

Brasília, 10 March, 2023

IFRS Foundation  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom

**REF: International Tax Reform—Pillar Two Model Rules - Proposed amendments to IAS 12**

Dear Board Members,

The “Group of Latin American Standard Setters”<sup>1</sup> (GLASS) appreciates the opportunity to comment on the Exposure Draft (ED) as referred to above.

This response summarizes the points of view of the members of the different countries that comprise GLASS Board, pursuant to the following due process.

**Due process**

The discussions regarding this ED were held within the GLASS Board. Accordingly, the comments and information gathered is representative of the countries participating in the Board.

GLASS discussed the different points of view in the board meetings and included summary through emails exchanged among its members. As a conclusion to this process, GLASS developed a final document based on the consensual responses and the technical points of view of its members.

**Comments**

GLASS agrees with the proposed temporary exception to the accounting for deferred taxes arising from the implementation of the Pillar Two model rules and targeted disclosure requirements with some specific remarks which are detailed in the Appendix to this letter. We agree that the proposed amendments aim to provide timely relief for affected entities and avoid inconsistent interpretations of IAS 12 *Income Taxes* developing in practice; nevertheless, it is important to establish a limitation on the duration of such relief.

**Specific Comments**

Attached you will find our responses to the specific questions included in the ED.

**Contact**

If you have any questions about our comments, please contact [glenif@glenif.org](mailto:glenif@glenif.org).

Sincerely yours,



**José Luiz Ribeiro de Carvalho**  
Chairman

Group of Latin American Accounting Standard Setters (GLASS)

<sup>1</sup> The overall objective of the Group of Latin American Accounting Standard Setters (GLASS) is to present technical contributions with respect to all Exposure Drafts, Requests for Information and Discussion Papers issued by the IASB and ISSB. Therefore, GLASS aims to have a single regional voice before the IASB and ISSB. GLASS is constituted by: Argentina (Board), Bolivia, Brazil (Chairman), Chile, Colombia (Vice Chairman), Costa Rica (Board), Dominican Republic, Ecuador, Guatemala, Honduras, Mexico (Board), Panama, Paraguay, Peru, Uruguay (Board) and Venezuela (Board).

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## GLASS Comment Letter on the ED International Tax Reform—Pillar Two Model Rules Proposed amendments to IAS 12

### 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.

GLASS agrees with this proposal for a temporary exception to the accounting for deferred taxes considering that: (a) it is necessary to allow adequate time for this global tax legislation to be enacted by jurisdiction and the rules to be better understood; (b) progress in further discussion whether this global tax legislation is actually in the scope of IAS 12; (c) tax legislations among the countries are complex and issues that might come up are not predictable at this stage. We agree that the complexity expressed in BC12 – 14, 17, 22 and BC23 provides a basis for the proposed deferral. Regarding the duration of the temporary relief, we recommend that an estimated expiration date be defined in the proposal.

However, we have some dissenting views that argue that the proposed temporary exception is not supported by a conceptual basis but is only for temporary relief to provide sufficient time for jurisdictions to enact a new global tax legislation and reduce the uncertainty on how it will affect the tax calculation and its implication on deferred taxes, arguing that it might be difficult to estimate taxable income by jurisdiction and the effective tax rate (ETR). However, they point out that when applying IAS 12 a high level of estimation is necessary to compute the ETR in jurisdictions, whereas there are progressive tax rates and an estimation of the taxable income for future periods results in a complex exercise that is not simpler than estimating the effects on the enactment of the Pillar Two Tax Reform.

### 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:

- (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.

GLASS agrees with these disclosure proposals as they provide elements that allow evaluating the impacts of the application of this rule.

However, we have one dissenting view arguing that to some extent the same uncertainty regarding the proposed relief contained in Question 1 applies to the disclosures in Question 2(b).

**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.

GLASS agrees with the proposal for the effective date and transition.

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