

September 2023

***IFRS for SMEs*[®] Accounting Standard Update**

The *IFRS for SMEs Accounting Standard Update* is a staff summary of news, events and other information about the *IFRS for SMEs*[®] Accounting Standard and related SME activities. The staff summary has not been reviewed by the International Accounting Standards Board (IASB).

This edition of the *IFRS for SMEs Accounting Standard Update* includes:

- an overview of the forthcoming amendments to the *IFRS for SMEs Accounting Standard* (Standard)—International Tax Reform—Pillar Two Model Rules;
- the next steps in the second comprehensive review of the Standard;
- a summary of the July 2023 SME Implementation Group (SMEIG) meeting; and
- an updated list of the membership of the SMEIG.

Forthcoming amendments to the *IFRS for SMEs Accounting Standard*

On 1 June 2023 the IASB published the [Exposure Draft *International Tax Reform—Pillar Two Model Rules—Proposed amendments to the IFRS for SMEs Standard* \(2023 Exposure Draft\)](#).

The 2023 Exposure Draft was open for comment for 46 days, closing on 17 July 2023. The IASB received 27 [comment letters](#).

The IASB met on 23 August 2023 and tentatively decided to finalise its proposals in the 2023 Exposure Draft with limited changes. The IASB's tentative decisions at this meeting are available on the [IFRS Foundation's website](#).

The amendments to Section 29 *Income Taxes* of the Standard are being made in response to Organisation for Economic Co-operation and Development [Pillar Two model rules](#). The amendments will:

- introduce a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes;
- introduce targeted disclosure requirements for periods when Pillar Two legislation is in effect; and

- clarify that ‘other events’ in the disclosure objective in paragraph 29.38 of the Standard include the enactment or substantive enactment of tax rates and tax laws, such as Pillar Two legislation.

The IASB expects to issue the amendments for the Pillar Two model rules in September 2023.

Next steps in the second comprehensive review of the Standard

As part of its second comprehensive review of the Standard, the IASB published the Exposure Draft [Third edition of the IFRS for SMEs Accounting Standard \(2022 Exposure Draft\)](#) on 8 September 2022.

The 2022 Exposure Draft proposes significant amendments to the Standard, applying the IASB’s alignment approach to full IFRS Accounting Standards in the scope of the review. The alignment approach treats alignment with full IFRS Accounting Standards as the starting point and applies the principles of relevance to SMEs, simplicity and faithful representation, including the assessment of costs and benefits, in determining whether and how that alignment should take place.

The 2022 Exposure Draft was open for comment for 180 days, closing on 7 March 2023.

At the June 2023 IASB meeting, the staff presented feedback on the 2022 Exposure Draft from [comment letters](#) and outreach events. The IASB also redeliberated the proposed amendments in the 2022 Exposure Draft that clarify the definition of public accountability. The IASB tentatively decided:

- to confirm the proposed amendment to paragraph 1.3(b) of the Standard to list banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks as examples of entities that often meet the second criterion of public accountability.
- to withdraw paragraph 1.3A of the 2022 Exposure Draft. This paragraph proposed to clarify the definition of public accountability, but feedback indicated that the proposed terminology was subjective and would not support consistent application; and
- to consider whether to cover other suggestions for guidance on the definition of public accountability in separate educational material.

At its September 2023 meeting, the IASB discussed three overarching topics that will assist the IASB in its redeliberations of the proposals in the 2022 Exposure Draft:

- the project plan;
- research on characteristics of SMEs; and
- the approach to updating the *IFRS for SMEs* educational modules, and when to include guidance in the Standard versus in educational material.

In addition, the IASB was asked to consider and provide direction on two topics in the 2022 Exposure Draft:

- the findings from fieldwork on the proposals in revised Section 23 *Revenue from Contracts with Customers*; and
- the approach to addressing feedback on the proposals for impairment of financial assets in Section 11 *Financial Instruments*.

More information about both meetings is available on the [project page](#).

Update on the July 2023 SMEIG meeting

The SMEIG met on 13 July 2023 to discuss feedback on the 2022 [Exposure Draft](#) and provide advice to the IASB on several topics:

- providing guidance in the Standard or in separate educational material;
- impairment of financial assets;
- revenue from contracts with customers;
- control model;
- joint arrangements;
- requirement to offset equity instruments;
- other issues on feedback on the 2022 Exposure Draft; and
- international tax reform—Pillar Two model rules.

The advice received from SMEIG members will be used by the IASB in redeliberating the proposals in the 2022 Exposure Draft.

The agenda papers for the meeting and the meeting summary are available on the [IFRS Foundation's website](#).

Update on membership of the SMEIG

Between April and June 2023, the Trustees of the IFRS Foundation appointed 12 new members to the SMEIG. These new members started their three-year terms on 1 July 2023, replacing seven members that did not stand for a second term at that date.

The membership of the SMEIG from 1 July 2023 is listed in Table 1, along with members' jurisdictions and affiliations.

Table 1—SME Implementation Group members

Name	Jurisdiction	Affiliation
Africa		
Kwabena Situ	Ghana	Partner, Deloitte & Touche
Mike Mbaya	Kenya	Managing Partner, Mbaya & Associates
Ernest Muguku Muriu	Kenya	Partner, Ernest & Martin Associates
Ayodele Abiodun Ojo	Nigeria	Finance Manager, Lotus Capital Limited
Noluthando Bobani	South Africa	Business Partner—Finance, Old Mutual Limited
Blaise Colyvas	South Africa	Director, W Consulting
Leana Van Der Merwe	South Africa	Accounting & Assurance Specialist, South African Institute of Professional Accountants
Peter Lucas Mwambuja	Tanzania	Managing Director and CEO, Uptake Business Resources
The Americas		
Martín Eduardo Nazzarro	Argentina	Partner, Nazzarro & Co. National University of Cuyo
Cecília Geron	Brazil	Partner, Praesum
Edson Teixeira	Brazil	Partner, IRKO
Wilfred Au	Canada	VP Finance, TD Bank Group
Gabriel Gaitán Leon	Colombia	Partner, G&G Integral De Consultoría Ltda (Member of Arista Global Group)
Nancy Aragón Granja	Ecuador	General Manager—Partner, Arista Global Group
Omar Alberto Benitez Anibal	Peru	IFRS Specialist, Grant Thornton Perú
Andrea St Rose	Saint Lucia	Secretary of the Institute of Chartered Accountants of the Caribbean Board; President of the Institute of Chartered Accountants of the Eastern Caribbean – St. Lucia; Institute of Chartered Accountants of the Caribbean
Asia-Oceania		
Fridrich Housa	Australia	Deputy Technical Director, Australian Accounting Standards Board
Qi Chang	China	Vice-general Financial Controller, National Integrated Circuit Industry Investment Fund Co Ltd.
Lei Yan	China	International Services Leading Partner, Baker Tilly China Certified Public Accountants
Pramod Jain	India	Chairman, Accounting Standards Board, Institute of Chartered Accountants of India
Danny Tan	Malaysia	Project Manager, Malaysian Accounting Standards Board
Saif Ullah	Pakistan	Council Member, Institute of Chartered Accountants of Pakistan
Eng Kian Lee	Singapore	Managing Partner, PKF-CAP LLP Deputy Chairman, Public Accounting Practice Committee, Institute of Singapore Chartered Accountants

Name	Jurisdiction	Affiliation
Europe		
Úna Curtis	Republic of Ireland	Director, DPP and Risk Management, KPMG
José M Hinojal	Spain	Consejo General de Economistas; Audit Partner, BNFIX Auditores
Eva Sundberg	Sweden	Senior accounting specialist, Swedish Accounting Standards Board, Bokföringsnämnden
Jenny Carter	United Kingdom	Director, Accounting and Reporting Policy, UK Financial Reporting Council
Elaine Conway	United Kingdom	Lecturer and Small Business Coordinator, Loughborough Business School, Loughborough University
Global		
Hironori Okada	Japan/Global	Senior Partner, Quality Control, PKF Hibiki Audit Corporation

Further information about the SMEIG is available in the [Terms of Reference and Operating Procedures for the SMEIG](#).