

Amendments to FRS 102 (Lecture A828 – 3.26 minutes)

In July 2023, the Financial Reporting Council (FRC) issued *Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 101 Reduced Disclosure Framework – International tax reform – Pillar Two model rules*. This followed the Organisation for Economic Co-operation and Development's (OECD) publication of its Pillar Two model rules.

The OECD's Pillar Two model rules:

- (a) aim to ensure that large multinational groups pay a minimum amount of tax on income arising in each country in which they operate; and
- (b) would achieve that aim by applying a system of 'top-up taxes' that results in the total amount of tax payable on profit in each country representing at least a minimum rate of 15%.

The FRC's amendments to FRS 102 introduce a temporary exception to the accounting for deferred tax that arises from the implementation of the Pillar Two model rules, alongside targeted disclosure requirements. The amendments exempt qualifying entities from certain disclosures which relate to the consolidated financial statements of a group, provided that equivalent disclosures are made in the group accounts in which the qualifying entity is included.

The temporary exception applies immediately and retrospectively. The effective date for other amendments is for accounting periods commencing on or after 1 January 2023, with early application permitted.

1.1 FRS 101 amendments

FRS 101 has also seen consequential amendments as a result of the Pillar Two model rules as IAS[®] 12 *Income Taxes* introduced a temporary exception to the accounting for deferred tax arising from the same rules (alongside targeted disclosure requirements). Essentially, the FRC's amendments are consistent with those of the International Accounting Standards Board's[®] changes to IAS 12.

FRS 101 has been amended to provide an exemption from certain disclosures that are primarily relevant to the consolidated financial statements of a group. The proviso is that equivalent disclosures must be included in the group accounts in which the qualifying entity is consolidated.

It is not expected that the Pillar Two model rules are going to affect FRS 102 reporters extensively, hence many entities will be unaffected by the changes.