

UKEB FEEDBACK STATEMENT

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

Endorsement Criteria Assessment (ECA)

July 2023

The UK Endorsement Board (UKEB) is responsible for the endorsement and adoption of IFRS for use in the UK and therefore is the UK's National Standard Setter for IFRS. The UKEB also leads the UK's engagement with the IFRS Foundation on the development of new standards, amendments and interpretations.

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Purpose of this feedback statement

This feedback statement presents the views of UK stakeholders received during the UKEB's public consultation on the draft Endorsement Criteria Assessment (ECA) of *International Tax Reform – Pillar Two Model Rules* (Amendments to IAS 12) and where relevant explains how the UKEB has addressed those views in the final ECA.



Description of the Amendments to IAS 12

Stakeholders have said that accounting for deferred tax on Pillar Two top-up tax would be impracticable and could lead to diversity in practice. In response, the IASB has issued the Amendments.

They provide a **mandatory temporary exception**, applicable immediately and retrospectively, from accounting for deferred tax in relation to Pillar Two top-up taxes. Entities must disclose that they have applied that exception.



Description of the Amendments to IAS 12

Once the tax is in effect, an entity must disclose its current tax income/expense in relation to Pillar Two top-up taxes separately.

For periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, entities would be required to disclose “*information that helps users of financial statements understand the entity’s exposure to Pillar Two income taxes*”. In meeting that disclosure objective, an entity should disclose known or reasonably estimable quantitative and qualitative information about its exposure at the end of a reporting period.

Entities which do not have such information about their exposure to Pillar Two income taxes must disclose that fact, together with information on progress made in assessing the entity’s exposure.

The targeted disclosure requirements for periods in which Pillar Two is enacted or substantively enacted but not yet in effect are effective for annual periods beginning 1 January 2023.

UKEB public consultation on the draft ECA

- Stakeholders informed us that the Amendments were urgent as some jurisdictions, including the UK, have already enacted or substantively enacted Pillar Two legislation. The draft ECA was therefore published for consultation for 14 days, from 26 June to 10 July 2023.
- In the light of this short consultation period, prior to publishing the draft ECA, we gathered additional feedback on the costs and benefits of applying the Amendments. We consulted separately with preparer and user advisory groups as well as individual preparers who had attended the roundtables during the influencing phase of this project.
- During the consultation period, the UKEB encouraged stakeholders to respond to the draft ECA through News Alerts, LinkedIn posts and the UKEB website.
- A total of seven formal responses were received.
- Stakeholder submissions received were published on the UKEB website.
- All comments and views were considered in reaching the UKEB's final assessment of the Amendments.
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Stakeholder type	Number of formal responses
Accounting firms	6
Users of accounts	0
Preparers of accounts	1
Total	7

Overall assessment

Respondents to the draft ECA concur with the UKEB's assessment based on the adoption criteria in paragraph 1 of Regulation 7 SI 2019/685 and are fully supportive of the adoption of the Amendments.



Detailed assessment–Comments from respondents

UKEB tentative assessment	Stakeholder views	UKEB final assessment
Technical accounting criteria assessment		
The draft ECA tentatively concluded that 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, as required by Regulation 7(1) of SI 2019/685.	All respondents were supportive of the UKEB’s tentative conclusion.	Consistent with the tentative assessment.
True and fair view assessment		
The draft ECA tentatively concluded that the Amendments were not contrary to the true and fair view principle set out in Regulation 7(1) of SI 2019/685.	All respondents were supportive of the UKEB’s tentative conclusion.	Consistent with the tentative assessment.

Detailed assessment–Comments from respondents

UKEB tentative assessment	Stakeholder views	UKEB final assessment
UK long-term public good assessment		
The draft ECA tentatively concluded that, having considered all relevant aspects, including the balance of the costs and benefits of implementing the Amendments, the Amendments were likely to be conducive to the UK long-term public good as required by Regulation 7(1) of SI 2019/685.	All respondents were supportive of the UKEB's tentative conclusion.	Consistent with the tentative assessment.

Disclaimer

This feedback statement has been produced in order to set out the UKEB's response to stakeholder comments received on the UKEB's draft Endorsement Criteria Assessment on the IASB's Amendments to IAS 12: *International Tax Reform – Pillar Two Model Rules* and should not be relied upon for any other purpose.

The views expressed in this feedback statement are those of the UK Endorsement Board at the point of publication.

Any sentiment or opinion expressed within this feedback statement will not necessarily bind the conclusions, decisions, endorsement or adoption of any new or amended IFRS by the UKEB.

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