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Exposure Draft

International Tax Reform—Pillar Two Model Rules

Amendments to AS 22, *Accounting for Taxes on Income*

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The Institute of Chartered Accountants of India

Amendments to AS 22 Accounting for Taxes on Income

Paragraphs 2A, 32A–32D (including their related heading and example after paragraph 32D) and 35 are added.

Scope

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2A This Standard applies to taxes on income arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes described in those rules. Such tax law, and the taxes on income arising from it, are hereafter referred to as 'Pillar Two legislation' and 'Pillar Two income taxes'. As an exception to the requirements in this Standard, an enterprise should neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

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Presentation and Disclosure

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International tax reform—Pillar Two model rules

32A An enterprise should disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes (see paragraph 2A).

32B An enterprise should disclose separately its current tax expense (income) related to Pillar Two income taxes.

32C In periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, an enterprise should disclose known or reasonably estimable information that helps users of financial statements understand the enterprise's exposure to Pillar Two income taxes arising from that legislation.

32D To meet the disclosure objective in paragraph 32C, an enterprise should disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. This information does not have to reflect all the specific requirements of the Pillar Two legislation and can be provided in the form of an indicative range. To the extent information is not known or reasonably estimable, an enterprise should instead disclose a statement to that effect and disclose information about the enterprise's progress in assessing its exposure.

Examples illustrating paragraphs 32C–32D

Examples of information an enterprise could disclose to meet the objective and requirements in paragraphs 32C–32D include:

(a) qualitative information such as information about how an enterprise is affected by Pillar Two legislation and the main jurisdictions in which exposures to Pillar Two income taxes might exist; and

(b) quantitative information such as:

(i) an indication of the proportion of an enterprise's profits that might be subject to Pillar Two income taxes and the average effective tax rate applicable to those profits; or

(ii) an indication of how an enterprise's average effective tax rate would have changed if Pillar Two legislation had been in effect.

Provided that a Small and Medium-sized Company and a Micro, Small and Medium-sized Enterprise (Levels IV, III and II non-company entities) may not apply the disclosure requirements laid down in paragraphs 32C and 32D.

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Effective date

35 *International Tax Reform—Pillar Two Model Rules*, added paragraphs 2A and 32A–32D. An enterprise should:

(a) apply paragraphs 2A and 32A immediately upon the issue of these amendments and retrospectively; and

(b) apply paragraphs 32B–32D for annual reporting periods beginning on or after 1 April 2023. An enterprise is not required to disclose the information required by these paragraphs for any interim period ending on or before 31 March 2024.