

EFRAG's Preparatory draft of its Endorsement Advice

International Tax Reform-Pillar Two Model Rules Amendments to IAS 12

Notes to Constituents:

EFRAG has not yet received from the European Commission the letter requesting an endorsement advice in respect of International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), as such letter will be sent only following the issuance of the Amendments, expected in May 2023.

Considering the tight timeline of the forthcoming due process, EFRAG is issuing, instead of the usual draft endorsement advice, this preparatory document for comments in anticipation of the endorsement advice, on the basis of the content of the IASB Exposure Draft Tax Reform – Pillar Two Model Rules (Proposed amendments to IAS 12) (“the ED”) and the discussions held by the IASB on 11 April 2023 when the IASB decided to finalise the amendments to IAS 12. Provided that the final content of the Amendments is not substantially different than the contents of the ED and the decisions taken by the IASB in April 2023, this preparatory document will be used as in the preparation of EFRAG's Final Endorsement Advice.

The following appendices sets out the basis for the conclusions reached, and for the recommendation made, by EFRAG on the Amendments. In it, EFRAG assesses how the Amendments satisfy the technical criteria set out in the Regulation (EC) No 1606 2002 for the adoption of international accounting standards. It provides a detailed evaluation for the criteria of relevance, reliability, comparability and understandability, so that financial information is appropriate for economic decisions and the assessment of stewardship. It evaluates separately whether the Amendments lead to prudent accounting and finally considers whether the Amendments would not be contrary to the true and fair view principle.

In its comment letters to the IASB, EFRAG points out that such letters are submitted in EFRAG's capacity of contributing to the IASB's due process. They do not necessarily indicate the conclusions that would be reached by EFRAG in its capacity of advising the European Commission on endorsement of the definitive IFRS Standards in the European Union and European Economic Area.

In the latter capacity, EFRAG's role is to make a recommendation about endorsement based on its assessment of the final IFRS Standard or Interpretation against the technical criteria for European endorsement, as currently defined. These are explicit criteria which have been designed specifically for application in the endorsement process, and therefore the conclusions reached on endorsement may be different from those arrived at by EFRAG in developing its comments on proposed IFRS Standards or Interpretations. Another reason for a difference is that EFRAG's thinking may evolve.

INVITATION TO COMMENT ON EFRAG’S ASSESSMENTS ON INTERNATIONAL TAX REFORM - PILLAR TWO MODEL RULES (AMENDMENTS TO IAS 12)

Once filled in, this form should be submitted by 24 May 2023 using the ‘Comment publication link’ available at the bottom of the respective news item. All open consultations can be found on EFRAG’s web site: [Open consultations: express your views](#).

EFRAG expects to be asked by the European Commission to provide it with endorsement advice and supporting material on International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12) (“the Amendments”). In order to do so, EFRAG has been carrying out an assessment of the Amendments against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from its implementation in the European Union (the EU) and European Economic Area.

Before finalising its assessment, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interests of transparency, EFRAG will wish to discuss the responses it receives in a public meeting, so it is preferable that all responses can be published.

EFRAG’s initial assessments, summarised in this questionnaire, will be updated for comments received from constituents when EFRAG is in the process of finalising its Letter to the European Commission regarding endorsement of the Amendments.

Your details

1 Please provide the following details:

- (a) Your name or, if you are responding on behalf of an organisation or company, its name:

ICAC (Spanish Accounting Standard Setter)

- (b) Are you a:

Preparer User Other (please specify)

Accounting Standards

- (c) Please provide a short description of your activity:

Accounting Standards

- (d) Country where you are located:

Spain

- (e) Contact details, including e-mail address:

EFRAG's initial assessment with respect to the technical criteria for endorsement

emai: presidencia@icac.gob.es

- 2 EFRAG's initial assessment of the Amendments is that they meet the technical criteria for endorsement. In other words, the Amendments are not contrary to the principle of true and fair view and meet the criteria of understandability, relevance, reliability, comparability and lead to prudent accounting. EFRAG's reasoning is set out in Appendix 2 below.

- (a) Do you agree with this assessment?

Yes No

If you do not agree, please provide your arguments and what you believe the implications of this could be for EFRAG's endorsement advice.

n.a.

- (b) Are there any issues that are not mentioned in Appendix 2 below that you believe EFRAG should take into account in its technical evaluation of the Amendments? If there are, what are those issues and why do you believe they are relevant to the evaluation?

n.a.

The European public good

- 3 In its assessment of the impact of the Amendments on the European public good, EFRAG has considered a number of issues that are addressed in Appendix 3 below.

Improvement in financial reporting

- 4 EFRAG has identified that in assessing whether the endorsement of the Amendments is conducive to the European public good it should consider whether the Amendments are an improvement over current requirements across the areas which have been subject to changes (see paragraphs 3 to 4 of Appendix 3 below). To summarise, EFRAG's initial assessment is that the Amendments are likely to improve the quality of financial reporting.

Do you agree with the assessment?

Yes No

If you do not agree, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

n.a.

Costs and benefits

- 5 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of the Amendments in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this invitation to comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 6 to 12 of Appendix 3 below. To summarise, EFRAG's initial assessment is that the Amendments will likely result in lower costs for preparers than those that would result if the Amendments were not finalised and will not result in increased costs to users.

Do you agree with this assessment?

Yes No

If you do not agree, please explain why you do not agree and (if possible) explain broadly what you believe the costs involved will be?

n.a.

- 6 In addition, EFRAG is assessing the benefits that are likely to be derived from the Amendments. The results of the initial assessment of benefits are set out in paragraph 13 to 16 of Appendix 3 below. To summarise, EFRAG's initial assessment is that both preparers and users are likely to benefit from the Amendments.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

n.a.

- 7 EFRAG's initial assessment is that the benefits to be derived from implementing the Amendments in the EU, as described in paragraph 6 above, are likely to outweigh the costs involved, as described in paragraph 5 above.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

n.a.

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Overall assessment with respect to the European public good

- 8 EFRAG has initially concluded that endorsement of the Amendments would be conducive to the European public good (see paragraphs 17 to 20 of Appendix 3 below).

Do you agree with this conclusion?

Yes No

If you do not agree, please explain your reasons.

n.a.