

11 August 2023

Dr Keith Kendall
Chair
Australian Accounting Standards Board
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via email: standard@asb.gov.au

Dear Keith

AASB Exposure Draft ED 325 *International Tax Reform – Pillar Two Model Rules: Tier 2 Disclosures*

Deloitte is pleased to respond to the Australian Accounting Standard Board (AASB or the Board) Exposure Draft ED 325 *International Tax Reform – Pillar Two Model Rules: Tier 2 Disclosures* (ED 325 or the Exposure Draft).

We appreciate the opportunity to comment on the Exposure Draft and welcome the Board's initiative to clarify these requirements for entities preparing general purpose financial statements in accordance with Australian Accounting Standards – Simplified Disclosures (Tier 2).

We believe the amendments will be useful for entities preparing Tier 2 financial statements as it will provide certainty on the nature of disclosures related to the OECD Pillar Two model rules in those financial statements.

We agree with the proposal not to introduce specific disclosure requirements in periods when Pillar Two legislation is enacted or substantively enacted but not yet in effect, and with the proposal to require disclosing separately a current tax expense (income) related to Pillar Two income taxes in periods when Pillar Two legislation is in effect for the reasons explained in the Basis for Conclusions.

However, we do not believe that the amendment proposed to paragraph 176 of AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* is necessary. We believe that it is already understood that the "transactions and other events" referred to in this paragraph include enactment or substantive enactment of tax rates and laws.

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If the Board is concerned that this may not be the case, it may be appropriate to include clarifying words “such as the enactment or substantive enactment of tax rates and laws” more broadly rather than specifically in respect of Pillar Two legislation. Indeed, the specific example of the enactment or substantive enactment of Pillar Two legislation will rapidly cease to be a meaningful example.

Alternatively, we suggest that the proposed clarification could be made in the Basis for Conclusions.

In the event these suggestions are implemented, we suggest that the proposed new footnote numbered 27A be instead attached to paragraph 178A of AASB 1060.

In addition, we believe that the Board could consider ways to provide certainty to entities preparing Tier 2 financial statements for 30 June 2023. Unlike the equivalent amendments in AASB 2023-2 *Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules*, the amendments in the Exposure Draft are proposed to apply to entities for reporting periods beginning on or after 1 January 2023 that end on or after 30 September 2023 (rather than 30 June 2023).

Entities preparing financial statements in accordance with Australian Accounting Standards (Tier 1) for reporting periods ending 30 June 2023 will make disclosure that they have applied the exception to the recognition and disclosure of deferred taxes arising from Pillar Two income taxes. This will ensure compliance with IFRS[®] Accounting Standards¹.

However, we believe that the proposed application date of the Exposure Draft referencing periods ending on or after 30 September 2023 may create confusion for preparers of Tier 2 financial statements, particularly for reporting periods ending before 30 September 2023.

Whilst we appreciate that the AASB is unable to make Accounting Standards that operate retrospectively, we believe that it would be useful to explain this in the Basis for Conclusions and provide the Board’s view on how entities could apply the requirements in Tier 2 financial statements for reporting periods ending before 30 September 2023, particularly for those ending on 30 June 2023.

Please contact me on +61 3 9671 7871 or at moverton@deloitte.com.au if you wish to discuss any of our comments.

Yours sincerely



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¹ We also note that technically, an entity preparing Tier 2 financial statements for 30 June 2023 would be required to partially apply AASB 2023-2 until such time as the amendments made by the Exposure Draft are effective. In other words, until the consequential amendments to paragraph AusA1 of AASB 112 *Income Taxes* are made by any Standard resulting from the Exposure Draft, paragraphs 4A and 88A would apply to Tier 2 entities from the date of issue of AASB 2023-2, and paragraphs 88B–88D would apply to Tier 2 financial statements for annual reporting periods beginning on or after 1 January 2023 that end on or after 30 June 2023.