

To: International Accounting Standards Board
Attn: Mr Barckow
7 Westferry Circus, Canary Wharf
London E14 4HD
United Kingdom

Our
reference: ECO-CORP-23-028.

Subject: Insurance Europe / CFO Forum contribution to IASB Exposure Draft International Tax Reform – Pillar Two Model Rules

Brussels, 06-03-2023

Dear Mr Barckow

This letter is coming to you from Insurance Europe, representing 95% of the premium income of the European insurance market and the European Insurance CFO Forum, a body representing 23 of Europe's largest insurance companies. Accordingly, it represents the consensus view of the European insurance industry. Our organisations welcome the opportunity to comment on the IASB's Exposure Draft "ED/2023/1 International Tax Reforms - Pillar Two Model Rules" ("ED"), issued by the IASB on 9 January 2023.

Europe's insurers commend the IASB's responsiveness in addressing the concerns raised following the implementation of the OECD Pillar Two model rules by amending the scope of IAS 12 Income Taxes to include a temporary mandatory exception to the accounting for deferred taxes. As the OECD Pillar Two model rules are being adopted in jurisdictions around the globe, the accounting implications of the new rules are not always obvious in the context of the principles and requirements in IAS 12 and make the IASB proposal an appropriate approach to provide a temporary remedy to avoid development and an occurrence of inconsistent accounting policies.

Furthermore, our organisations fully support the IASB's approach to propose no deadline for this exception and to wait to have more clarity on Pillar Two rules to decide if the exception must be maintained or removed.

On the proposed additional disclosures requirement (specifically in paragraph 88C), due consideration should be given to their relevance, as well as the complexity and operational constraints of their application – the proposals in the ED are currently excessive and should therefore be revised. For example, the IASB should refrain from requiring a comprehensive listing of the jurisdictions in which the Group operates provided that the ultimate parent has already implemented these rules; this is because this parent will be obliged to pay any additional taxes for those jurisdictions where the effective tax rate is below 15% irrespective of whether that jurisdiction has adopted Pillar Two rules.

Furthermore, requiring disclosure based on a simplified calculation of an effective tax rate below 15% which does not reflect the actual calculation under Pillar Two rules may create confusion and potentially imply that the group is subject to more taxes than it may actually be subject to under Pillar Two. As such, we believe that the jurisdictional listing disclosure may provide misleading information and thus should not be a required disclosure.

While Pillar Two requirements are still being finalised, the focus of impact disclosures should be more qualitative than quantitative in nature. In addition, regardless of the disclosure requirements ultimately retained, those should be subject to companies' usual materiality assessment.


Finally, insurers welcome the IASB proposed transition provisions for the exception to the accounting for deferred taxes (in line with the rationale provided in the ED), considering the urgent need for clarity.

If you would like any further information on any of them or wish to discuss them further with us, we would be pleased to assist.

Yours sincerely,



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