

23 May 2023

Stephen Maloney  
Financial Reporting Council  
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By email: [ukfrs@frc.org.uk](mailto:ukfrs@frc.org.uk)

Dear Mr Maloney,

**Financial Reporting Exposure Draft 83 Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 101 Reduced Disclosure Framework *International tax reform – Pillar Two model rules***

We welcome the opportunity to respond to Financial Reporting Exposure Draft 83 Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 101 Reduced Disclosure Framework *International tax reform – Pillar Two model rules* (FRED 83).

We commend the FRC for acting promptly to address this emerging issue and we encourage the FRC to proceed to issue the final amendments to FRS 101 and FRS 102 as soon as possible.

We support the FRC's overall approach in relation to the Pillar Two model rules. However, rather than adapt the proposed disclosure requirements set out in the IASB's Exposure Draft IASB/ED/2023/1 *International Tax Reform—Pillar Two Model Rules – Proposed amendments to IAS 12*, we recommend that the FRC incorporates into FRS 102 the disclosure requirements set out in the final amendments to IAS 12 that were issued on 23 May 2023. We do not believe there is any need for the FRC to re-expose these disclosure requirements before incorporating them into FRS 102.

Our responses to specific questions are set out in the Appendix to this letter.

If you have any questions, please contact Robert Carroll on 020 7303 2458 or [rcarroll@deloitte.co.uk](mailto:rcarroll@deloitte.co.uk), or Anne Warner on 020 7007 5636 or [annewarner@deloitte.co.uk](mailto:annewarner@deloitte.co.uk).

Yours sincerely

A handwritten signature in black ink, appearing to read 'V Poole', is positioned above the typed name.

Veronica Poole

Vice-Chair and UK National Head of Accounting and Corporate Reporting  
Deloitte LLP

## Appendix: Responses to detailed questions

### Question 1

Do you agree that the proposed definition of the term 'Pillar Two legislation' would capture all transactions that are relevant to this topic? If not, please provide examples to support your view.

Yes, we agree.

### Question 2

Do you agree with the proposed amendments to FRS 102 that introduce mandatory temporary exceptions to recognising or disclosing information about deferred tax assets and liabilities related to Pillar Two income tax (proposed paragraph 29.2B), and to taking the effects of Pillar Two legislation into account when measuring deferred tax assets and liabilities (proposed paragraph 29.12)? If not, why not?

Yes, we agree.

### Question 3

Do you agree with the proposed amendments to FRS 102 that require an entity to disclose:

(a) the fact that it expects to fall within the scope of Pillar Two legislation (proposed paragraph 29.28);

(b) the current tax expense related to Pillar Two income taxes (proposed sub-paragraph 29.26(g)); and

(c) information that will enable users of financial statements to understand a group's potential exposure to paying top-up tax, when Pillar Two legislation has been enacted or substantively enacted but is not yet in effect (proposed paragraph 29.29)?

If not, why not?

We agree with the disclosures proposed in paragraphs 29.26(g) and 29.28.

With regard to proposed paragraph 29.29, rather than adapt the proposed disclosure requirements set out in the IASB's Exposure Draft IASB/ED/2023/1 *International Tax Reform—Pillar Two Model Rules – Proposed amendments to IAS 12*, we recommend that the FRC incorporate into FRS 102 the disclosure requirements set out in paragraphs 88C and 88D in the final amendments to IAS 12 that were issued on 23 May 2023. We do not believe there is any need for the FRC to re-expose these disclosure requirements before incorporating them into FRS 102.

### Question 4

Do you agree with the proposal to exempt qualifying entities, as defined in FRS 102 or FRS 101, from the disclosures that would otherwise be required by proposed paragraph 29.29 of FRS 102 and proposed paragraph 88C of IAS 12 Income Taxes respectively? If not, why not?

Yes, we agree that qualifying entities should be exempt from some disclosure requirements. Consistent with our response to question 3, we believe this exemption should cover the requirements incorporated from paragraphs 88C and 88D of the final amendments to IAS 12 issued in May 2023.

We note that an intermediate parent entity might be a qualifying entity and be within the scope of Pillar Two legislation. However, we believe that the disclosures proposed in paragraphs 29.26(g) and 29.28 will be sufficient for such entities, provided that disclosures equivalent to those incorporated into FRS 102 from IAS 12.88C and 88D of the final amendment to IAS 12 are included in group accounts prepared by a higher parent entity.

## Question 5

**Do you agree with the proposed effective dates for these amendments? If not, what difficulties do you foresee?**

We agree that the proposed paragraph 29.2B should apply immediately on issue of the final amendments to FRS 102 and that the disclosure requirements should apply for accounting periods beginning on or after 1 January 2023, with early adoption permitted.

We are not clear as to why the proposed paragraph 29.12A relating to measurement of deferred tax assets and liabilities should not also apply immediately and we believe that it should apply immediately on issue of the final amendments. We note that paragraph 18 of the Basis for Conclusions to FRED 83 does not address this point and simply states that the temporary exception for deferred tax would apply immediately and retrospectively.

## Question 6

**In relation to the consultation stage impact assessment, do you have any comments on the costs and benefits identified? Please provide evidence to support your views.**

We concur that the benefits of these proposals far outweigh any potential costs of implementation.