

AS 22 - Amendment (Pillar Two Minimum Tax)

1. What is Pillar Two?
 - OECD (Organisation for Economic Cooperation and Development) introduced a 15% global minimum tax for large multinational companies.
 - India updated AS 22 to explain **how to account and disclose** this new tax.
 - This amendment adds **Paragraphs 2A, 32A-32D and 35.**
2. Scope (Para 2A)

This amendment applies to:

Taxes arising from Pillar Two rules, including

 - Qualified Domestic Minimum Top-Up Tax (QDMTT)
 - Global Minimum Tax under OECD Pillar Two model rules

These are called "Pillar Two income taxes."

Note: **No Deferred Tax Asset (DTA) and No Deferred Tax Liability (DTL)** should be recognised for Pillar Two taxes.

(This is the key accounting rule.)
3. Presentation & Disclosure Requirements

(A) Para 32A - State that exemption is applied

The enterprise must disclose that it **did NOT recognise deferred tax** for Pillar Two (because AS 22 gives an exception).

(B) Para 32B - Disclose current tax separately

Show separately:

 - Current tax expense or
 - Current tax income

arising from Pillar Two.

(C) Para 32C - When law is enacted but not yet effective

If Pillar Two is announced but not yet applicable:

 - Disclose any **known or reasonably estimable** information
 - Help users understand the company's **exposure** to Pillar Two

(D) Para 32D - Qualitative & Quantitative Information

At year-end, disclose:

Qualitative information (examples):

 - How the company is affected by Pillar Two
 - Countries where the company may face top-up tax

Quantitative information (examples):

 - Approx % of profits likely to be taxed under Pillar Two
 - Impact on effective tax rate (ETR)

If the company **cannot estimate** the impact:
State "**not reasonably estimable**"

Examples Included in the Amendment

The amendment suggests examples a company may disclose:

- How Pillar Two applies to its countries
- % of profits that might be subject to Pillar Two
- How its ETR would have changed if rules were in force

4. MSME Exemption

Entity Type	Applicable (Disclosure Required)	Disclosure Not Required
1. Company Entities	✓ All companies (SMC + Non-SMC)	-
2. Non-Company Entities	✓ Level I entities	Level II, III, IV (MSMEs)

5. Effective Date - Para 35

- Paras **2A and 32A** → apply **immediately**
- Paras **32B-32D** → apply for reporting periods **starting on or after 1 April 2024**
- No disclosure required in **interim periods ending on or before 31 March 2025**

6. Quick Revision Box (For Exams)

- ✓ Applies to Pillar Two global minimum tax
- ✓ **No DTA / No DTL** for Pillar Two
- ✓ Disclose current tax separately
- ✓ Give qualitative + quantitative exposure details
- ✓ MSMEs exempt
- ✓ Effective 1 April 2024