the following order:

a) Whether the Amendments meet the criteria of relevance, reliability, understandability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management (SI 2019/685 Regulation 7(1)(c)).

b) Whether the Amendments are not contrary to the principle that an entity's accounts must give a true and fair view (SI 2019/685 Regulation 7(1)(a)).

6 The term "standard" includes standards (International Accounting Standards (IAS), International Financial Reporting Standards (IFRS)), amendments to those standards and related Interpretations (Standing Interpretations Committee / International Financial Reporting Interpretations Committee interpretations) issued or adopted by the IASB. This DECA relates to amendments to those standards.

c) Whether use of the Amendments is likely to be conducive to the long term public good in the UK (Regulation 7(1)(b)). SI 2019/685 Regulation 7(2) includes specific areas to consider for this assessment. They are:

i. whether the Amendments are likely to improve the quality of financial reporting;

ii. the costs and benefits that are likely to result from the use of the Amendments; and

iii. whether the Amendments are likely to have an adverse effect on the economy of the UK, including on economic growth.

Relevance, reliability, understandability and comparability[7]

1.3 Information is **relevant** if it is capable of making a difference in the decision-making of users[8] or in their assessment of the stewardship of management. The information may aid predictions of the future, confirm or change evaluations of the past, or both.

1.4 Financial information is **reliable** if, within the bounds of materiality, it:

a) can be depended on by users to represent faithfully what it either purports to represent or could reasonably be expected to represent;

b) is complete; and

c) is free from material error and bias.

1.5 Financial information should be readily **understandable** by users with a reasonable knowledge of business and economic activities and accounting, and a willingness to study the information with reasonable diligence.

1.6 Information is **comparable** if it enables users to identify and understand similarities in, and differences among, items. Information about an entity should be comparable with similar information about other entities and with similar information about the same entity for another period.

1.7 In conducting our overall assessment against the technical accounting criteria we are required to adopt an absolute, rather than a relative, approach. Our assessment is therefore an absolute one against the criteria (do the Amendments provide information that is understandable, relevant, reliable and comparable?)

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7 These descriptions are based on the qualitative characteristics of financial statements in the *Framework for the Preparation and Presentation of Financial Statements* adopted by the IASB in April 2001. These qualitative characteristics became part of the criteria for endorsement and adoption of IFRS in the EU's IAS Regulation (1606/2002), and, subsequently, in SI 2019/685.

8 In the *Framework for the Preparation and Presentation of Financial Statements* adopted by the IASB, the users of financial reports include present and potential investors, employees, lenders, suppliers and other trade creditors, customers, governments and their agencies and the public. While the UK has not adopted this *Framework*, in this document, 'users' is taken to have a similar meaning.

rather than a relative one (do the Amendments provide information that is more understandable, relevant, reliable and comparable than current, or any other, accounting?). When an assessment of any individual aspect or requirement of the Amendments uses comparative language (e.g. 'enhances comparability'), this does not mean that our objective is to reflect a real comparison in relative terms. Instead, our objective is to explain that any individual aspect or requirement of the Amendments has the potential to "*enhance*" one or more of the qualitative characteristics. Consideration of whether the Amendments are likely to improve the quality of financial reporting is separate from this assessment and is included within the UK long term public good assessment in Section 2.

True and fair view assessment

1.8 As noted above, the first adoption criterion set out in SI 2019/685 Regulation 7(1) requires that an international accounting standard can be adopted only if:

> "*[...] the standard is not contrary to either of the following principles—*
>
> a) *an undertaking's accounts must give a true and fair view of the undertaking's assets, liabilities, financial position and profit or loss;*
>
> b) *consolidated accounts must give a true and fair view of the assets, liabilities, financial position and profit or loss of the undertakings included in the accounts taken as a whole, so far as concerns members of the undertaking; [...]*"

1.9 For the sake of brevity, we refer to our assessment against this endorsement criterion as 'the true and fair view assessment' and to the principles set out in Regulation 7(1)(a) as the 'true and fair principle'. However, these abbreviated expressions do not imply that our assessment has considered anything other than the full terms of the endorsement criterion set out above.

1.10 The duty of the UKEB under Regulation 7(1)(a) is to determine generically, before a standard is applied to a set of accounts, whether that standard is not contrary to the true and fair principle. In other words, it is an ex-ante assessment. We have therefore considered whether the Amendments contain any requirement that would prevent accounts prepared using the Amendments from giving a true and fair view.

1.11 Our approach is to determine whether the Amendments are not contrary to the true and fair principle in respect of any of the specific items identified in Regulation 7(1)(a) (namely, the assets, liabilities, financial position and profit or loss) in the context of the preparation of the accounts as a whole. A holistic approach has been taken to this assessment, considering the impact of the Amendments taken as a whole, including its interaction with other UK-adopted international accounting standards.

1.12 For the purposes of our assessment, we consider the requirement in IAS 1 *Presentation of Financial Statements* for financial statements to "*present fairly the financial position, financial performance and cash flows of an entity*"[9] to be equivalent to the Companies Act 2006 requirement for accounts to give a true and fair view.

1.13 Our assessment is separate from the duty of directors under section 393(1) of the Companies Act 2006, which requires directors to be satisfied that a specific set of accounts gives a true and fair view of an undertaking's or group's assets, liabilities, financial position and profit or loss.

[Draft] Adoption decision

1.14 Section 2 of this DECA assesses whether the Amendments meet the statutory endorsement criteria set out in this Section.

1.15 On the basis of this assessment, [and subject to any stakeholder feedback,] the UKEB [tentatively] concludes that the Amendments meet the statutory endorsement criteria. The UKEB is therefore of the view that it will adopt the Amendments for use in the UK.

9 Paragraph 15 of IAS 1 *Presentation of Financial Statements*.

2. Section 2: Description and assessment of the Amendments

International Tax Reform–Pillar Two Model Rules (Amendments to IAS 12)	
Title and issue date of final amendments	*International Tax Reform–Pillar Two Model Rules* (Amendments to IAS 12), issued on 23 May 2023.
Origin	In December 2021, the Organisation for Economic Co-operation and Development (OECD) finalised the model rules for Pillar Two, one of the two pillars designed to address the tax challenges presented by the globalisation and digitalisation of the economy. The Pillar Two model rules introduce a minimum tax rate for multinational groups and entities with turnover of €750m or above. In jurisdictions where a group's effective tax rate is below 15%, the Pillar Two model rules require the entity to increase the tax it pays to that rate, by applying a top-up tax. Stakeholders expressed concerns to the IASB about the uncertainty over how to account for deferred tax arising from the top-up tax. Issues raised include: • whether Pillar Two top-up taxes are in all circumstances income taxes within the scope of IAS 12 *Income Taxes*; • which tax rate to use to measure deferred taxes; • whether additional temporary differences arise from the Pillar Two model rules, i.e. is it possible to link the recovery or settlement of the carrying amount of assets or liabilities directly to future top-up tax payments; and • whether domestic temporary differences should be remeasured. Some stakeholders also commented that accounting for deferred tax related to Pillar Two top-up tax could be extremely complex and that the costs of doing so might therefore outweigh the benefits to users. Stakeholders have further observed that this matter is urgent, as some jurisdictions are already in the process of enacting or substantively enacting Pillar Two legislation and others, including the UK, are expected to do so by summer 2023. In response, the IASB published the ED on 9 January 2023 and, having considered stakeholder feedback, issued the Amendments on 23 May 2023.

What has changed?	The Amendments have added new paragraphs as follows: • Paragraph 4A has been added to the Scope section of IAS 12. This paragraph clarifies that income taxes arising from the implementation of the Pillar Two model rules are within the scope of IAS 12. It requires an entity to apply a temporary exception from accounting for deferred taxes related to Pillar Two income taxes. • Paragraphs 88A to 88D have been added to the disclosure requirements in IAS 12. • Paragraph 88A requires an entity to disclose its application of the temporary exception under paragraph 4A. • Paragraph 88B requires an entity to disclose separately its current tax expense (income) related to Pillar Two income taxes, once the tax is in effect. • Paragraphs 88C and 88D require an entity to disclose known or reasonably estimable qualitative and quantitative information that helps users of financial statements understand the entity's exposure to Pillar Two income taxes in periods when relevant legislation has been enacted or substantively enacted, but is not yet in effect. They also provide guidance on the form that such information could take. When entities do not have known or reasonably estimable information on their exposure to Pillar Two top-up taxes at the end of the reporting period, they should make a statement to this effect and disclose the progress they have made in assessing their exposure. There were no consequential amendments to any other international accounting standards.
Transition requirements	The requirement for entities to apply the temporary exception is effective immediately and retrospectively. Entities must disclose that they have applied it (paragraphs 4A and 88A). For periods beginning on or after 1 January 2023, entities are required to make the disclosures required by paragraph 88B in periods in which Pillar Two legislation is in effect and those required by paragraphs 88C and 88D in periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect. Entities are not required to make the disclosures under paragraphs 88B to 88D in financial statements for interim periods ending on or before 31 December 2023.

Technical accounting criteria assessment	
Relevance and reliability	In general, IAS 12 requires entities to account for deferred tax to recognise the future tax consequences inherent in the recognition of assets and liabilities. It might therefore appear that providing an exception from deferred tax accounting for Pillar Two top-up taxes could reduce the relevance and reliability of the financial information provided by an entity, as it will result in an entity omitting deferred tax information that would otherwise have been provided. However, stakeholders consider that the determination of deferred tax amounts in relation to Pillar Two top-up taxes could be impracticable. Entities do not yet have full understanding of the possible impact of the legislation in jurisdictions in which they operate, nor do they currently have clarity on how to apply IAS 12 to Pillar Two taxes. Further, calculating deferred tax assets and liabilities in relation to Pillar Two top-up taxes would be extremely complex. The variables and assumptions in this calculation are likely to be significant, requiring judgements that would be subjective and complex. For example, an entity would have to forecast its Pillar Two profits, adjusted under the numerous Pillar Two rules, its domestic tax payable and its resulting effective Pillar Two top-up tax across the useful lives of its assets and liabilities, potentially many years into the future. Therefore, if entities were to recognise deferred taxes related to Pillar Two income taxes, there could be a significant risk of misleading outcomes. Stakeholders have expressed the view that entities and their auditors need more time to determine how to apply the requirements of IAS 12 to deferred taxes arising from Pillar Two top-up tax. Until then, entities' recognition and measurement of deferred tax assets and liabilities would not necessarily be based on reliable information in relation to Pillar Two top-up taxes. A temporary exception therefore avoids the recognition of deferred tax balances that are not reliable and that do not, therefore, provide relevant information. It also preserves the relevance and reliability of those deferred tax assets and liabilities that are currently recognised in the accounts. Requiring entities to disclose that they have taken the exception will enable users to identify that an entity may have deferred tax liabilities or assets related to Pillar Two top-up taxes, which they have neither recognised nor disclosed within the financial statements. This disclosure will enhance the relevance of the financial information. **Disclosures in periods when Pillar Two legislation is in effect**

	In periods when Pillar Two legislation is in effect, entities will be required to disclose their current tax expense (income) relating to Pillar Two separately. Pillar Two is a significant international tax reform, and providing information on its current tax impact (income or expense) will be useful to users of accounts. As current tax expense (income) is calculated from known information, this disclosure could inform an assessment of possible future tax liabilities or assets as well as permitting users to evaluate past assessments. Disclosing this expense (income) separately will enhance the relevance of information provided, as it will aid users in assessing an entity's potential future exposure to Pillar Two top-up taxes. **Disclosures in periods when Pillar Two legislation is enacted or substantively enacted, but not yet in effect** In periods when the Pillar Two legislation is enacted or substantively enacted, but not yet in effect, entities will be required to provide quantitative and qualitative information that helps users understand an entity's exposure to Pillar Two top-up taxes at the end of the reporting period. Permitting entities to decide upon the information they provide to help users understand the entity's exposure to Pillar Two should result in entity-specific information. This approach has the potential to enhance the relevance of information provided on an entity's exposure to Pillar Two top-up taxes, because entities will be expected to provide users with the information that they consider represents their exposure most faithfully. It could also enhance the reliability of the information provided, as the approach should allow entities to make disclosures that take into account all the information at their disposal. When entities do not have known or reasonably estimable information on their exposure to Pillar Two top-up taxes at the end of the reporting period, they should make a statement to this effect and disclose the progress they have made in assessing their exposure. Providing this alternative for entities which do not have known or reasonably estimable information at the end of the reporting period avoids requiring entities to disclose information that is potentially misleading, thereby enhancing the overall relevance and reliability of the information provided.
Understandability	Deferred tax amounts that result from complex law, calculations and judgements, using information that may not be reliable and methodologies that are potentially not comparable, risk not being understandable and could potentially be misleading. Further, if entities were to account for deferred tax on Pillar Two top-up taxes, they would have to explain their methodologies, which could be extremely complex and not consistent between entities. For example, an entity may have to explain its decision-making on the

	recognition and measurement of temporary differences additional to those that exist between the carrying amounts of assets and liabilities in the statement of financial position and their domestic tax bases. The Amendments therefore have the potential to enhance understandability. **Disclosures in periods when Pillar Two legislation is in effect** The requirement to present any Pillar Two top-up tax separately will allow users to identify the current tax effect of Pillar Two top-up taxes easily, enhancing understandability. This will in part mitigate the absence of deferred tax accounting in relation to Pillar Two top-up taxes. **Disclosures in periods when Pillar Two legislation is enacted or substantively enacted, but not yet in effect** Entities are required to provide qualitative and quantitative information about their exposure to Pillar Two top-up taxes, whilst retaining scope to make decisions on the form of that information. An entity will therefore be able to apply the requirement to its own circumstances, providing users with entity-specific information and thereby enhancing understandability. These disclosure requirements will also go some way to mitigating the absence of deferred tax accounting.
Comparability	The mandatory temporary exception avoids the risk that entities will make diverse interpretations of IAS 12's requirements in relation to Pillar Two top-up taxes. It therefore helps avoid the inconsistent application of IAS 12, for example in whether and how to recognise and measure additional temporary differences, and therefore enhances comparability. Requiring entities to disclose that they have applied the exception will give users confidence in the comparability of deferred tax assets and liabilities across entities within and outside the scope of the Pillar Two legislation. **Disclosures in periods when Pillar Two legislation has been enacted or substantively enacted but is not yet in effect** The requirement is to disclose known or reasonably estimable information that helps users understand the entity's exposure to Pillar Two income taxes, so entities can present information that faithfully depicts their specific tax position, thereby enhancing the comparability of the information provided. The information provided by entities will not be uniform as the Amendments do not specify the detailed quantitative and qualitative disclosures required. However, uniformity does not necessarily equate to comparability, so the fact that the Amendments do not specify the detailed disclosures does not preclude comparability.

	Transition requirements Entities will be prohibited from accounting for deferred tax on Pillar Two top-up taxes due to the immediate and retrospective application of the Amendments, which will enhance the comparability of entities' financial positions across financial reporting periods. The comparability of other deferred tax assets and liabilities will be preserved, as they will not be combined with amounts that may not be relevant or reliable.
Conclusion	Overall, we conclude that the Amendments meet the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management, as required by SI 2019/685.
True and fair view requirement	
Description	The previous section of this DECA concludes that the Amendments meet the technical accounting criteria, including that of reliability. Reliability includes the notion of faithful representation of the economic substance of transactions and events. The technical accounting criteria assessment therefore underpins the overall true and fair view assessment. In addition, the targeted disclosures to help users of accounts understand an entity's exposure to Pillar Two income taxes should support the true and fair view given by the accounts. The Amendments maintain the existing requirements for recognition and measurement of deferred tax assets and liabilities, and provide an exception for deferred tax accounting in relation only to Pillar Two top-up taxes. Consequently, the Amendments are narrow in scope and do not introduce new principles.
Conclusion	Our assessment has not identified any requirement of the Amendments, either alone or in conjunction with international accounting standards adopted for use in the UK, that would prevent individual or group accounts prepared using the Amendments from giving a true and fair view of the undertaking's or group's assets, liabilities, financial position and profit or loss. We are satisfied, therefore, that the circumstances in which the application of the Amendments would result in accounts which did not give a true and fair view would be extremely rare. Overall, we conclude that the Amendments are not contrary to the true and fair view principle set out in Regulation 7(1) of SI 2019/685.

UK long term public good	
Description of entities that will be impacted	The Amendments will affect entities with consolidated turnover over €750m. Depending on exchange rate fluctuations, they will affect approximately 200 listed UK groups and companies, as well as a number of private UK groups and companies that prepare accounts under international accounting standards. They will also affect UK subsidiaries of qualifying foreign groups that prepare accounts under international accounting standards.
Do the amendments improve financial reporting?	The Amendments provide a mandatory temporary exception from accounting for deferred taxes related to Pillar Two income taxes. They will improve the quality of financial reporting because they: • avoid the recognition of unreliable deferred tax assets and liabilities in relation to Pillar Two top-up taxes; • avoid potential diversity of practice by removing the need for entities to interpret the IAS 12 requirements in relation to Pillar Two top-up taxes; and • ensure the provision of useful information on the expected and actual impact of Pillar Two top-up taxes through targeted disclosure requirements.
Costs for preparers and users	<u>Preparers:</u> Some preparers considered that accounting for deferred tax in relation to Pillar Two top-up taxes was impracticable, and therefore the Amendments were required irrespective of cost considerations. In that context, and given the Amendments are narrow in scope and will affect only a specified population of entities, we adopted a proportionate approach to the assessment of costs, estimating preparers' adoption costs by conducting a qualitative assessment of the costs likely to be borne. We assessed whether preparers would face costs related to: • familiarisation; • design of data collection processes; • IT system changes; • governance processes; • external audit; and • other costs. Preparers in scope of the Pillar Two legislation considered that they have started incurring or will incur significant, i.e. greater than negligible but less than material, **one-off costs** to comply with the

	Amendments. These were largely related to **familiarisation**, **the design of data collection processes** and **IT system changes**. Some preparers thought that the one-off incremental cost of complying with the Amendments would be increased by the fact that the accounting disclosures will be required before tax compliance processes are in place (i.e before the completion of the first Pillar Two tax return). Preparers further observed that initial one-off costs will vary depending on how a group organises its accounting systems, whether by jurisdiction, business unit or on another basis. Preparers considered that the Amendments would have a smaller but still significant impact on their ongoing costs, including additional **accounts preparation, changes in governance processes and external audit costs**. One preparer we interviewed considered that these costs could be absorbed into business-as-usual processes; another felt it was too early to take a view. We expect **other costs** to be negligible or nil. <u>Users</u>: Users of accounts confirmed to the UKEB that the costs arising to them as a result of the Amendments would be minimal, principally related to **familiarisation**.
Benefits for preparers and users	<u>Preparers:</u> The principal benefit for preparers is that they will not be required to account for deferred tax in relation to Pillar Two income taxes. Some preparers considered that accounting for deferred tax in relation to Pillar Two top-up taxes would be very difficult, and therefore considered that the savings from not doing so would outweigh the costs of making the disclosures required by the Amendments. As explained above, other preparers have confirmed to us that accounting for deferred tax in relation to Pillar Two top-up taxes could be wholly impracticable. Preparers agreed that they would welcome the Amendments being made permanent. However, even if they did not become permanent, preparers welcomed the additional lead time the Amendments would afford them for determining how to account for deferred tax in relation to Pillar Two top-up taxes. <u>Users:</u> Users welcomed the mandatory temporary exception, as it prohibits the provision of potentially misleading information. They considered the targeted disclosure requirements provided additional useful information. In the period in which the legislation is enacted or substantively enacted but not yet in effect, the disclosures will indicate a group's exposure to Pillar Two top-up taxes and the extent to which a group is prepared for implementation. Once the legislation is effective, they welcomed the separate disclosure of a group's current tax expense (income) in relation to Pillar Two top-up taxes.

Whether the Amendments are likely to have an adverse effect on the UK economy	The Amendments are not likely to have an adverse effect on the UK economy in that the Amendments improve entities' efficiency. The Amendments should ensure that accounting requirements will at least not hinder implementation of the Pillar Two legislation. We have not identified any factors that would indicate that the Amendments would lead to changes in business practices or operations that are detrimental to the UK economy. In addition, we do not expect the accounting under the Amendments to affect economic behaviour negatively. These assertions were confirmed by engagement with preparers and users. As a result, the Amendments are not likely to have an adverse effect on the UK economy, including on economic growth.
Conclusion	Having considered all relevant aspects, including the trade-off between the costs and benefits of implementing the Amendments, the UKEB concludes that they are likely to be conducive to the long term public good in the UK as required by SI 2019/685.

Do the Amendments lead to a significant change in accounting practice?

2.1 The UKEB is required to assess whether or not the Amendments are likely to lead to a 'significant change in accounting practice' and therefore meet the criteria for a post-implementation review.

2.2 The Amendments do not fundamentally change the basic requirements of IAS 12 or introduce new principles, nor do they impact the majority of entities. In addition, the exception from accounting for deferred taxes related to Pillar Two income taxes is only temporary, and the IASB has stated that it will monitor developments related to the implementation of the Pillar Two model rules to determine when to do further work.

2.3 As a result, the UKEB [tentatively] concludes that the Amendments are not likely to lead to a significant change in accounting practice and do not meet the criteria for a post-implementation review under Regulation 11 in SI 2019/685.

Appendix A: Glossary

Term	Description
The Amendments	*International Tax Reform–Pillar Two Model Rules* (Amendments to IAS 12)
DECA	Draft Endorsement Criteria Assessment
ED	Exposure Draft
FCL	Final Comment Letter
IASB	International Accounting Standards Board
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
OECD	Organisation for Economic Co-operation and Development
SI	Statutory Instrument
SMEs	Small and Medium-sized Entities
UKEB	UK Endorsement Board

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