

Comments on Exposure Draft - International Tax Reform—Pillar Two Model Rules - AS 22

Comment 1

The following may be added in the beginning of para 2 A (AS 22)

The instant amendments seeks to respond to stakeholders concern about the potential implications of the imminent implementation of the OECD pillar two model rules (Inclusive Framework on Base Erosion and Profit Shifting) on the accounting for income taxes . The OECD released Technical Guidance on its 15 % Global Minimum Tax (GMT) agreed as the ‘second pillar’ of a project, to address tax challenges which have surfaced due to global digitization .

The para 2 A may also briefly explain ‘Top-up tax’ as follows :

Top-up tax bears significant difference from income taxes that arise under ‘traditional’ tax regimes. Traditional income taxes are generally based on a company’s taxable profit. However, top-up tax will arise only if a group pays insufficient income tax at a jurisdictional level. This has emerged due to proposed implementation and introduction of Global Anti-Base Erosion Rules (GloBE model)

Comment 2

The following may be inserted before para 32 A

In compliance with these amendments, an enterprise need to recognize a temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the global tax rules and need to fulfill targeted disclosure requirements to help users of the financial statements better understand the enterprise’s exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

General comment :

Pillar Two deals with complex mechanism which needs to be examined very closely to understand whether and how, deferred tax should be recognized and/or measured by incorporating these new provisions. It is also understandable that the standard setting body (ICAI) is not specifying how long the temporary exception will be in place, in view of associated complexities.

Comment 3

After para 32 A, following may be inserted

This accounting treatment will ensure consistency and comparability between entities' financial statements

The content in ED Para 32 A –D and 35 is in order and aligned with IASB guidance , hence there are no specific comments