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Reference: Exposure Draft – International Tax Reform Pilar Two Model Rules – Proposed amendments to IAS 12

The Comitê de Pronunciamentos Contábeis - CPC (Brazilian Accounting Pronouncements Committee)¹ welcomes the opportunity to respond to the Exposure Draft (ED) International Tax Reform Pilar Two Model Rules.

We are a standard-setting body engaged in studying, developing, and issuing accounting standards, interpretations, and guidance for Brazilian companies.

If you have any questions about our comments, please do not hesitate to contact us at operacoes@cpc.org.br.

Yours sincerely,



Rogério Lopes Mota
Chair of International Affairs
Comitê de Pronunciamentos Contábeis (CPC)

¹The Brazilian Accounting Pronouncements Committee (CPC) is a standard-setting body engaged in the study, development and issuance of accounting standards, interpretations and guidances for Brazilian companies. Our members are nominated by the following entities: ABRASCA (Brazilian Listed Companies Association), APIMEC Brasil (National Association of Capital Market Investment Professionals and Analysts), B3 (Brazilian Stock Exchange and Mercantile & Future Exchange), CFC (Federal Accounting Council), FIPECAFI (Financial and Accounting Research Institute Foundation) and IBRACON (Brazilian Institute of Independent Auditors).



Addressing the questions

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

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.

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.

The IASB also proposes that an entity disclose that it has applied the exception. Paragraphs BC13–BC17 of the Basis for Conclusions explain the IASB’s rationale for this proposal.

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.

Response 1: We agree with the proposed amendments, however we believe this exception should have a period established for the application of this exception as it is a temporary one.

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

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

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

(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.

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

(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

(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.

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.

Paragraphs BC18–BC25 of the Basis for Conclusions explain the IASB’s rationale for this proposal.

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.



Response 2 (a): We agree with the proposal.

Response 2 (b) and (c): We agree that the information

Stakeholders in general understand that in periods before Pillar Two legislation is in effect, users of financial statements need information to help them assess an entity's exposure to paying top-up tax therefor they are in favour of disclosures according to mentioned in the items (a), (b) and (c) above.

On the other hand, prepares of the financial statements stress out that there are a lot of uncertainties related to the application of the Pilar 2 in our jurisdiction and in the jurisdictions that Brazilian's companies do their business, therefore, disclose information like mentioned in items (b) and (c) can result in misleading and lack of comparability. Requiring entities disclose information for the current period prepared in accordance with IAS 12 could be ineffective as the Pillar Two model rules include specific requirements that differ from those in IAS 12 in relation to calculating an effective tax rate for each jurisdiction.

In addition, to obtain such information, companies will need put efforts to do some assessments without knowing whether the Pillar Two model will be implemented and how it would be operationalized, resulting in undue cost or effort. Therefore, the suggestion is to follow what is established in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* as if it was an adoption of a new standard in followings years.

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

The IASB proposes that an entity apply:

(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

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

Paragraphs BC27–BC28 of the Basis for Conclusions explain the IASB's rationale for this proposal.

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.

Response 3(a): We agree with the proposed amendment.

Response 3(b): See the rational mentioned in the response 2(b) and (c) above.