



## iGAAP in Focus

### Financial reporting

## IASB proposes amendments to the *IFRS for SMEs* for OECD tax reform

### Contents

#### Background

#### The proposed amendments

#### Effective date, transition and comment period

#### Further information

This *iGAAP in Focus* outlines Exposure Draft (ED) IASB/ED/2023/3 *International Tax Reform—Pillar Two Model Rules—Proposed amendments to the IFRS for SMEs Standard*, published by the International Accounting Standards Board (IASB) in June 2023.

- The IASB proposes amendments to Section 29 *Income Tax* of the *IFRS for SMEs* Standard to introduce a temporary exception to the requirement to recognise deferred tax assets and liabilities related to Pillar Two income taxes, and the requirement to disclose information about deferred tax assets and liabilities related to Pillar Two income taxes
- The proposed amendments would also introduce targeted disclosure requirements for affected SMEs in periods when Pillar Two legislation is in effect
- The exception would be effective immediately upon issue of the amendments and would apply retrospectively in accordance with Section 10 Accounting Policies, Estimates and Errors of the *IFRS for SMEs* Standard
- The comment period for the ED ends on 17 July 2023

#### Background

In March 2022, the Organisation for Economic Co-operation and Development (OECD) released **technical guidance** on its 15% global minimum tax agreed as the second ‘pillar’ of a project to address the tax challenges arising from digitalisation of the economy. This guidance elaborates on the application and operation of the Global Anti-Base Erosion (GloBE) Rules **agreed and released in December 2021** which lay out a co-ordinated system to ensure that multinational enterprises with revenues above €750 million pay tax of at least 15% on the income arising in each of the jurisdictions in which they operate.

For more information please see the following websites:

[www.iasplus.com](http://www.iasplus.com)

[www.deloitte.com](http://www.deloitte.com)

In May 2023, the IASB issued **amendments to IAS 12 Income Taxes** responding to stakeholders' concerns about the potential implications of the imminent jurisdictional implementation of these 'Pillar Two' rules on the accounting for income taxes applying IAS 12.

The IASB assessed that the Pillar Two rules are also relevant to some small and medium-sized entities (SMEs) and that there is an urgent need for clarification for these entities. The IASB therefore decided to propose amendments to Section 29 of the *IFRS for SMEs* Standard outside the IASB's periodic review of the Standard, which is currently underway.

### The proposed amendments

The IASB proposes that, as a temporary exception to the requirements in Section 29 of the *IFRS for SMEs* Standard, an SME neither recognises deferred tax assets and liabilities related to Pillar Two income taxes nor discloses information that would otherwise be required by Section 29 about deferred tax assets and liabilities related to Pillar Two income taxes. An SME would be required to disclose that it has applied the exception.

#### Observation

The IASB agreed that SMEs affected by the Pillar Two legislation need time to determine how to apply the principles and requirements in the *IFRS for SMEs* Standard to account for deferred taxes related to top-up tax. The IASB also needs time to engage further with its stakeholders and to consider whether any action is needed to support the consistent application of the Standard. The IASB concluded that it was not feasible to complete these activities before jurisdictions enact new tax laws and, thus, before SMEs are required to reflect those laws in accounting for deferred taxes.

As it was not possible to determine how much time these activities would require, the IASB proposes not to specify how long the temporary exception will be in place. The IASB will monitor developments related to the implementation of the Pillar Two model rules to determine when to do further work. Any further work does not necessarily need to coincide with the next periodic review of the *IFRS for SMEs* Standard.

The IASB also proposes:

- To clarify that 'other events' in the disclosure objective in Section 29 include enacted or substantively enacted Pillar Two legislation
- Not to introduce new disclosure requirements in periods when Pillar Two legislation is enacted or substantively enacted but not yet in effect

In periods when Pillar Two legislation is in effect, the IASB proposes to require an SME to disclose separately its current tax expense (income) related to Pillar Two income taxes.

In addition, the IASB proposes to amend Section 35 *Transition to the IFRS for SMEs* so that a first-time adopter would be required to apply the exception retrospectively, regardless of the option to apply Section 29 prospectively from the date of transition to the *IFRS for SMEs*.

### Effective date, transition and comment period

The IASB proposes that an SME applies:

- The exception from recognition of deferred tax assets and liabilities related to Pillar Two income taxes in Section 29—and discloses it has applied the exception—immediately upon the issue of the amendments and retrospectively in accordance with Section 10 of the *IFRS for SMEs* Standard
- The amendments to Section 35 immediately upon the issue of the amendments
- The requirement to disclose separately the current tax expense (income) related to Pillar Two income taxes for annual reporting periods beginning on or after 1 January 2023

The comment period for the ED ends on 17 July 2023.

### Further information

If you have any questions about the proposed amendments to the *IFRS for SMEs* Standard, please speak to your usual Deloitte contact or get in touch with a contact identified in this *iGAAP in Focus*.

The Deloitte Accounting Research Tool (DART) is a comprehensive online library of accounting and financial disclosures literature. **iGAAP on DART** allows access to the full IFRS Standards, linking to and from:

- Deloitte's authoritative, up-to-date, iGAAP manuals which provide guidance for reporting under IFRS Standards
- Model financial statements for entities reporting under IFRS Standards

In addition, our **sustainability reporting** volume of iGAAP provides guidance on disclosure requirements and recommendations which businesses must consider in light of the broader environmental, social and governance matters which can significantly drive the value of an entity.

To apply for a subscription to iGAAP on DART, click [here](#) to start the application process and select the iGAAP package.

For more information about iGAAP on DART, including pricing of the subscription packages, click [here](#).

## Key contacts

### Global IFRS and Corporate Reporting Leader

Veronica Poole

[ifrsglobalofficeuk@deloitte.co.uk](mailto:ifrsglobalofficeuk@deloitte.co.uk)

### IFRS Centres of Excellence

Americas		
<i>Argentina</i>	Fernando Lattuca	<a href="mailto:arifrscoe@deloitte.com">arifrscoe@deloitte.com</a>
<i>Canada</i>	Karen Higgins	<a href="mailto:ifrsca@deloitte.ca">ifrsca@deloitte.ca</a>
<i>Mexico</i>	Kevin Nishimura	<a href="mailto:mx_ifrs_coe@deloittemx.com">mx_ifrs_coe@deloittemx.com</a>
<i>United States</i>	Magnus Orrell	<a href="mailto:iasplus-us@deloitte.com">iasplus-us@deloitte.com</a>
	Ignacio Perez	<a href="mailto:iasplus-us@deloitte.com">iasplus-us@deloitte.com</a>
Asia-Pacific		
<i>Australia</i>	Anna Crawford	<a href="mailto:ifrs@deloitte.com.au">ifrs@deloitte.com.au</a>
<i>China</i>	Gordon Lee	<a href="mailto:ifrs@deloitte.com.cn">ifrs@deloitte.com.cn</a>
<i>Japan</i>	Kazuaki Furuuchi	<a href="mailto:ifrs@tohatsu.co.jp">ifrs@tohatsu.co.jp</a>
<i>Singapore</i>	Lin Leng Soh	<a href="mailto:ifrs-sg@deloitte.com">ifrs-sg@deloitte.com</a>
Europe-Africa		
<i>Belgium</i>	Thomas Carlier	<a href="mailto:ifrs-belgium@deloitte.com">ifrs-belgium@deloitte.com</a>
<i>Denmark</i>	Søren Nielsen	<a href="mailto:ifrs@deloitte.dk">ifrs@deloitte.dk</a>
<i>France</i>	Irène Piquin Gable	<a href="mailto:ifrs@deloitte.fr">ifrs@deloitte.fr</a>
<i>Germany</i>	Jens Berger	<a href="mailto:ifrs@deloitte.de">ifrs@deloitte.de</a>
<i>Italy</i>	Massimiliano Semprini	<a href="mailto:ifrs-it@deloitte.it">ifrs-it@deloitte.it</a>
<i>Luxembourg</i>	Martin Flaunet	<a href="mailto:ifrs@deloitte.lu">ifrs@deloitte.lu</a>
<i>Netherlands</i>	Ralph Ter Hoeven	<a href="mailto:ifrs@deloitte.nl">ifrs@deloitte.nl</a>
<i>South Africa</i>	Nita Ranchod	<a href="mailto:ifrs@deloitte.co.za">ifrs@deloitte.co.za</a>
<i>Spain</i>	José Luis Daroca	<a href="mailto:ifrs@deloitte.es">ifrs@deloitte.es</a>
<i>Sweden</i>	Fredrik Walmeus	<a href="mailto:seifrs@deloitte.se">seifrs@deloitte.se</a>
<i>Switzerland</i>	Nadine Kusche	<a href="mailto:ifrsdesk@deloitte.ch">ifrsdesk@deloitte.ch</a>
<i>United Kingdom</i>	Elizabeth Chrispin	<a href="mailto:deloitteifrs@deloitte.co.uk">deloitteifrs@deloitte.co.uk</a>



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organisation”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our people deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s approximately 415,000 people worldwide make an impact that matters at [www.deloitte.com](http://www.deloitte.com).

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organisation”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

© 2023. For information, contact Deloitte Global.

Designed by Deloitte CoRe Creative Services. RITM1423091