

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

Question 1: Temporary exception to the accounting for deferred taxes

Suggestions: The IASB also proposes that an entity disclose that it has applied the exception. It is better to clarify that, even if the entity does not disclose regarding application of the exception, the entity should be eligible for the exception. It should also be clarified that the applicability for accounting and disclosure shall not apply to MNEs having revenue in their consolidated financial statements less than or equal to €750 million in at least two of the four preceding fiscal years. This threshold is commensurate with that provided under the Pillar Two income tax rules.

Question 2: Disclosure requirement

Answer: Below are some of the concerns in disclosure:

- a. There is no clarity on whether the disclosure should be made by the Ultimate Parent Entity (UPE) of the multinational group or any of the Constituent Entity
- b. If the disclosure is by a Constituent entity, then whether such entity is obligated to disclose the jurisdictions in which the entity's average effective tax rate for the current period is below 15% and the aggregate of accounting profit and tax expense (income) for these jurisdictions? IF the answer to this is yes, there will be a disclosure burden on smaller constituent entities, disclosing information of other larger entities of the group.
- c. IF both UPE and the CE has to make the disclosure, whether there is effect of double tax provision with respect to Pillar Two income taxes? How will the effect of the double tax provision be removed at the time of consolidation?
- d. How can the disclosures under para 88C(c) be made? It will be better to issue set of steps for the same or include illustrations for better understanding.

Suggestions: The disclosure requirement should be placed only on CEs having substantial part of the business/ UPEs within the group. A threshold for exemption from application of this disclosure to smaller CEs will be helpful.

Question 3: Effective date and transition

Suggestion: Need further clarity on retrospective applicability. Where audits are concluded and finalised, how will this retrospective applicability be complied with, with respect to disclosure on applying exception?

The above comments are personal.

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