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10 March 2023

Comment Letter: Exposure Draft (IASB/ED/2023/1)
International Tax Reform – Pillar Two Model Rules
Proposed amendments to IAS 12

Dear Mr. Barckow,

We highly appreciate the opportunity to comment on the Exposure Draft ED/2023/1 *International Tax Reform – Pillar Two Model Rules: Proposed amendments to IAS 12*.

SAP is the market leader in enterprise application software and helps companies of all sizes and in all industries run better by redefining ERP and creating networks of intelligent enterprises that provide transparency, resiliency, and sustainability across supply chains. Headquartered in Germany, we have more than 269 million subscribers in our cloud user base and more than 111,000 employees of 157 nationalities. Since 2007, we prepare our consolidated financial statements in accordance with IFRS.

We welcome the Exposure Draft´s aim to stimulate a discussion on the financial reporting for income taxes within the implementation of the Pillar Two model rules. Overall, we agree that it is not immediately apparent how an entity would apply the principles and requirements in IAS 12 in accounting for top-up tax arising from the Pillar Two Model rules. In detail, we support the efforts in

- Demonstrating the urgent need for clarity about how the Pillar Two model rules would affect the accounting according to IAS 12.
- Clarification that the Pillar Two top-up tax is an income tax in the scope of IAS 12.
- Introducing an exception to the accounting for deferred taxes arising from the implementation of the Pillar Two model rules and the associated disclosure requirements.

  We strongly support the exception from accounting for deferred taxes and would recommend introducing a permanent mandatory exception to the accounting for deferred taxes. In our view, considering any Pillar Two top-up tax within the calculation of deferred taxes would be extremely complex, whereas using the statutory tax rate each year would provide investors with accurate and intuitive disclosures and would eliminate the balance sheet volatility, the forecasting risk and any investor confusion.

- The proposed disclosure requirements in periods in which Pillar Two legislation is in effect (proposed IAS 12.88B).
- Providing guidance on effective date and transition.

However, we have concerns about

- The proposed disclosure requirements in periods in which Pillar Two legislation is enacted or substantively enacted, but not yet in effect (proposed IAS 12.88C).

  Our main concerns relate to the information usefulness of the IAS 12.86 effective tax rate (proposed IAS 12.88C lit. b), even if additional information regarding Pillar Two would need to be provided as well (proposed IAS 12.88C lit. c). In our view, the Pillar Two model rules comprise a highly complex determination procedure which is not comparable with IFRS. We believe that the disclosure requirements should be reduced to a minimum to avoid creating potentially misleading and unreliable information as well as duplications (e.g. EU Public Country-by-Country Reporting).

Attached please find our detailed comments on the Exposure Draft – we would be pleased to discuss our comments at your convenience.

Best regards

S A P SE

Kirsten Birnbaum
Head of Global Tax

Claus Bahn
Director Group Tax Reporting

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

Q1.1. IAS 12 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.

Q1.2. The IASB proposes that, as an exception to the requirements in IAS 12, an entity neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Q1.3. The IASB also proposes that an entity disclose that it has applied the exception.

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

Q1.1. *IAS 12 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.*

Do you agree with this proposal? yes

We agree that IAS 12 shall be applied in accounting for income taxes (IAS 12.1). According to IAS 12.5, tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax. Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period. Deferred tax refers to amounts of income taxes payable or recoverable in future periods in respect of temporary differences.

Top-up tax, including tax due according to Qualified Domestic Minimum Top-up Tax (QDMTT) legislation, arising from the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD) differs from income taxes that arise under traditional tax regimes. Traditional income taxes are generally based directly on an entity's taxable profit, whereas the Pillar Two top-up tax arises only if an entity pays an insufficient amount of income taxes determined at a jurisdictional level. Nevertheless, we agree that the Pillar Two income taxes fall within the scope of IAS 12 as the top-up tax is based on taxable profits, though the low-taxed profit might relate to intermediate parent entities or subsidiaries instead of directly to the ultimate parent entity.

Q1.2. *The IASB proposes that, as an exception to the requirements in IAS 12, an entity neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.*

Do you agree with this proposal? yes

We agree to introduce a mandatory exception to the requirements in IAS 12 to neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. Such an exception would avoid inconsistent application of IAS 12 and result in greater comparability between entities and thus result in more useful information for users of financial statements. Therefore, we encourage the IASB to make this exception permanent. In detail, we see the following reasons:

The IFRS Conceptual Framework OB2 generally states that financial statements shall provide financial information about the reporting entity which is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity.

IAS 12 follows the temporary concept, which is a static balance sheet approach. It looks at the differences in the balance sheet between the carrying amount according to IFRS and the tax amount (temporary differences) and sets up deferred taxes for these differences. Differences outside the balance sheet, thus non-timing differences, also called permanent differences, are accounted for in the year of occurrence as current year effects.[1] The purpose of IAS 12, and more specifically the concept of deferred taxes, serves a compensatory effect, avoiding high effects in one direction in one period which are offset by high effects in the other direction in another different period. Thus, including deferred taxes in addition to current taxes in

[1] Haufe IFRS-Kommentar Online, Lüdenbach/Hoffmann/Freiberg, § 26 Income Taxes # 2 et seq., Status as of: 01.03.2023.

the total tax expense (tax income) shall give guidance to the user of the financial statement in order to provide a realistic picture of future income taxes of an entity.

IAS 12.47 states that deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been (substantively) enacted by the end of the reporting period. IAS 12.51 further states that the measurement shall reflect the tax consequences that would follow from the manner in which the entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Therefore, an entity is required to determine the tax rates expected to apply in future periods when the related asset is realised, or the related liability is settled (when temporary differences reverse). In this context, IAS 12.48 further requires an entity to reflect enacted (or substantively enacted) tax rates and tax laws in the measurement of deferred taxes, even if they are not yet effective. As the Pillar Two top-up tax will fall within the scope of IAS 12, possible impacts regarding a new (substantively) enacted tax law arising from the Pillar Two model rules would have to be considered within the determination of deferred taxes.

Taxpayers in scope of the Pillar Two model rules calculate their Pillar Two effective tax rate for each jurisdiction, where they operate, and pay a possible top-up tax for the difference between their Pillar Two effective tax rate per jurisdiction and the 15% minimum tax rate. As the calculation of the entities' Pillar Two effective tax rate needs to be determined each year it is possible, that an entity needs to pay top-up tax only for certain years. Thus, the determination of deferred taxes with a minimum tax rate of 15% would not provide reasonable guidance to the financial statement user on the future applicable tax burden as the entity might have a Pillar Two effective tax rate of 15% and consequently no top-up tax would be payable in the year of the reversal of the temporary difference. In our view, using the 15% minimum rate would contradict the above prescribed purpose of financial statements in general (IFRS Conceptual Framework OB2).

Therefore, providing reasonable guidance can only be achieved by using the statutory tax rate of the respective jurisdiction, since an entity will always be subject to at least its statutory tax rate. Any additional tax liability above the statutory tax rate due to Pillar Two is then correctly treated "as permanent tax expense adjustments in the year incurred".[2] This conforms to the balance sheet approach of IAS 12 (temporary concept) as outlined above, which accounts for timing differences by setting up deferred tax expenses / benefits whereas other differences are reflected in the year of occurrence.

As with the manner in which an entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities (IAS 12.51), management judgment and estimates in the respective accounting period – subject to uncertainty – are necessary which may prove different in the future. Consequently, prospective adjustments shall then be made.

Considering any Pillar Two impacts in the accounting for deferred taxes might result in a re-measurement of deferred tax assets / liabilities from one year to another if one uses the statutory tax rate for "regular years" and the minimum tax rate for "Pillar Two years" and cause significant balance sheet and income statement volatility. It would also give users of the financial statements a hard time to compare the year-over-year statements of one company or between peer companies, especially keeping in mind that the economically correct tax burden in each year will be at least the amount of the statutory tax rate, thus comparable.

The assessment of whether Pillar Two model rules will apply in the future would require entities to determine the years in which their deferred tax assets would reverse and make judgments on the application of any top-up taxes in those years. Taking into account the general uncertainty inherent in such a complex forecasting and the aspect that it can also rely on facts and circumstances outside of the taxpayer's control whether one will be subject to top-up taxes in a future year will make it hard to provide a reliable forecasting, within the organisation (e.g. obtaining required information and fulfilling internal controls), towards the auditors, which need to certify accurate and reliable information, and towards the users of these financial statements, which require decision-useful information.

Furthermore, we would like to point out that, regardless of any top-up taxes due to Pillar Two, there might be further problems, as the top-up taxes are applied on a separate Pillar Two basis, namely the "Global Anti-Base Erosion" (GloBE) income. The GloBE rules use a standardised tax base and definition of Covered Taxes to identify those jurisdictions in which a multinational entity (MNE) is subject to an effective tax rate below 15%. Once the Pillar Two effective tax rate is calculated one needs to determine how much top-up tax is owed. The rate of tax owed is the difference between the 15% minimum tax rate and the Pillar Two effective tax rate in the jurisdiction, thus does not simply equal the difference between the 15% minimum tax rate and the statutory tax rate generally used according to IAS 12. That top-up tax percentage is then

[2] Deloitte, Frequently Asked Questions About Tax Reform, Financial Reporting Alert 18-1, 2018, #6.1 with regard to Pillar Two can be applied here analog.

applied to the excess profit (i.e. GloBE income minus substance-based income exclusions) in the jurisdiction. As a result, the general measurement of deferred taxes at a tax rate other than the statutory tax rate would lead to an incorrect result. This is not only due to the difficulty of predictability and planning, as described above, but also because each temporary difference needs to be considered individually and analysed whether the reversal effect of the temporary difference affects the GloBE income.

In addition, it must be considered that the minimum tax of 15% relates to the GloBE income and does not necessarily correspond with the IFRS profit before tax, so that the use of the minimum tax rate of 15% in the calculation of deferred taxes may lead to an over- or understatement of deferred tax assets or deferred tax liabilities. Overall, this would have an impact on any impairment analyses of deferred tax assets according to IAS 12.24 as well.

To sum up, we fully agree to introduce a mandatory exception to the requirements in IAS 12 to neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. Moreover, we would recommend introducing a permanent mandatory exception to the accounting for deferred taxes, as considering any Pillar Two top-up tax within the calculation of deferred taxes could be extremely complex and lead to inconsistent results, whereas using the statutory tax rate each year would provide investors with accurate and intuitive disclosures and would eliminate the balance sheet volatility, the forecasting risk and the investor confusion.

Q1.3. *The IASB also proposes that an entity discloses that it has applied the exception.*

Do you agree with this proposal? yes

We agree that an entity discloses that it has applied the exception.

Question 2 – Disclosure (paragraphs 88B-88C)

The IASB proposes that, in periods in which Pillar Two legislation is enacted or substantively enacted, but not yet in effect, an entity disclose for the current period only:

Q2.1. (a) information about such legislation enacted or substantively enacted in jurisdictions in which the entity operates.

Q2.2. (b) the jurisdictions in which the entity's average effective tax rate (calculated as specified in paragraph 86 of IAS 12) for the current period is below 15%. The entity would also disclose the accounting profit and tax expense (income) for these jurisdictions in aggregate, as well as the resulting weighted average effective tax rate.

Q2.3. (c) whether assessments the entity has made in preparing to comply with Pillar Two legislation indicate that there are jurisdictions:

- **Q2.3.1.** (i) identified in applying the proposed requirement in (b) but in relation to which the entity might not be exposed to paying Pillar Two income taxes; or
- **Q2.3.2.** (ii) not identified in applying the proposed requirement in (b) but in relation to which the entity might be exposed to paying Pillar Two income taxes.

Q2.4. 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.

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

Q2.1. *(a) information about such legislation enacted or substantively enacted in jurisdictions in which the entity operates.*

Do you agree with this proposal? yes

If the information is meaningful, we agree to include information about such legislation enacted or substantively enacted in jurisdictions in which the entity operates.

A liability to pay top-up tax may generally arise under one of two scenarios, namely:

- the IIR (income inclusion rule) whereby a parent entity is liable for top-up tax in proportion to its ownership interest in subsidiaries that were taxed below 15%. The ultimate parent entity is primarily liable for top-up tax under the rule but, in some circumstances, intermediate parent entities may be liable (e.g. in case of partially owned parent entities).
- The UTPR (undertaxed payment rule), which is a backstop mechanism for profits taxed below 15% that are not charged under the IIR.

In addition, jurisdictions may introduce a QDMTT. A QDMTT shall be consistent with the outcomes under an IIR,[3] but the top-up tax would be charged in the jurisdiction in which the subsidiary is located rather than in the ultimate parent entity's jurisdiction. Thus, in essence, if the outcome is consistent, the overall top-up tax under either an IIR or a QDMTT would have the same amount but paid to different jurisdictions.

Depending on the scenario the MNE expects to be faced with (IIR or UTPR), we suggest focusing the disclosure requirements to meaningful information. As we currently understand the IASB proposal, MNEs would need to disclose information about Pillar Two legislation enacted or substantively enacted in all the jurisdictions in which the MNE operates. We question the additional value for financial statement users of a list of statuses of legislation. Instead, we would propose to narrow down the disclosure requirements to meaningful information from the perspective of the MNE and its stakeholders. Taking the example that the IIR legislation is enacted or substantively enacted in the country of the ultimate parent entity, we would propose to disclose solely this information, because this means that the top-up tax calculation will be needed for all jurisdictions in which the MNE operates. Any additional legislation in subsidiary countries may determine where top-up tax is due but should generally not influence the overall top-up tax of an MNE. Thus, we would see no value in disclosing a list of IIR, QDMTT or UTPR legislation in the jurisdictions outside the location of the ultimate parent entity. Such meaningful disclosure would align with the approach, that if the Pillar Two legislation is (substantively) enacted as well as in effect, only the total amount of the top-up tax must be reported, regardless of whether the top up tax is levied by IIR, QDMTT or UTPR.

We would therefore recommend a clarification regarding the scope of the new disclosure requirements.

Q2.2. *(b) the jurisdictions in which the entity's average effective tax rate (calculated as specified in paragraph 86 of IAS 12) for the current period is below 15%. The entity would also disclose the accounting profit and tax expense (income) for these jurisdictions in aggregate, as well as the resulting weighted average effective tax rate.*

Q2.3. *(c) whether assessments the entity has made in preparing to comply with Pillar Two legislation indicate that there are jurisdictions:*

> ***Q2.3.1.*** *(i) identified in applying the proposed requirement in (b) but in relation to which the entity might not be exposed to paying Pillar Two income taxes; or*
>
> ***Q2.3.2.*** *(ii) not identified in applying the proposed requirement in (b) but in relation to which the entity might be exposed to paying Pillar Two income taxes.*

Do you agree with this proposal? no

Overall, we support that an entity needs to disclose additional information about the risk of a potential Pillar Two top-up tax to enable financial statements to provide financial information about the reporting entity which is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity.

However, we challenge that an entity must disclose each jurisdiction for which the average effective tax rate according to IAS 12.86 is below 15%. In our opinion, information based on IAS 12 does not help investors to assess the potential top-up tax liability of an entity regarding Pillar Two as the IFRS amounts only give insufficient guidance for the potential amount or extent of the Pillar Two top-up tax in a jurisdiction. The same applies to disclosing any IFRS profit before tax as well as the tax expense (income) for these jurisdictions.

[3] OECD/G20 Base Erosion and Profit Shifting Project, Tax Challenges Arising from the Digitalisation of the Economy – Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar Two), 2023, pp. 98 et seq.

This is because the basis for any potential Pillar Two top-up tax is not IFRS (neither the profit before tax nor the accrued tax expense (income)) itself, but the so-called GloBE income (loss) and the corresponding Covered Taxes. Simplified, the GloBE income (loss) is the profit or loss in a jurisdiction included in the consolidated financial statements of the ultimate parent entity, before eliminating intragroup items and after making various adjustments (for example, adjusting for some common differences between accounting requirements and tax rules). Covered Taxes comprise current and deferred taxes in a jurisdiction with various adjustments as well. The Pillar Two effective tax rate is then calculated by dividing the Covered Taxes by the GloBE income (loss) for a jurisdiction. The resulting rate is compared to the 15% global minimum rate. If the Pillar Two effective tax rate is lower, then the top-up tax is determined by multiplying the difference with the excess profit (i.e. GloBE income minus substance-based income exclusions) of the jurisdiction. As a result, the IFRS figures only provide the basis for Pillar Two but are adjusted for Pillar Two purposes in such a way that both effective tax rates (IAS 12.86 and Pillar Two) are expected to differ from each other.

An example for information based on IAS 12 that does not help investors to assess the potential top-up tax liability of an entity regarding Pillar Two are intragroup dividends. Within the calculation of GloBE income, intragroup dividends are generally excluded. For IFRS purposes, this is basically not the case, i.e. in the IFRS profit before tax (before consolidation) intragroup dividends are included. Thus, the following different scenario would result:

	IFRS	**GloBE**
Income	180,000	130,000
thereof intragroup dividends	*50,000*	*-*
Income tax	**25,000**	**25,000**
Effective tax rate	*14%*	*19%*

The lower GloBE income will lead to a higher Pillar Two effective tax rate (assuming Covered Tax stays constant and is equal to the income tax according to IAS 12) in comparison to the IAS 12.86 effective tax rate, where dividends have been included in the income before taxes.

In this example, the proposed disclosure requirements would result in presenting this jurisdiction in the consolidated financial statements because the IAS 12.86 effective tax rate has been expected to be below 15%. However, a closer look reveals that the jurisdiction will have a Pillar Two effective tax rate of 19% and will therefore not be liable to any Pillar Two top-up tax. Of course, the same scenario may happen the other way around.

Therefore, we strongly believe that a disclosure of the expected IAS 12.86 effective tax rate would not help investors to assess an entity's potential exposure to paying Pillar Two top-up tax but might create potentially misleading and unreliable information as well as duplications (e.g. EU Public Country-by-Country Reporting). In particular, the proposed disclosure requirements would relate to periods in which the rules are not yet in effect, thus, information will not be for the current year, but for a future year, when a Pillar Two income tax may or may not arise, based on the respective future Pillar Two calculation.

We have the impression that the IASB members are aware of the risk of creating potentially misleading and unreliable information by using the IAS 12.86 effective tax rate. Otherwise, the further disclosure requirements regarding Pillar Two as proposed in IAS 12.88C lit c. would not be needed. Because of the significance of the Pillar Two model rules, there may be the assumption that as much information as possible needs to be disclosed in the financial statements, regardless of whether it adds value for any stakeholder.

According to the general rule in IAS 10 for *Events after the Reporting Period* and here more precisely in IAS 10.22 lit. h) with focus on taxation, changes in tax rates or tax laws enacted or announced after the reporting period that have a significant effect on current and deferred tax assets and liabilities also need to be disclosed separately. Although this guidance is not entirely comparable to the proposed Pillar Two disclosure requirements, it simply requires an explanation of the changes in tax rates or tax law and, if applicable, its significant impact on current and deferred taxes.

In our view, it would be sufficient – especially in light of IAS 10.22 lit. h – to inform the users of the financial statements that the Pillar Two legislation is (substantively) enacted, but not yet in effect. Due to the proposed (temporary) exception to the accounting for deferred taxes, any disclosure regarding a potential impact on

deferred taxes is not applicable. However, we think that an entity should inform its users, that the future current tax charge will increase accordingly. In our view, any further information will not add any value to stakeholders but may also lead to misleading and unreliable information.

Furthermore, following general IFRS principles, we would like to point out, that we see this disclosure only if it is material, because, according to IAS 1 *Presentation of Financial Statements* (IAS 1.31), an entity does not need to provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material. This is the case even if the IFRS contains a list of specific requirements or describes them as minimum requirements. We understand that this principle also applies to the proposed Pillar Two disclosure requirements. Even though everyone is currently focusing on the impacts of Pillar Two, this does not mean that the expected impact is significant for financial statements.

To summarise Q2.2.-Q2.3., we support that an entity needs to disclose additional information about the risk of a potential Pillar Two top-up tax to enable financial statements to provide financial information about the reporting entity. However, we do not agree that an entity must disclose each jurisdiction for which the average effective tax rate according to IAS 12.86 is below 15% (proposed IAS 12.88C lit. b), not even if additional information regarding Pillar Two needs to be provided as well (as under proposed IAS 12.88C lit. c).

The Pillar Two model rules comprise a highly complex determination procedure which is neither comparable with IFRS nor with the ordinary tax calculation. There are currently still many unanswered questions regarding the correct determination of the GloBE income and the respective Covered Taxes.

To avoid unnecessarily inflating the financial statements with possibly incorrect information, we urgently recommend refraining from disclosing the IAS 12 effective tax rates. Especially, considering the fact that, when the Pillar Two legislation is in effect, such a degree of disclosures will no longer be required. Then only the total amount of Pillar Two income tax is required to be disclosed separately regardless of the jurisdiction in which it was incurred or the corresponding IFRS profit before tax, income tax or effective tax rate.

Q2.4. *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.*

Do you agree with this proposal? yes

If the amount of Pillar Two income taxes is material, we support that an entity needs to disclose separately its current tax expense related to Pillar Two income taxes as part of the major components of tax expense (income) according to IAS 12.80 or in a separate line in the effective tax rate reconciliation according to IAS 12.85. As the proposed disclosure requirements regarding the Pillar Two income taxes provide information about the reporting entity which is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity, this is in line with the IFRS Conceptual Framework OB2.

Question 3 – Effective date and transition (paragraph 98M)

The IASB proposes that an entity apply:

Q3.1. (a) the exception – and the requirement to disclose that the entity has applied the exception – immediately upon issue of the amendments and retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*; and

Q3.2. (b) the disclosure requirements in paragraphs 88B-88C for annual reporting periods beginning on or after 1 January 2023.

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

Q3.1. *(a) the exception – and the requirement to disclose that the entity has applied the exception – immediately upon issue of the amendments and retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and*

Do you agree with this proposal? yes

We agree that an entity applies the exception as well as the requirement to disclose that the exception has been applied immediately upon issue of the amendments. As prescribed above (Question 1 – Temporary exception to the accounting for deferred taxes (paragraphs 4A and 88A)) it is essential to ensure that comparable information is provided to investors in order to avoid misleading information about the future tax situation. Therefore, in our opinion, it is essential that a consistent approach for the calculation of deferred taxes should be adopted as soon as possible.

Furthermore, in particular with regard to comparability purposes, we agree that entities apply the exception also retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in case the amendments were finalised after legislation to implement the Pillar Two model rules has been enacted (or substantively enacted).

Q3.2. *(b) the disclosure requirements in paragraphs 88B-88C for annual reporting periods beginning on or after 1 January 2023*

Do you agree with this proposal? yes

We generally agree that an entity applies the disclosure requirements in paragraphs 88B-88C for annual reporting periods beginning on or after 1 January 2023. However, please note our comments on the scope and content of the required disclosures (Question 2 – Disclosure (paragraphs 88B-88C). In addition, we recommend further clarification if this also applies for a (condensed) interim reporting or just for the annual reporting, i.e. year-end closing.