

MFRS 112

Income Taxes

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MFRS 112 *Income Taxes* is issued by the MASB in respect of its application in Malaysia.

International Tax Reform—Pillar Two Model Rules (Amendments to MFRS 112 *Income Taxes*)

This Addendum sets out the amendments to MFRS 112 Income Taxes. An entity shall apply paragraphs 4A and 88A immediately upon the issue of these amendments and paragraphs 88B–88D for annual reporting periods beginning on or after 1 January 2023.

Paragraphs 4A, 88A–88D (including their related heading and the box after paragraph 88D) and 98M are added.

Scope

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- 4A This Standard applies to income taxes arising from tax law enacted or substantively enacted to implement 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. Such tax law, and the income taxes arising from it, are hereafter referred to as ‘Pillar Two legislation’ and ‘Pillar Two income taxes’. As an exception to the requirements in this Standard, an entity shall neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

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Disclosure

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International tax reform—Pillar Two model rules

- 88A An entity shall disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes (see paragraph 4A).
- 88B An entity shall disclose separately its current tax expense (income) related to Pillar Two income taxes.

- 88C In periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, an entity shall disclose known or reasonably estimable information that helps users of financial statements understand the entity’s exposure to Pillar Two income taxes arising from that legislation.**
- 88D To meet the disclosure objective in paragraph 88C, an entity shall disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. This information does not have to reflect all the specific requirements of the Pillar Two legislation and can be provided in the form of an indicative range. To the extent information is not known or reasonably estimable, an entity shall instead disclose a statement to that effect and disclose information about the entity’s progress in assessing its exposure.

Examples illustrating paragraphs 88C–88D

Examples of information an entity could disclose to meet the objective and requirements in paragraphs 88C–88D include:

- (a) qualitative information such as information about how an entity is affected by Pillar Two legislation and the main jurisdictions in which exposures to Pillar Two income taxes might exist; and
- (b) quantitative information such as:
 - (i) an indication of the proportion of an entity’s profits that might be subject to Pillar Two income taxes and the average effective tax rate applicable to those profits; or
 - (ii) an indication of how the entity’s average effective tax rate would have changed if Pillar Two legislation had been in effect.

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Effective date

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98M *International Tax Reform—Pillar Two Model Rules (International Tax Reform—Pillar Two Model Rules issued by IASB in May 2023)* added paragraphs 4A and 88A–88D. An entity shall:

- (a) apply paragraphs 4A and 88A immediately upon the issue of these amendments and retrospectively in accordance with MFRS 108; and
- (b) apply paragraphs 88B–88D for annual reporting periods beginning on or after 1 January 2023. An entity is not required to disclose the information required by these paragraphs for any interim period ending on or before 31 December 2023.