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24 May 2023

Subject: Fred 83 Draft amendments to FRS 102The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 101 Reduced Disclosure Framework

The Institute of Certified Public Accountants in Ireland welcomes the opportunity to provide commentary on FRC's Fred 83 Draft amendments to FRS 102The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 101 Reduced Disclosure Framework.

Question 1

Do you agree that the proposed definition of the term 'Pillar Two legislation' would capture all transactions that are relevant to this topic? If not, please provide examples to support your view.

The Fred defines Pillar Two legislation Tax law that implements the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD),including tax law that implements qualified domestic minimum top-up taxes described in those rules.

We agree with the proposed definition of the term 'Pillar Two legislation' in line with the implementation of the OECD's Pillar Two model rules and have we have confidence that it will gather all transactions that are relevant , however we would recommend further clarity on how this will work in developing a global minimum tax framework.

We would also suggest that the IASB should also define domestic minimum top-up taxes and also provide examples of such top-ups.

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Question 2

Do you agree with the proposed amendments to FRS 102 that introduce mandatory temporary exceptions to recognising or disclosing information about deferred tax assets and liabilities related to Pillar Two income tax (proposed paragraph 29.2B), and to taking the effects of Pillar Two legislation into account when measuring deferred tax assets and liabilities (proposed paragraph 29.12)? If not, why not? We agree with the proposal to introduce a temporary exception to the requirements of 29.2b to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes and that the temporary exception should be mandatory.
We welcome this temporary exception being kept under review by the FRC as this will ensure the paragraph numbers in Section 1 are exclusive.

Please note an error in paragraph 29.2B , we feel it which should refer to 'Pillar Two income taxes.

Question 3

Do you agree with the proposed amendments to FRS 102 that require an entity to disclose:
(a) the fact that it expects to fall within the scope of Pillar Two legislation (proposed paragraph 29.28); We agree with targeted disclosure in paragraph 29.28 required when an entity expects to fall within the scope of Pillar Two legislation

We believe it would be useful if the amendments clarifies that, for the purpose of the proposed current tax expense disclosure, all taxes arising from the Pillar Two model are considered income taxes.

We are apprehensive that the proposed disclosures in paragraphs 29.29(b) which could result in lengthy disclosures and have partial use to the users of the financial statements

(b) the current tax expense related to Pillar Two income taxes (proposed sub-paragraph 29.26(g));

We agree with targeted proposed sub-paragraph 29.26 (g)

(c) information that will enable users of financial statements to understand a group's potential exposure to paying top-up tax, when Pillar Two legislation has been enacted or substantively enacted but is not yet in effect (proposed paragraph 29.29)?
If not, why not?

Paragraphs 29.29(b) and (c) would be based on the entity's average effective tax rate, as opposed to the effective tax rate required in accordance with the Pillar Two model rules. We understand that there are noteworthy differences between both of these methods and would suggest further clarification on this to avoid confusion .

Question 4

Do you agree with the proposal to exempt qualifying entities, as defined in FRS 102 or FRS 101, from the disclosures that would otherwise be required by proposed paragraph 29.29 of FRS 102 and proposed paragraph 88C of IAS 12 Income Taxes respectively? If not, why not?

The FRC is proposing to amend FRS 101 to provide an exemption from the proposed new disclosure requirements in IAS 12, in line with the exemption proposed for qualifying entities under FRS 102 .

An amendment is proposed in Fred 83to insert sub-paragraph 8(iZA)which would allow qualifying entities, as defined in FRS 102, not to make the disclosures required by the paragraph 88C of IAS 12., provided that equivalent disclosures are made in the consolidated financial statements in which the entity is included.

We agree with this proposed amendment , however we would suggest that more emphasis is put on the word equivalent to ensure that the requirements of 12.21.disclosures are met.

Question 5

Do you agree with the proposed effective dates for these amendments? If not, what difficulties do you foresee?

We partially agree with the FRC's proposal for immediate application of the exception in paragraph 29.2B.

We agree with the proposal for the effective date for the disclosures in 29.26(g), 29.28 and 29.29 to be accounting periods beginning on or after 1 January 2023as an earlier date may result in some entities having insufficient time to prepare.

Question 6
In relation to the consultation stage impact assessment, do you have any comments on the costs and benefits identified? Please provide evidence to support your views.

We have no comments on the costs and benefits identified.