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# Turkiye amends accounting standards to align with BEPS 2.0 Pillar Two legislation

- *The Turkish Public Oversight, Accounting and Auditing Standards Authority's Decision regarding amendments in Turkish Accounting Standard 12 was published in the Official Gazette on 19 September 2023.*
- *The Decision amends Turkish Accounting Standard 12, which deals with accounting for income taxes (equivalent to IAS 12 issued by the International Accounting Standards Board) due to the implementation of the Pillar Two Model Rules of the OECD's BEPS 2.0 project.*

The Turkish Public Oversight, Accounting and Auditing Standards Authority issued a decision regarding amendments in Turkish Accounting Standard (TAS) 12, which deals with accounting for income taxes (equivalent to IAS 12 issued by International Accounting Standards Board) due to the implementation of the Pillar Two Model Rules of the Organisation for Economic Co-operation and Development's (OECD's) Base Erosion and Profit Shifting (BEPS) 2.0 project. The amendments are as a consequence of, and in line with, amendments to IAS 12.

The Turkish amendments provide entities an exception to the requirements to recognize and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. Entities must disclose reliance on this exception in the footnotes of their financial statements.

These new rules pertaining to the exception apply retrospectively upon publication in the *Official Gazette*.

Entities must separately disclose their current tax expense or income in relation to Pillar Two income taxes.

In addition, for periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, an entity must disclose known or reasonably estimable information to help users of the financial statements better understand the entity's exposure to Pillar Two income taxes arising from that legislation. For purposes of this disclosure requirement, an entity must disclose qualitative and quantitative information regarding exposure to Pillar Two income taxes at the end of reporting period.

TAS 12 Amendments also provide examples of qualitative and quantitative information. Accordingly, an entity may provide the following:

- **Examples of qualitative information:** Information regarding how the entity is impacted by Pillar Two legislation and the countries relevant to the entity that can be affected by the Pillar Two income taxes
- **Examples of quantitative information:** Information regarding (i) the percentage of profit and average effective tax rate applied on that profit, and (ii) how the average effective tax rate would be impacted if Pillar Two rules were in force

The above-mentioned disclosure requirements apply to annual accounting periods that begin on or after 1 January 2023. Also, an entity is not required to disclose the information for any interim period ending on or before 31 December 2023.

Entities need to monitor the developments around the implementation and (substantive) enactment of the Pillar Two model rules in Turkiye and other jurisdictions in which the entities have operations and should prepare to provide the disclosures required by the amendments to IAS 12.

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obligation to inform the reader of any changes in tax laws or other factors that could affect the information contained herein.