

AUSTRIAN FINANCIAL REPORTING AND AUDITING COMMITTEE  
C/O KAMMER DER STEUERBERATER UND WIRTSCHAFTSPRÜFER  
AM BELVEDERE 10 I TOP 4  
A-1100 VIENNA  
AUSTRIA

TEL +43 (1) 81173 228  
FAX +43 (1) 81173 100  
E-MAIL [office@frac.at](mailto:office@frac.at)  
WEB <http://www.frac.at>

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IFRS Foundation  
7 Westferry Circus, Canary Wharf  
London E14 4HD  
United Kingdom  
[commentletters@ifrs.org](mailto:commentletters@ifrs.org)

Comments on Exposure Draft “International Tax Reform – Pillar Two Model Rules”

Dear Madam, dear Sir,

On behalf of the Austrian Financial Reporting and Auditing Committee (AFRAC), the privately organised standard-setting body for financial reporting and auditing standards in Austria, we appreciate the opportunity to comment on the Comments on Exposure Draft “International Tax Reform – Pillar Two Model Rules”. Principal authors of this comment letter were Gerhard Prachner and Alfred Wagenhofer.

Bet regards,  
Romuald Bertl  
Chairman

## **Comments on Exposure Draft “International Tax Reform – Pillar Two Model Rules”**

### **General comments**

We agree with the proposals in the ED. In our view, the proposals are the best intermediate solution to deal with this issue at this point of time. We recognise that jurisdictions are working on the implementation the Pillar Two model in their environments. It is very difficult and definitely not helpful to develop strict standards of reporting on a moving regulatory target. Moreover, national implementations may differ, raising further conceptual issues concerning the accounting of income taxes. After local jurisdictions will have implemented the Pillar Two model in their local tax regimes, a review of IAS 12 will be appropriate.

### **Specific comments**

#### **Question 1—Temporary exception to the accounting for deferred taxes (paragraphs 4A and 88A)**

We agree with the proposal of a temporary mandatory exception to the requirements in IAS 12. The Pillar Two model rules and their jurisdictional adoptions raise a number of conceptual and practical concerns. Applying the recognition and disclosure requirements in IAS 12 may create difficulties concerning the interpretation and application of IAS 12 for entities, and it may raise concerns about the usefulness of the information and comparability with other entities by users.

We also agree with the proposed mandatory exception as it helps to maintain comparability across entities, based on the current requirements.

#### **Question 2—Disclosure (paragraphs 88B–88C)**

We agree with the proposal of specific disclosure requirements to the Pillar Two rules as the conceptual underpinnings of the implementation in jurisdictions are not yet clear. It is also useful to distinguish disclosures for periods before the legislation is in effect and for periods, when the legislation will be already in effect. By this way the implications can be assessed more accurately.

The proposed disclosures provide useful information about the effects of the Pillar Two rules of entities to users. We believe that they represent a reasonable balance between costs and benefits of disclosures.

#### **Question 3—Effective date and transition (paragraph 98M)**

We agree with the proposal of retrospective application, as this provides relief to entities that have to determine their own income tax accounting policies, even before the jurisdictional implementations will be known and before conceptual issues will be clarified.

We also agree with the beginning of the disclosure requirements as of 1 January 2023.