

MCA Amends AS-22: Pillar Two Income Taxes

Mandatory Exemption from Deferred Tax Recognition for Global Minimum Tax

COMPANIES ACT 2013

SECTION 133

OECD BEPS

MARCH 10, 2026 NOTIFICATION





Understanding the OECD Pillar Two Framework

15%

**Global Minimum
Tax Rate**

Applicable to large
multinational
enterprises worldwide

€75...

**Revenue
Threshold**

Approx. INR 6,750
crore in consolidated
group revenue

140+

**Countries Signed
On**

OECD/G20 Inclusive
Framework on BEPS

OECD/G20 Framework

Base Erosion and Profit Shifting (BEPS) Inclusive Framework drives global coordination on minimum tax rules.

India's Response

Qualified Domestic Minimum Top-up Tax (QDMTT) introduced under the Income Tax Act to align with Pillar Two.

Global Adoption

Over 140 countries have agreed to the framework, making this one of the most significant tax reforms in decades.

Companies (Accounting Standards) Amendment Rules, 2026

- ❑ **Core Change:** Mandatory exemption from recognizing deferred tax assets (DTAs) and deferred tax liabilities (DTLs) arising from Pillar Two income taxes.

Aspect	Before Amendment	After Amendment
Pillar Two DTAs	Recognized under AS-22	Exempted (mandatory)
Pillar Two DTLs	Recognized under AS-22	Exempted (mandatory)
QDMTT-related deferred tax	No specific guidance	Exempted (mandatory)
Disclosures	Standard AS-22 disclosures	Enhanced Pillar Two disclosures required

Legal Authority

Section 133 read with Section 469 of Companies Act, 2013

Consultation Body

National Financial Reporting Authority (NFRA) was consulted prior to the amendment notification.

Applicability: Which Companies Must Comply?

✓ Eligible — Must Comply

- Indian subsidiaries of MNEs with EUR 750M+ consolidated revenue
- Companies applying AS (non-Ind AS) under Companies (Accounting Standards) Rules, 2021
- Indian entities with overseas operations in Pillar Two jurisdictions
- Companies whose parent entities are subject to IIR (Income Inclusion Rule) or UTPR (Undertaxed Profits Rule)

✗ Not Directly Affected

- Companies applying Ind AS (separate standard Ind AS 12 applies)
- Standalone domestic companies below EUR 750M group threshold
- SMEs and startups without MNE group connections

📌 **Important:** The exemption is **MANDATORY**, not optional. Companies cannot choose to recognize Pillar Two deferred taxes even if they want to.

What to De-recognize: DTAs and DTLs

Companies must **immediately de-recognize** the following upon adoption of the amendment:

1

Pillar Two Top-Up Tax DTAs

Deferred Tax Assets related to Pillar Two top-up tax computations must be fully removed from the balance sheet.

2

QDMTT-Related DTLs

Deferred Tax Liabilities arising from Pillar Two or QDMTT provisions are no longer recognizable under AS-22.

3

Temporary Differences

Any temporary differences specifically attributable to Pillar Two legislation must be excluded from deferred tax calculations.

0%

DTA Recognition

For Pillar Two items — down from standard AS-22 treatment

1x

P&L Adjustment

Impact flows through profit & loss as a one-time adjustment

 **Warning:** Existing deferred tax positions related to Pillar Two must be de-recognized **immediately** upon adoption. This is **not** a prospective-only change.

Timeline: Disclosure Requirements and Relief Periods



Required Disclosures from April 1, 2026

→ **Scope Confirmation**

Whether the entity is within Pillar Two scope based on group revenue threshold

→ **Exposure Estimate**

Known or estimated exposure to Pillar Two taxes across jurisdictions

→ **Qualitative Position**

Qualitative information about the group's overall Pillar Two tax position

→ **ETR Analysis**

Jurisdictional effective tax rate analysis where material to the financial statements

📌 **Key Deadline:** Transitional relief ends **March 31, 2026**. Full compliance required from Day 1 of FY 2026-27.

Who Needs to Act?

CA Professionals & Auditors

- Update audit procedures for Pillar Two deferred tax
- Verify client companies' group revenue against EUR 750M threshold
- Ensure proper de-recognition in pre-April audit engagements
- Prepare enhanced disclosure templates for clients

CFOs & Finance Teams

- Assess group Pillar Two scope immediately
- Restate deferred tax balance sheet positions
- Update tax accounting policies and internal controls
- Coordinate with group tax team on QDMTT calculations

Board & Audit Committees

- Understand financial statement impact of de-recognition
- Review updated accounting policy for board approval
- Ensure disclosure compliance for FY 2026-27
- Monitor global Pillar Two developments affecting the group

Critical Warnings for Implementation

Mandatory, Not Optional

The exemption from deferred tax recognition is **compulsory**. Companies cannot override this to maintain their existing deferred tax treatment for Pillar Two items under any circumstances.

Ind AS Companies Are Separate

This amendment applies to **AS-22 only**. Companies following Ind AS 12 have separate guidance via ITFG clarification. Do not mix the two frameworks — they operate independently.

QDMTT Is Explicitly Included

India's domestic minimum top-up tax (QDMTT) is **explicitly covered** by this amendment. Even if your group pays QDMTT instead of foreign top-up tax, the deferred tax exemption fully applies.

Audit Season Timing

With the March 31 year-end approaching, the **immediate impact** is on FY 2025-26 financial statements already being finalized. Verify whether transitional relief applies to your specific reporting period.

Your 5-Step Compliance Roadmap



Step 1 — Immediate: Confirm Threshold

Confirm whether your group exceeds the **EUR 750 million** consolidated revenue threshold to determine applicability.



Step 2 — By March 31: De-recognize

Review and de-recognize any existing Pillar Two deferred tax positions in **FY 2025-26** financial statements.



Step 3 — April 2026: Update Policies

Update accounting policies to formally reflect the **AS-22 amendment** and communicate changes to stakeholders.



Step 4 — Q1 FY 2026-27: Implement Disclosures

Implement **enhanced Pillar Two disclosure** procedures for the first quarter of the new financial year.



Step 5 — Ongoing: Monitor Developments

Monitor **OECD developments** and future MCA notifications as the global Pillar Two framework continues to evolve.

March 10, 2026

MCA notification published

March 31, 2026


Transitional disclosure relief ends

April 1, 2026

Full Pillar Two disclosure obligations begin

FY 2026-27

First full year of compliance

 **Need Guidance?** Consult your **statutory auditor** or **tax advisor** to assess the Pillar Two impact specific to your company's structure and group revenue profile.