

17 July 2023

Dr. Andreas Barckow
Chairman
International Accounting Standards Board
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Dr. Barckow,

AOSSG Comments on IASB[®] Exposure Draft IASB/ED/2023/3 *International Tax Reform—Pillar Two Model Rules—Proposed Amendments to the IFRS for SMEs[®] Standard*

The Asian-Oceanian Standard-Setters Group (AOSSG) is pleased to provide comments on the IASB[®] Exposure Draft IASB/ED/2023/3 *International Tax Reform—Pillar Two Model Rules—Proposed Amendments to the IFRS for SMEs[®] Standard*. In formulating its views, the AOSSG sought the views of its constituents within each jurisdiction.


AOSSG members welcome the proposed amendments that would provide affected SMEs with a mandatory temporary exception to recognise and disclose deferred tax assets (liabilities) arising from the Pillar Two legislations. The views of the AOSSG *member jurisdictions* (“AOSSG members”) in relation to the specific questions in the Exposure Draft are provided in the **Appendix**.

The AOSSG currently has 28 members, i.e., jurisdictional standard-setters from the Asian-Oceanian region: Australia, Bangladesh, Brunei, Cambodia, China, Dubai, Hong Kong, India, Indonesia, Iraq, Japan, Kazakhstan, Korea, Macao, Malaysia, Maldives, Mongolia, Nepal, New Zealand, Pakistan, Philippines, Saudi Arabia, Singapore, Sri Lanka, Syria, Thailand, Uzbekistan and Vietnam.

To the extent feasible, this submission to the IASB reflects in broad terms the collective views of AOSSG members. Each member standard-setter may also choose to make a separate submission that is consistent or otherwise with aspects of this submission. The intention of the AOSSG is to enhance the input to the IASB from the Asian-Oceanian region and not to prevent the IASB from receiving the variety of views that individual member standard-setters may hold. This submission has been circulated to all AOSSG members for their feedback after having initially been developed through the AOSSG IFRS for SMEs Working Group.

The AOSSG hopes that our comments will be helpful for the IASB’s future deliberations. If you have any questions, please feel free to contact us.

Yours sincerely,



Mr. Nishan Fernando
Chair of the AOSSG



Datuk Mohd Nasir Ahmad
Leader of the AOSSG IFRS for SMEs Working Group

Questions for respondents**Question 1—Temporary exception to accounting for deferred taxes (proposed new paragraphs 29.3A and 29.42)**

Section 29 *Income Tax* of the *IFRS for SMEs* Standard 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 a temporary exception to the requirements in Section 29, an SME neither recognise deferred tax assets and liabilities related to Pillar Two income taxes nor disclose information that would otherwise be required by paragraphs 29.39–29.41 about deferred tax assets and liabilities related to Pillar Two income taxes.

The IASB also proposes to require an SME to disclose that it has applied the exception. Paragraphs BC11–BC16 of the Basis for Conclusions explain the IASB’s rationale for these proposals.

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

Response:

AOSSG members generally have no objections to the proposals.

That said, one AOSSG member would like to seek clarification on whether an SME that is not within the scope of Pillar Two legislation would still be required to disclose that it has not applied the temporary exception in the proposed paragraph 29.3A. The member’s reading of paragraphs 29.42 together with BC13 is that if an SME is not within the scope of Pillar Two legislation, the proposed amendments in Section 29 would not be applicable, including the disclosure in the proposed paragraph 29.42. In the member’s views, to disclose that it has applied the exception when it is not applicable would be misleading to users of financial statements. However, some stakeholders felt that the proposed amendments are unclear on this.

As the member anticipate that SMEs in its jurisdiction would most likely not be within the scope of the legislation, it suggests that it would be helpful for the IASB to provide clarity on the above, potentially by including an explanation in the Basis for Conclusions.

Question 2—Disclosures (amended paragraph 29.38 and proposed new paragraph 29.43)

This Exposure Draft proposes:

- (a) to clarify that ‘other events’ in the disclosure objective in paragraph 29.38 of the Standard include enacted or substantively enacted Pillar Two legislation; and
- (b) not to introduce new disclosure requirements in periods when Pillar Two legislation is enacted or substantively enacted but not yet in effect.

Paragraphs BC18–BC20 of the Basis for Conclusions explain the IASB’s rationale for these proposals.

In periods when Pillar Two legislation is in effect, the IASB proposes to require an SME to disclose separately its current tax expense (income) related to Pillar Two income taxes.

Paragraph BC21 of the Basis for Conclusions explains the IASB’s rationale for this proposal.

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

Response:

AOSSG members generally have no objections to the proposals.

Question 3—Effective date and transition (proposed new paragraph A4)

The IASB proposes that an SME apply:

- (a) the exception (proposed new paragraph 29.3A)—and disclose it has applied the exception (proposed new paragraph 29.42)—immediately upon the issue of these amendments and retrospectively in accordance with Section 10 *Accounting Policies, Estimates and Errors* of the *IFRS for SMEs* Standard;
- (b) the amended paragraph 35.10(h) immediately upon the issue of these amendments; and
- (c) the disclosure requirement in proposed new paragraph 29.43 for annual reporting periods beginning on or after 1 January 2023.

Paragraphs BC23–BC25 of the Basis for Conclusions explain the IASB’s rationale for these proposals.

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

Response:

AOSSG members generally have no objections to the proposals.