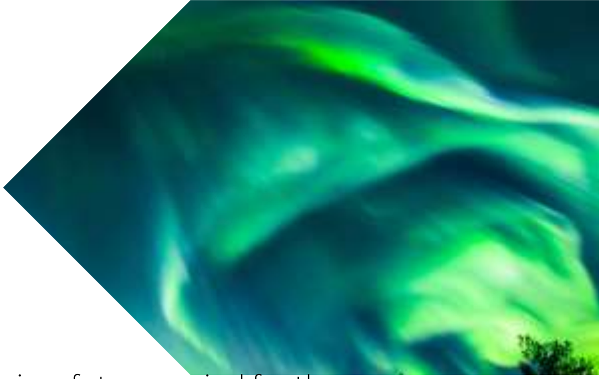

IFRS IN BRIEF

IAS 12 *Income Taxes*

SCOPE

This standard addresses the accounting for taxes based on taxable profits as well as taxes that arise from tax laws associated with the enactment of the Pillar Two model rules published by the Organisation for Economic Cooperation and Development (OECD).

It does not address accounting for

- Government grants (see IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance)*
- Investment tax credits

CURRENT TAX

Current tax is the income tax payable (or recoverable) in respect of the taxable profit or loss for a period.

A Liability shall be recognised for current tax relating to the current or prior periods to the extent it is unpaid.

A tax loss that can be recovered to cover the current tax of a previous period shall be recognised as an asset.

Current tax assets and liabilities are measured at the amount expected to be paid to (recovered from) taxation authorities, using the rates/laws that have been enacted or substantively enacted by the balance sheet date.

DEFERRED TAX

Deferred tax is the impact that arises between the difference between the carrying amount of an asset or liability on the statement of financial position and its Tax Base. The Tax Base is the amount that will be deductible or assessable for tax purpose in a future period for the asset or liability.

Deferred tax liabilities
Deferred tax liabilities (DTLs) shall be recognised for all temporary taxable differences except for:

- The initial recognition of goodwill
- The initial recognition of an asset or liability that is not a business combination, does not impact accounting or taxable profit and does not give rise to equal taxable and deductible temporary differences.
- Temporary differences relating to investments in subsidiaries, joint ventures and associates, where the investor can control the timing of the reversal and it is probable that it will not be reversed in the foreseeable future.

Deferred Tax Assets
Deferred Tax Assets (DTAs) shall only be recognised to the extent that it is probable that taxable profit will be available for which the DTA will be able to be utilised.

DTAs cannot be recognised in relation to:

- The initial recognition of goodwill
- The initial recognition of an asset or liability that is not a business combination, does not impact accounting or taxable profit and does not give rise to equal taxable and deductible temporary differences.
- Temporary differences relating to investments in subsidiaries, joint ventures and associates, where the investor can control the timing of the reversal and it is probable that it will not be reversed in the foreseeable future.

For it to be probable that taxable profits will be available, entities should consider if, in relation to the same taxation authority and taxable entity:

- Sufficient taxable temporary differences (DTLs) exist, that will be realised at the same time as the temporary deductible differences
- Its probable there will be sufficient taxable profit in the future
- Tax planning opportunities are available that will create appropriate taxable profits.

DTAs for unused tax losses shall only be recognised if there is convincing evidence of future taxable profit, which is challenging when there has been a history of recent tax losses

Measurement
DTAs and DTLs should be recognised as the at the amount expected to be paid (or recovered) using tax rates that have been substantially enacted as at balance date and will apply when the DTA or DTL is realised.

PILLAR TWO INCOME TAX

Entities is not required to recognised deferred tax assets and liabilities relating to Pillar Two income taxes.

When Pillar Two income tax legislation is enacted or substantially enacted but not yet in effect, entities shall disclose information so that users can understand the potential impacts of the tax.

An entity shall separately disclose the current tax expense relating to Pillar Two income taxes.

DISCLOSURES

Required disclosures include a reconciliation of the tax expense to the profit and loss for the period, the DTAs and DTLs related to each type of asset and liability and information around unrecognised DTAs as well.

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