

---

## IASB meeting

Date	<b>April 2023</b>
Project	<b>International Tax Reform—Pillar Two Model Rules</b>
Topic	<b>Due process</b>
Contacts	Gustavo Olinda ( <a href="mailto:golinda@ifrs.org">golinda@ifrs.org</a> )

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the 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<sup>®</sup> Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB<sup>®</sup> *Update*.

---

## Introduction and purpose

1. As Agenda Paper 12 explains, this paper:
  - (a) sets out the steps in the [IFRS Foundation Due Process Handbook](#) (*Due Process Handbook*) that the IASB has taken in developing the amendments to IAS 12;
  - (b) asks the IASB to confirm it is satisfied that it has complied with the due process requirements; and
  - (c) asks whether any IASB member intends to dissent from the amendments.

## Structure of this paper

2. This paper is structured as follows:
  - (a) re-exposure (paragraphs 4–8);
  - (b) intention to dissent (paragraph 9);
  - (c) confirmation of due process steps (paragraphs 10–11); and
  - (d) proposed timetable for balloting and publication (paragraph 12).

- 
3. There are two appendices to this paper:
    - (a) Appendix A—Extracts from the *Due Process Handbook*; and
    - (b) Appendix B—Actions taken to meet the due process requirements.

## Due process steps and permission for balloting

### *Re-exposure*

4. If the IASB agrees with our recommendations in agenda papers 12A–12C, it will have tentatively decided to finalise the proposals in the [Exposure Draft](#) *International Tax Reform—Pillar Two Model Rules* with some changes.
5. The main recommended change to the proposals relates to the proposed disclosure requirements for periods before Pillar Two legislation is in effect (see Agenda Paper 12B). In particular, instead of requiring entities to disclose specified IAS 12-based information, we recommend the IASB require:
  - (a) an entity to disclose information that meets a disclosure objective.
  - (b) in meeting that disclosure objective, an entity would be required to disclose known or reasonably estimable qualitative and quantitative information. To the extent information is not known or reasonably estimable, an entity would instead disclose a statement to that effect.
6. Furthermore, in Agenda Paper 12B we ask the IASB if it wishes to require an entity to disclose further information in periods before legislation is in effect, specifically:
  - (a) information about progress made in assessing the entity’s Pillar Two exposure; and/or
  - (b) IAS 12-based information similar to what would be required by the proposals.
7. In the light of these potential changes, we considered the requirements in paragraphs 6.25–6.29 of the *Due Process Handbook* (reproduced in Appendix A to this paper) to

---

assess whether the IASB should re-expose the amendments. In our view, the IASB should not re-expose the amendments because:

- (a) the IASB has undertaken the steps described in paragraph 6.25;
- (b) it is unlikely that re-exposure would reveal new information or feedback not already considered by the IASB (see paragraph 6.26). In particular:
  - (i) the recommended change discussed in paragraph 5 respond to feedback without fundamentally changing the proposed amendments and is based on suggestions from respondents to the Exposure Draft. The change would allow entities more flexibility in disclosing information that meets the same objective the IASB intended when developing the proposed requirements, using information they already have available. Furthermore, the recommended disclosure objective is based on explanations included in the Basis for Conclusion of the Exposure Draft.
  - (ii) the additional information the IASB may decide to require an entity to disclose (see paragraph 6) would either be a simple narrative description of an entity's progress in assessing its Pillar Two exposure or be based on the proposals in the Exposure Draft.
- (c) the proposed amendments are urgent (see paragraph 6.27); and
- (d) changes relate only to the disclosure proposals—we are not recommending any change to the requirements on recognition and measurement (see paragraph 6.28)

8. Accordingly, we recommend finalising the amendments without re-exposure.

### ***Intention to dissent***

9. In accordance with paragraph 6.23 of *Due Process Handbook*, we are asking whether any IASB member intends to dissent from the amendments.

---

### ***Confirmation of due process steps***

10. In our view, the IASB has undertaken all the due process activities identified as being required in the *Due Process Handbook* and, thus, is able to finalise the amendments. Appendix B summarises the due process steps taken in developing the amendments—the applicable due process steps to date for issuing the amendments have been completed.
11. We request permission to start the balloting process if the IASB is satisfied that:
  - (a) it has been provided with sufficient analysis, and
  - (b) it has undertaken appropriate consultation and due process to support issuing the amendments.

### ***Proposed timetable for balloting and publication***

12. The balloting process for the amendments to IAS 12 will commence in the near term, with the amendments planned for issue in the second half of May 2023.

## **Question for the IASB**

### Questions for the IASB

1. **Re-exposure**—does the IASB agree with our recommendation in paragraph 8 to not re-expose the amendments to IAS 12?
2. **Dissent**—does any IASB member intend to dissent from the amendments to IAS 12?
3. **Permission to ballot**—is the IASB satisfied it has complied with the applicable due process requirements and that it has undertaken sufficient consultation and analysis to begin the balloting process for the amendments to IAS 12?

---

## Appendix A—Extracts from the *Due Process Handbook*

A1. We reproduced below the paragraphs from the *Due Process Handbook* that include the requirements the IASB applies in considering re-exposure:

6.25 In considering whether there is a need for re-exposure, the [IASB]:

- (a) identifies substantial issues that emerged during the comment period on the exposure draft and that it had not previously considered;
- (b) assesses the evidence that it has considered;
- (c) determines whether it has sufficiently understood the issues, implications and likely effects of the new requirements and actively sought the views of interested parties; and
- (d) considers whether the various viewpoints were appropriately aired in the exposure draft and adequately discussed and reviewed in the basis for conclusions.

6.26 It is inevitable that the final proposals will include changes from those originally proposed. The fact that there are changes does not compel the [IASB] to re-expose the proposals. The [IASB] needs to consider whether the revised proposals include any fundamental changes on which respondents have not had the opportunity to comment because they were not contemplated or discussed in the basis for conclusions accompanying the exposure draft. The [IASB] also needs to consider whether it will learn anything new by re-exposing the proposals. If the [IASB] is satisfied that the revised proposals respond to the feedback received and that it is unlikely that re-exposure will reveal any new concerns, it should proceed to finalise the proposed requirements.

6.27 The more extensive and fundamental the changes from the exposure draft and current practice the more likely the proposals should be re-exposed. However, the [IASB] needs to weigh the cost of delaying improvements to financial reporting against the relative urgency for the need to change and what additional steps it has taken to consult since

the exposure draft was published. The use of consultative groups or targeted consultation can give the [IASB] information to support a decision to finalise a proposal without the need for re-exposure.

6.28 The [IASB] should give more weight to changes in recognition and measurement than disclosure when considering whether re-exposure is necessary.

6.29 The [IASB]'s decision on whether to publish its revised proposals for another round of comment is made in a [IASB] meeting. If the [IASB] decides that re-exposure is necessary, the due process to be followed is the same as for the first exposure draft. However, because it is not the first exposure of the proposed IFRS [Accounting] Standard, it may be appropriate to have a shortened comment period, particularly if the [IASB] is seeking comments on only specific aspects of the revised exposure draft, while recognising that respondents may not limit their comments to these aspects. The public comment period for such documents will normally be at least 90 days.

## Appendix B— Actions taken to meet the due process requirements

B1. The following table summarises the actions taken to meet the due process requirements:

Step	Required / Optional	Actions
<b>Consideration of information gathered during consultation</b>		
The IASB posts all of the comment letters that are received in relation to the Exposure Draft on the project pages.	Required	All comment letters received by the IASB (97) have been posted on the project website <a href="#">here</a> .
The IASB and the IFRS Interpretations Committee (Committee) meetings are held in public, with papers being available for observers. All decisions are made in public sessions.	Required	The IASB discussed our analysis and recommendations on the matters identified in the feedback to the Exposure Draft at this meeting (see <i>Agenda Papers 12A–D for this meeting</i> ).  All staff papers above are publicly available.  The <a href="#">project webpage</a> has up-to-date information about all technical papers related to the project.
Analysis of likely effects of the forthcoming Standard or major amendment, for example, costs or ongoing associated costs.	Required	The IASB considered the likely effects of the amendments at each stage of their development. The basis for conclusion on the amendments will include the IASB’s views on these effects.
Round-table and outreach meetings to promote debate and hear views on proposals that are published for public comment	Optional	The proposed amendments were discussed with members of: <ul style="list-style-type: none"> <li>(i) the Accounting Standards Advisory Forum at its February 2023 meeting (see <a href="#">Agenda Paper 1</a> for that meeting);</li> <li>(ii) the Global Preparers Forum at its March 2023 meeting (see <a href="#">Agenda Paper 2</a> for that meeting); and</li> <li>(iii) the Capital Markets Advisory Committee at its March 2023 meeting (see <a href="#">Agenda Paper 1</a> for that meeting).</li> </ul>

<b>Finalisation</b>		
Due process steps are reviewed by the IASB.	Required	This step will be met by this Agenda Paper.
Need for re-exposure is considered.	Required	Paragraphs 4–8 of this paper discuss re-exposure. We recommend not re-exposing the amendments.
The IASB sets an effective date for the Standard, considering the need for effective implementation.	Required	Agenda Paper 12C discusses the effective date.
<b>Drafting</b>		
Drafting quality assurance steps are adequate.	Required	To be completed in due course.  The Translations, Taxonomy and Editorial teams will review the pre-ballot draft.  We intend to send a draft of the amendments to external parties for review before finalisation. This process provides us with feedback on the clarity and understandability of the new requirements.
<b>Publication</b>		
News release to announce the final Standard.	Required	To be completed in due course. A news release will be published with the amendments.
A Feedback Statement is provided which provides high level executive summaries of the Standard and explains how the IASB has responded to the comments received.	Required	Not considered necessary because these amendments are narrow in scope.  The Basis for Conclusions on the amendments will explain how the IASB has responded to feedback.
Standard is published.	Required	The amendments will be made available on our website when published.