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Greetings from your Tax & Legal team at Deloitte Southeast Asia (SEA).

We are pleased to update you on the following:

Amendments to International Accounting Standards (IAS) 12 arising from Organisation for Economic Cooperation and Development (OECD) Pillar Two model rules

On 23 May 2023, the International Accounting Standards Board (IASB) published the International Tax Reform—Pillar Two Model Rules (amendments to IAS 12) to respond to stakeholders' concerns about the potential implications of the imminent implementation of the OECD Pillar Two model rules (Pillar Two) on the accounting for income taxes.

In summary, IASB amends IAS 12 *Income Taxes* to introduce a temporary exception to the accounting requirements for deferred taxes, wherein the entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the entity must disclose the following:

- It has applied the exception;
- Separate disclosure for the current tax expense (income) related to Pillar Two model rules; and
- In jurisdictions where Pillar Two legislation is enacted or substantively enacted but not yet in effect, qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period.

Please note that the amendments relating to the exception and disclosure that it has applied the exception is effective immediately and retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. On the other hand, the remaining disclosure requirements are effective for annual reporting periods beginning on or after 1 January 2023.

Proposed amendments to International Financial Reporting Standards (IFRS) for small and medium-sized enterprises (SMEs)

The IASB has also issued an exposure draft this June 2023 on the proposed amendments to the IFRS for SMEs Standard. Similar to the amendments to IAS 12, the proposals include the following:

- Temporary exception to the requirements to recognise deferred tax assets and liabilities related to Pillar Two income taxes;
- Introduce targeted disclosure requirements for affected SMEs; and
- Clarify that “other events” in the disclosure objective include enacted or substantively enacted Pillar Two legislation.

The exposure draft was released for public comment to aid IASB in determining whether to proceed with the amendments of IFRS for SMEs.

The deadline for the submission of comments will be on 17 July 2023.

We have attached herein the newsletter a [summary](#) which outlines the amendments, as well as the [exposure draft](#), for your ease of reference.

Contacts

Should you have any comments or questions arising from this newsletter, please contact either the listed contacts below.

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