



# Amendments to IAS 12 / MFRS 112 / IFRS for SMEs / MPERS: International Tax Reform - Pillar Two Model Rules

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## Background

**The Organisation for Economic Co-operation and Development (OECD) has published the Pillar Two model rules in 2021 to address the tax challenges arising from the digitalisation of the global economy.**

The following table provides a summary of the model rules:

What	'Pillar Two legislation' and 'Pillar Two income taxes'
Which	Multinational Enterprises (MNEs) with consolidated revenue exceeding €750 million in at least two of the four preceding fiscal years
Why	Ensure that large multinational groups pay a minimum amount of tax on income arising in each jurisdiction in which they operate
How	Applying a system of top-up taxes that results in the total amount of taxes payable on excess profit in each jurisdiction representing at least the minimum rate of 15%
Who	Typically the ultimate parent entity of a group to pay top-up tax—in the jurisdiction in which it is domiciled — on profits of its subsidiaries that are taxed below 15%
When	Depend on each jurisdiction

# Amendments to Accounting Standards

The International Accounting Standards Board (IASB) recognised the potential implications of the model rules and issued amendments to the existing accounting standards. The amendments apply to income taxes arising from tax law **enacted or substantively enacted** to implement the model rules. Key summary of the amendments to each affected accounting standard is as follows:

## IAS 12 / MFRS 112 – Income Taxes

Disclosure item	Effective date
Disclose that the entity has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.	Immediately upon the issue of these amendments (IAS 12: 23rd May 2023, MFRS 112: 2nd June 2023).  Retrospective application.
Disclose separately the entity’s current tax expense (income) related to Pillar Two income taxes.	Annual reporting periods beginning on or after 1st January 2023.
Disclose known or reasonably estimable information that helps users of financial statements understand the entity’s exposure to Pillar Two income taxes arising from that legislation.	
Disclose qualitative and quantitative information about the entity’s exposure to Pillar Two income taxes at the end of the reporting period.	



# Amendments to Accounting Standards

## IFRS for SMEs / MPERS – Section 29 Income Tax

Disclosure item	Effective date
Disclose information that enables users of the entity's financial statements to evaluate the nature and financial effect of the current and deferred tax consequences of recognised transactions and other events (such as enacted or substantively enacted Pillar Two legislation).	Immediately upon the issue of these amendments (IFRS for SMEs: 29th September 2023, MPERS: 16th October 2023).
Disclose that the entity has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.	Retrospective application.
Disclose separately the entity's current tax expense (income) related to Pillar Two income taxes.	Annual reporting periods beginning on or after 1st January 2023.

### Status of Implementation in Malaysia

As of the date of this newsletter, the Pillar Two model rules are yet to be enacted in Malaysia. On 8th September 2023, The Malaysian Accounting Standards Board (MASB) has issued an Exposure Draft (ED) titled *Exposure Draft 79 - Determination of Announced Tax Rate as Substantively Enacted for Measurement of Deferred Tax Assets and Liabilities*. The ED aimed to clarify the term and point of “substantively enacted” in the Malaysian context.

The ED proposed that the announced tax rates by the government as “substantively enacted” for the measurement of deferred tax assets and liabilities shall be fulfilled after the voting by the Members of the House of Representatives by a simple majority after the Third Reading.

As of the date of this newsletter, the ED has yet to be concluded.

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