



Quoted Companies Alliance

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Friday 10 March 2023

Dear IASB colleagues,

Exposure Draft: International Tax Reform – Pillar Two Model Rules: Proposed amendments to IAS 12

We welcome the opportunity to respond to your consultation on the proposed amendments to IAS 12.

The Quoted Companies Alliance *Accounting, Auditing and Financial Reporting Expert Group* has examined the proposals and advised on this response from the viewpoint of small and mid-sized quoted companies. A list of Expert Group members can be found in Appendix A.

Overall, we agree with the proposals set out in the Exposure Draft and think they are sensible and straightforward.

If you would like to discuss our response in more detail, please do not hesitate to contact us.

Yours sincerely,

A handwritten signature in blue ink that reads "James Ashton".

James Ashton
Chief Executive

Q1 Temporary exception to the accounting for deferred taxes (paragraphs 4A and 88A)

IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The IASB proposes that, as an exception to the requirements in IAS 12, an entity neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

The IASB also proposes that an entity disclose that it has applied the exception.

Paragraphs BC13–BC17 of the Basis for Conclusions explain the IASB’s rationale for this proposal.

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you would suggest instead and why.

Overall, we agree with the proposal. We recognise that there are very real concerns that incorrect information may be reported due to the balances being subject to a significant degree of estimation uncertainty. On that basis, we support the IASB’s proposals. We also support the approach to make it mandatory, as this will mean that a consistent basis is adopted for all entities and thus will not disadvantage smaller companies who have less resources to estimate their deferred tax assets and liabilities. Similarly, whilst there is a lack of a clear timeline for ending the temporary relief which may create issues for preparers, this appears sensible given the circumstances.

We do however note that this may be a concern for some investors as the extent of deferred tax assets and liabilities arising for Pillar Two will not be known.

Q2 Disclosure (paragraphs 88B–88C)

The IASB proposes that, in periods in which Pillar Two legislation is enacted or substantively enacted, but not yet in effect, an entity disclose for the current period only:

- a) **information about such legislation enacted or substantively enacted in jurisdictions in which the entity operates.**
- b) **the jurisdictions in which the entity’s average effective tax rate (calculated as specified in paragraph 86 of IAS 12) for the current period is below 15%. The entity would also disclose the accounting profit and tax expense (income) for these jurisdictions in aggregate, as well as the resulting weighted average effective tax rate.**
- c) **whether assessments the entity has made in preparing to comply with Pillar Two legislation indicate that there are jurisdictions:**
 - i. **identified in applying the proposed requirement in (b) but in relation to which the entity might not be exposed to paying Pillar Two income taxes; or**
 - ii. **not identified in applying the proposed requirement in (b) but in relation to which the entity might be exposed to paying Pillar Two income taxes.**

The IASB also proposes that, in periods in which Pillar Two legislation is in effect, an entity disclose separately its current tax expense (income) related to Pillar Two income taxes.

Paragraphs BC18–BC25 of the Basis for Conclusions explain the IASB’s rationale for this proposal.

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you would suggest instead and why.

Yes – we agree with the proposal. It provides a reasonable expectation of the necessary disclosures needed for the users of the financial statements without being too onerous to produce.

Q3 Effective date and transition (98M)

The IASB proposes that an entity apply:

- a) the exception—and the requirement to disclose that the entity has applied the exception—immediately upon issue of the amendments and retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- b) the disclosure requirements in paragraphs 88B–88C for annual reporting periods beginning on or after 1 January 2023.

Paragraphs BC27–BC28 of the Basis for Conclusions explain the IASB’s rationale for this proposal.

Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you would suggest instead and why.

Yes – we agree with this proposal.

Appendix A

The Quoted Companies Alliance *Accounting, Auditing and Financial Reporting Expert Group*

Rochelle Duffy (Chair)	PKF Littlejohn LLP
Tom Stock (Deputy Chair)	Haysmacintyre
Richard Amos	Skillcast Group PLC
Edward Beale	Western Selection PLC
Matthew Brazier	Invesco Asset Management Limited
Simon Cooper	KPMG LLP
Anna Hicks	Saffery Champness LLP
Mark Hodgkins	Trackwise Designs PLC
Michael Hunt	ReNeuron Group PLC
Clive Lovett	Bilby PLC
Sandra McGowan	BDO LLP
Giles Mullins	Grant Thornton UK LLP
James Nayler	Mazars LLP
Matthew Stallabrass	Crowe UK LLP