
SME Implementation Group meeting

Date	July 2023
Project	International Tax Reform—Pillar Two Model Rules— Amendments to the <i>IFRS for SMEs</i>[®] Accounting Standard
Topic	Comments on the IASB’s proposals for an urgent amendment
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This paper has been prepared for discussion at a public meeting of the SME Implementation Group. This paper does not represent the views of the International Accounting Standards Board (IASB) or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Accounting Standards or the *IFRS for SMEs*[®] Accounting Standard. The IASB’s technical decisions are made in public and are reported in the IASB[®] *Update*.

Introduction

1. In October 2021 more than 135 jurisdictions agreed to the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting’s *Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy*. In December 2021 the OECD published model rules and other documents related to the second pillar of this solution (the Pillar Two model rules) to ensure that large multinational companies would be subject to a minimum 15% tax rate.
2. In January 2023 the IASB proposed amendments to IAS 12 *Income Taxes* to provide temporary relief from accounting for deferred taxes arising from the imminent implementation of the Pillar Two model rules. After considering feedback on its proposals, in May 2023 the IASB issued [amendments to IAS 12](#).
3. To obtain evidence about the relevance of the Pillar Two model rules (and the proposed amendments to IAS 12) to small and medium-sized entities (SMEs), in March 2023 the staff reached out to SME Implementation Group (SMEIG) members and large accounting firms. The feedback provided evidence that the Pillar Two model rules could have a material effect on the financial statements of a subset of

SMEs, particularly some subsidiaries of large multinational groups. In response to this feedback the IASB considered whether SMEs affected by the Pillar Two model rules should be given similar relief to entities applying IAS 12.

4. On 1 June 2023 the International Accounting Standards Board (IASB) published the [Exposure Draft *International Tax Reform—Pillar Two Model Rules—Proposed amendments to the IFRS for SMEs Standard*](#) (Exposure Draft) to help small and medium-sized entities applying the *IFRS for SMEs* Accounting Standard (Standard) respond to international tax reform. It is the first time that the IASB has proposed urgent amendments to the Standard outside its periodic review.
5. The proposed amendments would:
 - (a) introduce a temporary exception to accounting for deferred taxes arising from the implementation of the Pillar Two model rules;
 - (b) introduce targeted disclosure requirements in periods when Pillar Two legislation is in effect; and
 - (c) clarify that ‘other events’ in the disclosure objective for income tax include enacted or substantively enacted Pillar Two legislation.

Objective of this session

6. The purpose of this session is to seek feedback from the members of the SME Implementation Group on the IASB’s proposals included in the Exposure Draft.
7. Agenda paper 7A for this meeting includes the Exposure Draft.

Next steps

8. The Exposure Draft is open for comment until 17 July 2023. An [online survey](#) has also been provided to make it easier for stakeholders to submit comments.

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9. The IASB will consider the comments it receives on the proposals in the Exposure Draft and will decide whether to proceed with the proposed amendments to the *IFRS for SMEs* Accounting Standard. The IASB plans to issue any resulting amendments in the third quarter of 2023.

Question for the members of the SME Implementation Group

1. Do you have any comments or questions on the proposals in the Exposure Draft (Agenda Paper 7A)?