

13 July 2023

Dr Andreas Barckow  
Chairman  
International Accounting Standards Board  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom

**(By online submission)**

Dear Andreas

**RESPONSE TO EXPOSURE DRAFT ON INTERNATIONAL TAX FORM—PILLAR TWO MODEL RULES (PROPOSED AMENDMENTS TO THE IFRS FOR SMES STANDARD)**

The Singapore Accounting Standards Committee (ASC), under the Accounting and Corporate Regulatory Authority (ACRA), performs the function of making or formulation of accounting standards in Singapore, a function previously carried out by the Singapore Accounting Standards Council. We welcome the opportunity to comment on the Exposure Draft on *International Tax Reform—Pillar Two Model Rules* (Proposed amendments to the *IFRS for SMEs Standard*) (the ED) issued by the International Accounting Standards Board (the IASB) in June 2023.

We appreciate the IASB's efforts to provide a quick response in addressing the potential implications for income tax accounting under the IFRS for SMEs Standard resulting from jurisdictions implementing the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

Our comments on the ED are as follows:

**Question 1—Temporary exception to accounting for deferred taxes (proposed new paragraphs 29.3A and 29.42)**

Section 29 *Income Tax* of the *IFRS for SMEs* Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The IASB proposes that, as a temporary exception to the requirements in Section 29, an SME neither recognise deferred tax assets and liabilities related to Pillar Two income taxes nor disclose information that would otherwise be required by paragraphs 29.39–29.41 about deferred tax assets and liabilities related to Pillar Two income taxes.

The IASB also proposes to require an SME to disclose that it has applied the exception. Paragraphs BC11–BC16 of the Basis for Conclusions explain the IASB’s rationale for these proposals.

Do you agree with these proposals? Why or why not? If you disagree with these proposals, please explain what you would suggest instead and why.

We are supportive of the proposals relating to the temporary exception to the accounting for deferred taxes (the exception) on the basis of the IASB’s rationale. Moreover, we consider that requiring an entity to disclose that it has applied the exception would provide the necessary transparency to users of SMEs’ financial statements, as the SME would otherwise have to comply with the relevant requirements in section 29 of IFRS for SMEs in the absence of the exception.

**Question 2—Disclosures (amended paragraph 29.38 and proposed new paragraph 29.43)**

This Exposure Draft proposes:

- (a) To clarify that ‘other events’ in the disclosure objective in paragraph 29.38 of the Standard include enacted or substantively enacted Pillar Two legislation; and
- (b) Not to introduce new disclosure requirements in periods when Pillar Two legislation is enacted or substantively enacted but not yet in effect.

Paragraphs BC18–BC20 of the Basis for Conclusions explain the IASB’s rationale for these proposals.

In periods when Pillar Two legislation is in effect, the IASB proposes to require an SME to disclose separately its current tax expense (income) related to Pillar Two income taxes.

Paragraph BC21 of the Basis for Conclusions explains the IASB’s rationale for this

proposal.

Do you agree with these proposals? Why or why not? If you disagree with these proposals, please explain what you would suggest instead and why.

We agree with the IASB's approach not to introduce new disclosure requirements in periods when Pillar Two legislation is enacted or substantively enacted but not yet in effect, on the basis of the IASB's rationale. The clarification of the term 'other events' in paragraph 29.38 will make it clear that the disclosure objective covers situations that include the (substantively) enacted Pillar Two legislation.

**Question 3— Effective date and transition (proposed new paragraph A4)**

The IASB proposes that an SME apply:

- (a) The exception (proposed new paragraph 29.3A)—and disclose it has applied the exception (proposed new paragraph 29.42)—immediately upon the issue of these amendments and retrospectively in accordance with Section 10 Accounting Policies, Estimates and Errors of the IFRS for SMEs Standard;
- (b) The amended paragraph 35.10(h) immediately upon the issue of these amendments; and
- (c) The disclosure requirement in proposed new paragraph 29.43 for annual reporting periods beginning on or after 1 January 2023.

Paragraphs BC23–BC25 of the Basis for Conclusions explain the IASB's rationale for these proposals.

Do you agree with these proposals? Why or why not? If you disagree with these proposals, please explain what you would suggest instead and why.

We are supportive of the proposed effective date and transition on the basis of the IASB's rationale and planned timeline for issuance of the amendments.

We hope that our comments will contribute to the IASB's deliberation on the ED. Should you require any further clarification, please contact our project manager Yat Hwa Guan at [Guan\\_Yat\\_Hwa@acra.gov.sg](mailto:Guan_Yat_Hwa@acra.gov.sg).

Yours sincerely

Kangli Lau (Ms)  
Deputy Technical Director  
Accounting Standards Committee  
Accounting and Corporate Regulatory Authority