



27 February 2023
Australian Accounting Standards Board
Level 20, 500 Collins Street
Melbourne, VIC 3000
Australia

By email: standard@asb.gov.au

Copy: Fridrich Housa fhousa@asb.gov.au, Maggie Man mman@asb.gov.au and Kimberley Carney kcarney@asb.gov.au.

Dear Sir/Madam,

International Tax Reform – Pillar Two Model Rules

The Australian Taxation Office (ATO) is the principal revenue collection agency of the Australian Government. Our role is to manage and shape the tax and superannuation systems that support and fund services for Australians. Further information about the ATO can be found on our website on <https://www.ato.gov.au/about-ato/who-we-are/>. We welcome the opportunity to make a submission to the AASB about the proposed revision to the IAS 12 that prescribes accounting and disclosure requirements for income taxes. The consultation paper is titled '*International Tax Reform – Pillar Two Model Rules: Proposed amendments to IAS 12*'.

The ATO has a direct interest in the accuracy and reliability of financial statements, as these are used in supporting our risk and assurance work. The ATO also has an indirect interest. Accurate reporting of taxation-related matters is important for the community to understand the operation of the taxation system. Inaccurate information will detract from community trust and confidence. Boosting tax transparency encourages greater and more consistent public disclosures which make organisations accountable to the community, providers of capital, and other users of the financial statements.

We have focused our submission on **Question 2 – Disclosure** (paragraphs 88B–88C):

Disclosures for the current period only in which Pillar two legislation is enacted or substantively enacted, but not yet in effect

We recognise, and the paper outlines in paragraph BC22, that the proposed disclosure requirements, on whether entities are below 15% for the current period, are not based on the Pillar Two Model Rules. Consequently, we understand some stakeholders may query the usefulness of such disclosures. However, we agree with the rationale of the majority of the IASB members that information prepared in accordance with the IAS 12, although not in accordance with Pillar Two Model Rules, would still be useful to users of the financial statements. Therefore, we support the proposal.

Disclosures in periods in which Pillar two legislation is in effect

'The IASB also proposes that, in periods in which Pillar Two legislation is in effect, an entity disclose separately its current tax expense (income) related to Pillar Two income taxes.'

We support this proposal. We agree with the IASB conclusion in paragraph BC25 that a separate disclosure of current tax expense related to Pillar Two taxes would be

useful to users of financial statements in understanding the magnitude of Pillar Two taxes relative to an entity's overall tax expense.

We believe that a further disclosure of current tax expense related to Pillar Two taxes on a jurisdictional basis may also be useful to users of financial statements in understanding the income and taxes arising in such jurisdictions in which the entity operates. We believe this exercise should not be costly, because the entity would have been required to do the calculations under the Pillar Two Model Rules.

Thank you for the opportunity to provide our views. Should you have any queries in relation to the above, please do not hesitate to contact Caroline Arman on 03 9285 1885.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'H. Thompson', written in a cursive style.

Hector Thompson
Deputy Commissioner, Taxation
Australian Taxation Office