



AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 221

14 March 2023

Welcome to the AASB Action Alert

The AASB Board met in public on 8 – 9 March 2023. At the meeting, the Board made key decisions in relation to:

[Sustainability Reporting Update and Standard-Setting Framework](#)

[Climate-related Financial Disclosures](#)

[Tier 2 – Non-Current Liabilities with Covenants](#)

[Pillar Two Global Minimum Tax](#)

The Board also discussed the following topics:

[Not-for-Profit Private Sector Financial Reporting Framework](#)

[Subsidiaries without Public Accountability](#)

[Post-implementation Reviews](#)

[Public Sector Long-term Discount and Inflation Rates](#)

[Franking Credits](#)

[Research Update](#)

Sustainability Reporting Update and Standard-Setting Framework

The Board received an update on the staff's progress in considering feedback received on AASB ED 321 *Request for Comment on ISSB [Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and [Draft] IFRS S2 Climate-related Disclosures* as part of the Board's Sustainability Reporting project.

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The Board also received an update on international and jurisdictional sustainability reporting developments, including the work of the International Sustainability Standards Board (ISSB), the Global Reporting Initiative (GRI) and the International Public Sector Accounting Standards Board (IPSASB).

The Board considered and amended a draft *AASB Sustainability Reporting Standard-Setting Framework*. The Board decided to pilot the Framework in conjunction with consultation documents for the Climate-related Financial Disclosure project. A subcommittee of the Board will finalise the interim Framework out of session.

Climate-related Financial Disclosures

The Board supported the Climate-related Financial Disclosure project plan, which included a revised project timeline reflecting the recent change to the ISSB's timeline for completing its first IFRS Sustainability Disclosure Standards.

The Board acknowledged the support amongst stakeholders for the development of industry-based requirements and considered how to address the proposed requirements that had been referred to in Appendix B to [Draft] IFRS S2 *Climate-related Disclosures*, incorporated in AASB ED 321. The Board noted the complexities and challenges associated with the Appendix B industry-based disclosure requirements being based on and referring to SASB (the former Sustainability Accounting Standards Board) industry classifications and associated Standards.

The Board decided to remove references to SASB Standards from its baseline of IFRS Sustainability Disclosure Standards and not to publish industry-based illustrative examples until:

- (a) the content has been comprehensively internationalised by the ISSB; and
- (b) the content has undergone the AASB's due process in Australia.

This decision will be revisited by the Board after the ISSB issues IFRS S2 and its accompanying guidance, which is now expected in June 2023, and additional industry-based materials.

Tier 2 – Non-Current Liabilities with Covenants

The Board decided to issue an Exposure Draft proposing amendments to AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* that would:

- (a) clarify that a liability is classified as non-current if an entity has the right at the reporting date to defer settlement of the liability for at least twelve months after the reporting date;
- (b) clarify the reference to settlement of a liability by the issue of equity instruments in classifying liabilities; and



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- (c) require the disclosure of information that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

The proposed amendments are consistent with amendments already made to AASB 101 *Presentation of Financial Statements* by AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* and AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*. The Exposure Draft will have a 60-day comment period and will be issued shortly.

Pillar Two Global Minimum Tax

The Board deliberated its response to the IASB Exposure Draft ED/2023/1 *International Tax Reform—Pillar Two Model Rules* (AASB ED 322).

Overall view on the proposed amendments

The Board supports the proposed mandatory temporary exception for deferred tax accounting in relation to Pillar Two taxes. The submission will also include the following additional comments:

- (a) in addition to the requirement to disclose current tax expense related to Pillar Two income taxes at an entity level (paragraph 88B), the disclosure of current tax expense related to Pillar Two income taxes at the jurisdiction level would also be useful;
- (b) paragraph 88C should be clarified to indicate that its disclosure requirements apply only when an entity is subject to Pillar Two income taxes; and
- (c) paragraph 88C(c) should be amended to require an entity to disclose information about the jurisdictions it identifies in preparing to comply with Pillar Two legislation where either (i) the effective tax rate is below 15% but the entity might not be exposed to paying Pillar Two taxes or (ii) the effective tax rate is above 15% but the entity might be exposed to paying Pillar Two taxes. As currently drafted, an entity could disclose 'yes' or 'no' without providing any additional information.

Observations on the OECD's use of accounting profit

The submission will also outline the Board's observations about using accounting profit as the basis for levying tax, including that it may compromise comparability between jurisdictions that apply IFRS Standards differently.

The Board observed that if there is a legal dispute about the amount of minimum (top-up) tax due to be paid by an entity under the Pillar Two model rules, courts will interpret how they consider the requirements of accounting standards should be applied. In common law jurisdictions, such as Australia, where accounting standards have the force of law, these judicial interpretations are



binding in that jurisdiction. This may increase the likelihood of IFRS Standards being interpreted and applied differently across jurisdictions.

Not-for-Profit Private Sector Financial Reporting Framework

The Board received an update on the project, including the preliminary feedback collected from outreach activities and the preliminary findings from research on common transactions of medium-sized charities.

Subsidiaries without Public Accountability

The Board received an update on the IASB Exposure Draft ED/2021/7 *Subsidiaries without Public Accountability: Disclosures* (AASB ED 314) and gave initial consideration to possible options for adopting the IFRS Standard in Australia when issued by the IASB. The Board directed staff to obtain evidence and undertake targeted outreach to better understand current Tier 2 financial reporting in Australia, which will help inform future Board decisions.

Post-implementation Reviews

The Board received an update on its Post-implementation Review projects and considered the consultation questions that might be asked in respect of several specific public sector Standards. A draft consultation document will be considered by the Board at a future meeting.

Public Sector Long-term Discount and Inflation Rates

The Board noted that the requirements in Accounting Standards that involve the use of measurements based on the present value of future cash flows apply across both the public sector and the private sector. The Board therefore decided to begin the project with an issues development phase to gain a comprehensive understanding of:

- (a) the objectives of the discounting and inflating of cash flows under Accounting Standards; and
- (b) stakeholder concerns with the existing requirements in the public sector context.

The Board approved a timetable for the issues development phase of the project, including the planned stakeholder outreach.

Franking Credits

The Board supported the draft Franking Credit Disclosure project plan. The Board decided that the project's scope should be limited to Tier 1 for-profit entities and that further evidence and stakeholder engagement is needed before it can decide on any standard-setting work. The outcomes of the evidence gathering and stakeholder engagement will be considered at a future meeting and, subject to this feedback, the project is expected to be undertaken with a 12-month timeline.

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Research Update

The Board noted recent Research Centre activities, including:

- (a) the virtual dialogue series session held on 8 February 2022 addressed whether the growth of digital assets is a pressing issue for accounting and corporate reporting. The next session is scheduled for May 2023, focusing on going concern disclosures;
- (b) research progress on assessing the prevalence of digital assets and accounting concerns, including monitoring the outcome from the Commonwealth Treasury's Consultation Paper *Token Mapping*;
- (c) plans for the intangible metrics research project outreach, including a joint webinar with the Financial Services Institute of Australasia on 23 March 2023;
- (d) interviews conducted for the understandability of accounting standards research project and plans to seek additional interviewees; and
- (e) the completion of a survey on insurers' accounting policy decisions during their implementation of AASB 17 *Insurance Contracts* and the preparation of a research report.

Recently Approved Documents

Since last reported (3 February 2023), the Board has not approved any Standards, Exposure Drafts or other proposal documents.

Documents Open for Comment

The following documents are open for comment. AASB submissions to the IASB, the ISSB, the IFRS Interpretations Committee, the IFRS Foundation, the IPSASB and other organisations are published on the AASB website.

Issuer	Document	AASB No.	AASB Due Date	Other Organisation Due Date
AASB	Discussion Paper Development of Simplified Accounting Requirements (Tier 3 Not-for-Profit Private Sector Entities)	–	31 March 2023	–
AASB	ITC 50 Post-implementation Review – Income of Not-for-Profit Entities	ITC 50	31 March 2023	–



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Issuer	Document	AASB No.	AASB Due Date	Other Organisation Due Date
AASB	ITC 51 <i>Post-implementation Review of Not-for-Profit Topics – Control, Structured Entities, Related Party Disclosures and Basis of Preparation of Special Purpose Financial Statements</i>	ITC 51	31 March 2023	–
GRI	ED GRI Sector Standards Project for Mining	–	–	30 April 2023
IPSASB	ED 84 Concessionary Leases and Right-of-Use Assets In-kind	–	–	17 May 2023

AASB Board Future Meeting Dates

4 May 2023

21-22 June 2023

9 August 2023

13-14 September 2023

11 October 2023

29-30 November 2023

May 2023 AASB meeting

The Board is expected to address the following agenda items:

Climate-related Financial Disclosure

Not-for-Profit Private Sector Financial Reporting Framework

Post-implementation Reviews

Service Performance Reporting

Superannuation Entities (AASB 1056 as a legislative instrument)