



Accounting for Income Taxes

Quarterly Hot Topics

In this issue:

[US Federal](#)

[US Multistate](#)

[International](#)

[Accounting Developments](#)

[Additional Resources and Other Interesting Topics](#)

[Learn More](#)

US Federal

Federal subchapter C

Summary of provisions under new final Section 163(j) Treasury Regulations applicable to consolidated groups

On January 5, 2021, the U.S. Department of the Treasury ("Treasury") and the Internal Revenue Service ("IRS") released new final Treasury regulations under section 163(j) and other related provisions of the Code ([T.D. 9943](#), the "2021 final Treasury Regulations"). In brief, the 2021 final Treasury Regulations finalized, with certain modifications, portions of the proposed Treasury Regulations under section 163(j) published in the Federal Register on September 14, 2020 ([REG-107911-18](#), the "2020 proposed Treasury Regulations"). The 2021 final Treasury Regulations also include amendments to the final Treasury Regulations under section 163(j) published in the Federal Register on September 14, 2020 ([T.D. 9905](#), the "2020 final Treasury Regulations").

Certain provisions included in the 2021 Final Regulations that generally apply to domestic C corporations and consolidated groups (as defined in Treas. Reg. section 1.1502-1(h)), include the following:

1. Determination of adjusted taxable income ("ATI")
2. Subtractions for sales or other dispositions of certain property
3. Subtractions for sales or other dispositions of stock of a consolidated group member
4. Subtractions for sales or other dispositions of partnership interest
5. General operating rules for sales or other dispositions
6. Deductions by members of a consolidated group
7. Successor rules
8. Anti-duplication rules
9. Cap on negative adjustments
10. Treatment of depreciation, amortization, or depletion capitalized under section 263A
11. Election to use 2019 ATI in 2020

Bear in mind that (i) the 2021 final Treasury Regulations are not official until they are published in the Federal Register, and (ii) the 2021 final Treasury Regulations generally are prospective in application, but taxpayers may choose to apply these regulations to prior taxable years where certain conditions are satisfied.

American Rescue Plan Act (H.R. 1319)

On March 11, 2021, President Biden signed the [American Rescue Plan](#) into law. The new law, among other things, extends and enhances a number of current-law incentives for individuals and businesses. In addition, there are corporate tax revenue raisers to ensure the broader measure complied with budget reconciliation rules under which the bill was passed. These corporate revenue-raising provisions include:

- Repealing the election for US affiliated groups to allocate interest expense on a worldwide basis under IRC section 864(f), effective for taxable years beginning after 2020.
- Expanding the list of "covered employees" under the section 162(m) limitation on the deduction for excessive employee remuneration.

For a more extensive overview of the final version of the American Rescue Plan, including a detailed discussion of its revenue provisions, please see the Deloitte Tax News & Views [article](#) dated March 10, 2021.

Federal subchapter K

Partnership interests held in connection with performance of services: Final regulations

Generally, IRC section 1061(a) requires a holding period of more than three years for a taxpayer to obtain long-term capital gain treatment with respect to net long-term capital gains attributable to one or more applicable partnership interests (each, an API). Subject to various exceptions, IRC section 1061(c)(1) generally defines an API as any interest in a partnership which, directly or indirectly, is transferred to (or is held by) the taxpayer in connection with the performance of substantial services by the taxpayer, or any other related person, in any applicable trade or business (ATB). Special rules under IRC section 1061(d) are provided for certain related-party transfers.

On January 7, 2021, the Treasury and the IRS released [final Treasury Regulations](#) under IRC section 1061 (T.D. 9945). The final Treasury Regulations retain the structure of the proposed Treasury Regulations published in the Federal Register on August 14, 2020 (REG-107213-18), with certain modifications. The final Treasury Regulations were published in the Federal Register on January 19, 2021.

The final Treasury Regulations generally apply to taxable years of certain taxpayers beginning on or after the date the final Treasury Regulations are published in the Federal Register. Refer to the [Deloitte tax@hand](#) added January 14, 2021 for more information.

Federal employee benefits

Extension and enhancement of paid sick and family leave credits

The IRS announced on January 29, 2021 that it has updated its [FAQs page](#) on the refundable payroll tax credits for paid sick and family leave that were enacted in the Families First Coronavirus Response Act (P.L. 116-127) in March 2020 and were extended and modified under the [Consolidated Appropriations Act, 2021](#) (P.L. 116-260), the year-end omnibus tax-and-spending package that was signed into law on December 27, 2020. The credits generally are available to businesses and tax-exempt organizations that have fewer than 500 employees and pay “qualified sick leave wages” and/or “qualified family leave wages” under the paid sick leave and paid family leave mandates enacted in the Families First Act.

For additional details, please see the [Deloitte tax@hand](#) article dated February 5, 2021.

The American Rescue Plan has extended the credits through September 30, 2021. The American Rescue Plan, among other taxpayer friendly changes to the tax credit for paid sick and family leave, has increased the amount of wages for which an employer may claim the family leave credit and expanded the list of reasons that an employer may provide paid family leave.

For additional details, please see the [Deloitte tax@hand](#) article dated March 10, 2021.

US International

IRC section 163(j) final Treasury Regulations and impacts to controlled foreign corporations

On January 5, 2021, the Treasury and IRS released [final Treasury Regulations](#) (T.D. 9943) under IRC section 163(j) providing guidance on the limitation on the deductibility of business interest expense (BIE). The final Treasury regulations generally finalize proposed Treasury Regulations promulgated on July 28, 2020, although they make some modifications on certain issues related to application of IRC section 163(j) to controlled foreign corporations (CFCs), including:

- Negative Adjusted Taxable Income (ATI) of CFC group members
- Anti-abuse rule disregarding intercompany transactions expanded
- Limited transition rule for SRLY-like limitation if 2018 CFC group election in effect
- Administrative aspects of CFC group election addressed
- Safe harbor election expanded and modified

For additional details, please see the Deloitte [tax@hand](#) article dated January 7, 2021.

Federal Periods and Methods

Final Treasury Regulations issued under IRC section 162(f) and section 6050X

On January 12, 2021, the Treasury and IRS released final Treasury Regulations ([T.D. 9946](#)) under [sections 162\(f\)](#) and [6050X](#) (collectively, the “final Treasury Regulations”), which provide guidance on deductions and related reporting requirements for certain fines, penalties, and other amounts paid by taxpayers to, or at the direction of, governmental entities (or certain self-regulatory entities) pursuant to a court order or settlement agreement in connection with the violation or investigation of a potential violation of any law.

Please refer to an [alert](#) issued by Deloitte Tax LLP, which provides a summary of these final Treasury Regulations.

Final IRC section 451 Treasury Regulations

On January 6, 2021, the Treasury Regulations ([T.D. 9941](#)) under IRC section 451 were published in the Federal Register. The Treasury regulations, which were previously released on December 21, 2020, regard the timing of income inclusion under an accrual method of accounting, including the treatment of advance payments for goods, services, and certain other items. The final Treasury Regulations are generally effective for taxable years beginning on or after January 1, 2021, but taxpayers are permitted to apply the final Treasury Regulations to tax years beginning after December 31, 2017. For a specified fee that is not a credit card fee, the final Treasury Regulations are applicable for taxable years beginning on or after January 6, 2022.

It is expected that the Treasury and IRS will issue additional procedural guidance addressing accounting method changes necessitated by the final Treasury Regulations in the foreseeable future.

Please refer to an [alert](#) issued by Deloitte Tax LLP for further detail.

Final Treasury Regulations for the Carbon Capture Credit

On January 15, 2021, the Treasury and the IRS published final Treasury Regulations ([T.D. 9944](#)) on IRC section 45Q carbon oxide sequestration credit regarding qualified carbon oxide captured using carbon capture equipment placed in service on or after February 9, 2018. In order to qualify for the IRC section 45Q credit, a taxpayer must begin construction of carbon capture equipment or a carbon capture facility before January 1, 2026. The final Treasury Regulations provide important guidance related to calculating the amount of the IRC section 45Q credit and determining and maintaining eligibility for the credit. Specifically, the final Treasury Regulations detail rules, applications, and examples related to the topics addressed, some of which differ from, or build upon, the guidance previously provided in the proposed Treasury Regulations.

This [alert](#) issued by Deloitte Tax LLP provides further detail on these final Treasury Regulations.

US Multistate

Alabama: New law adopts single-sales factor and elective passthrough entity-level taxation and addresses GILTI and IRC section 163(j)

New law in Alabama incorporates wide-ranging business tax provisions, including moving to single-sales factor apportionment, eliminating Alabama's sales factor throwback rule, decoupling from federal global intangible low-tax income (GILTI) provisions, addressing IRC section 163(j) interest limitations, and allowing certain pass-through entities to elect taxation at the entity level.

For additional details, please refer to the February 19, 2021 edition of [State Tax Matters](#).

California Franchise Tax Board (FTB) chief counsel rulings address sourcing of tangible personal property

Two recent chief counsel rulings address the sourcing of sales of tangible personal property (TPP) for state corporate income tax purposes under two different factual scenarios—one involving receipts from intercompany sales between affiliates of the same combined reporting group, and the other involving TPP delivery to a consolidation warehouse to be prepared for resale.

For additional details, please refer to the January 8, 2021 edition of [State Tax Matters](#).

California FTB notice addresses elections to change accounting periods or methods

A recently issued California FTB notice provides some guidance to taxpayers on the manner in which an election to change an accounting period or method is to be filed with the FTB, addressing instances of deemed California consent, different California elections, and automatic California consent.

For additional details, please refer to the January 8, 2021 edition of [State Tax Matters](#).

Colorado Governor issues executive order on voter-approved corporate income tax rate reduction

Colorado Governor Jared Polis issued a proclamation declaration of voter-approved ballot measure "Proposition 116," which for tax years commencing on or after January 1, 2020 lowers the tax rate for both state corporate and individual income taxes from 4.63% to 4.55%.

For additional details, please refer to the January 8, 2021 edition of [State Tax Matters](#).

Colorado: Adopted rules reflect inclusion of certain domestic companies on combined returns

Pursuant to state law now requiring a domestic company with de minimis or no property and payroll to be included in the Colorado combined return of affiliated corporations, the Colorado Department of Revenue recently adopted corresponding administrative rule changes.

For additional details, please refer to the January 22, 2021 edition of [State Tax Matters](#).

Colorado: New law creates state deduction to restore some federal CARES Act-related benefits

New law creates a Colorado income tax subtraction for some taxpayers with certain federal income tax deductions under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act to access corresponding state income tax benefits in 2021 and future tax years—the amount of which may be based upon provisions involving net operating losses, excess business losses, business interest expense, and qualified improvement property.

For additional details, please refer to the January 29, 2021 edition of [State Tax Matters](#).

Delaware: Trial Court holds in taxpayer's favor that Net Operating Loss (NOL) limitation policy is invalid

A Delaware trial court granted summary judgment in favor of a taxpayer that challenged the validity of the Delaware Division of Revenue's NOL limitation policy as it applies to certain entities filing separate-company Delaware corporate income tax returns but which file as part of a consolidated corporate income tax return for federal income tax purposes.

For additional details, please refer to the January 8, 2021 edition of [State Tax Matters](#).

Idaho: New law generally updates state conformity to IRC

A new law generally updates select corporate and personal income tax statutory references in Idaho to conform to federal IRC provisions as in effect on January 1, 2021.

For additional details, please refer to the February 26, 2021 edition of [State Tax Matters](#).

Louisiana: Gains from sale of LLC interest are deemed includable in sales factor denominator

A Louisiana Court of Appeals affirmed that a taxpayer's gains from the sale of its interest in a limited liability company were properly included in its sales factor denominator for state corporate income tax purposes as other gross apportionable income.

For additional details, please refer to the January 8, 2021 edition of [State Tax Matters](#).

Louisiana: Interest earned on contracts sourced in-state but contracts are sourced out-of-state

In a ruling involving a company that acquires, owns, and services retail installment contracts (RICs) from dealers who sell vehicles to their customers on credit, interest paid to the company from the RICs generated in Louisiana from vehicle sales must be sourced to Louisiana for sales factor purposes, while the value of the RICs themselves must be sourced outside of Louisiana for property factor purposes.

For additional details, please refer to the January 8, 2021 edition of [State Tax Matters](#).

Louisiana: State high court denies review of nexus case involving IP licensing and distribution

The Louisiana Supreme Court denied review of a ruling from 2020, which held that under then-existing law for the prior tax years at issue, an out-of-state TV production company did not owe Louisiana corporate and franchise tax on royalties received from agreements with unrelated third parties that resulted in distribution of its show and use of its trademarks within Louisiana.

For additional details, please refer to the January 29, 2021 edition of [State Tax Matters](#).

Missouri: Adopted rules reflect mandatory single-sales factor formula and market-based sourcing

The Missouri Department of Revenue adopted new administrative rules reflecting Missouri's adoption of a mandatory single-sales factor formula for state corporation income tax purposes, as well as market-based sourcing provisions for sourcing certain receipts from services and intangibles.

For additional details, please refer to the January 29, 2021 edition of [State Tax Matters](#).

Nebraska Department of Revenue (DOR) issues guidance on state dividend treatment of federal subpart F income

The Nebraska DOR issued guidance addressing to what extent subpart F income under the IRC may qualify as a dividend or deemed dividend for purposes of the Nebraska dividend and deemed dividend deduction from federal taxable income.

For additional details, please refer to the February 19, 2021 edition of [State Tax Matters](#).

New Hampshire: Finalized rules implement adoption of Business Profits Tax (BPT) and Business Enterprise Tax (BET) market-based sourcing rules

The New Hampshire Department of Revenue Administration has finalized lengthy proposed rules implementing legislation enacted in 2019 that adopts market-based sourcing provisions under the BPT and BET for taxable periods ending on or after December 31, 2021.

For additional details, please refer to the February 19, 2021 edition of [State Tax Matters](#).

New Jersey: Gains from asset sales deemed apportionable and liquidation exception does not apply

The New Jersey Superior Court, Appellate Division, affirmed that the business liquidation doctrine did not apply to the gains from a corporate taxpayer's sales of assets involving two business lines under the provided facts and that such gains from tax year 2020 constituted apportionable operational income for state corporation business tax purposes.

For additional details, please refer to the February 5, 2021 edition of [State Tax Matters](#).

New Jersey: Income reporting and accounting methods for certain foreign members of a combined group

New administrative guidance concerning New Jersey's mandatory unitary combined reporting regime addresses the income reporting and accounting methods for non-US corporations that are included as members of a New Jersey corporation business tax return's combined group, where a member of the group is a non-US corporation that only uses the International Financial Reporting Standards for financial and tax purposes.

For additional details, please refer to the February 12, 2021 edition of [State Tax Matters](#).

New Jersey: Notice announces one-time exception to prospectively allow filing method change

The New Jersey Division of Taxation announced that, as a result of corporation business tax (CBT) law changes enacted in 2020 involving New Jersey's combined reporting regime, it is providing a one-time exception to prospectively allow a change to the combined group's filing methods such that the filing method elections selected on the 2019 CBT-100U will not be binding for subsequent years.

For additional details, please refer to the January 15, 2021 edition of [State Tax Matters](#).

New York City: Updated memos address business taxation of TCJA foreign-sourced income provisions

The New York City Department of Finance updated two memoranda involving foreign-sourced income provisions under the federal 2017 Tax Cuts and Jobs Act, including the tax treatment and allocation methodology of the Foreign Derived Intangible Income (FDII) deduction, GILTI, and mandatory deemed repatriation amounts under the Business Corporation Tax, General Corporation Tax, Banking Corporation Tax, and Unincorporated Business Tax.

For additional details, please refer to the February 19, 2021 edition of [State Tax Matters](#) and the February 12, 2021 edition of [State Tax Matters](#).

North Carolina DOR addresses classification of gain from sale of minority limited partnership interest

The North Carolina Department of Revenue issued a notice addressing 2017 legislative changes to the definition of apportionable income, announcing that it will no longer follow an administrative ruling from 2011 addressing the classification of gain from the sale of an out-of-state taxpayer's minority limited partnership interest.

For additional details, please refer to the January 8, 2021 edition of [State Tax Matters](#).

Oregon Tax Court addresses inclusion of dividend and subpart F income in sales factor

The Oregon Tax Court, Regular Division, denied partial motions for summary judgment in a case involving dividend income and subpart F income received by a taxpayer from its controlled foreign corporations and whether Oregon statutes require portions of such income that are not subtracted from federal taxable income to be included in the taxpayer's sales factor.

For additional details, please refer to the January 15, 2021 edition of [State Tax Matters](#).

Rhode Island: Administrative ruling addresses market-based sourcing of web-based service revenue

In an administrative ruling involving a healthcare technology services company engaged in performing various services through its proprietary web-based platform, the Rhode Island Division of Taxation determined that the company may source the percentage of revenues derived from services provided to Rhode Island patients in proportion to affiliated retail pharmacy and call center cases.

For additional details, please refer to the February 12, 2021 edition of [State Tax Matters](#).

South Carolina: Ruling addresses state decoupling from IRC sections 163(j), 381(c)(20) and 382(d)(3)

The South Carolina Department of Revenue adopted a revenue ruling addressing how for tax years beginning in 2018, South Carolina's tax treatment of a business interest expense deduction differs from the federal treatment pursuant to state law that decouples from Internal Revenue Code sections 163(j), 381(c)(20) and 382(d)(3).

For additional details, please refer to the January 29, 2021 edition of [State Tax Matters](#).

South Dakota: New law updates state conformity to IRC for bank tax purposes

New law updates statutory references to the IRC as it existed from January 1, 2020 to January 1, 2021 for state financial institution/bank franchise tax purposes.

For additional details, please refer to the February 5, 2021 edition of [State Tax Matters](#).

Tennessee DOR addresses sourcing of receipts from sales of custom-built tangible personal property

The Tennessee Department of Revenue issued a ruling addressing how a manufacturer of custom-built tangible personal property must source receipts from sales of such property for Tennessee franchise and excise tax purposes, concluding that it should source such receipts according to the location of the purchaser rather than to where the purchaser ultimately registers such property.

For additional details, please refer to the January 15, 2021 edition of [State Tax Matters](#).

Texas comptroller adopts changes to its franchise tax economic nexus rule

The Texas Comptroller of Public Accounts has adopted clarifications and amendments to a previously existing administrative rule on nexus, which includes an economic nexus threshold of \$500,000 of Texas gross receipts for Texas franchise tax purposes and provides that out-of-state entities with a use tax permit are subject to the Texas franchise tax.

For additional details, please refer to the February 12, 2021 edition of [State Tax Matters](#).

Wisconsin: Omnibus tax bill updates state conformity to select federal changes and addresses revenue agent's reports (RARs)

New law for Wisconsin income and franchise tax purposes adopts some federal income tax provisions, including select provisions found within the federal CARES Act and federal Consolidated Appropriations Act, 2021.

For additional details, please refer to the February 26, 2021 edition of [State Tax Matters](#).

International

This compilation is intended to be an overview of major international tax developments during the quarter that may have ASC 740 implications. For more summaries of other current international income tax news and developments for the current quarter, please refer to the additional publications listed at the end of this section.

Multiple jurisdictions

An update on recent tax treaty developments as from January 2021 with a focus on items that directly affect the withholding tax rates of the key jurisdictions covered by the [Deloitte International Tax Source](#) (DITS) has been released.

For additional details, please see the Deloitte [tax@hand](#) article dated January 27, 2021 and Deloitte [tax@hand](#) article dated March 16, 2021.

On January 21, 2021, the OECD Secretariat released [Updated guidance on tax treaties and the impact of the COVID-19 crisis](#) (guidance). The guidance considers the interpretation of tax treaty articles on the creation of permanent establishments, tax residence of companies and individuals, and taxation of income from employment. The guidance revisits and updates earlier guidance published by the OECD Secretariat in April 2020.

For additional details, please see the Deloitte [tax@hand](#) article dated January 22, 2021.

Germany

Overview of updated transfer pricing administrative guidance from tax authorities

The federal Ministry of Finance (MOF) released long-awaited transfer pricing administrative guidance on December 3, 2020 through a circular that makes some updates to the previous guidance from 2005 ("Administrative Principles Procedure 2005"); however, the new guidance partly lacks a legal basis under the current law and the guidance leaves some questions unanswered. The new guidance also provides for some procedural changes that shift the burden of proof regarding transfer pricing matters to the taxpayer in certain situations and grant additional rights to the tax authorities.

For additional details, please see the Deloitte [tax@hand](#) article dated February 3, 2021.

MOF publishes decree on extraterritorial taxation of royalties and IP transfers

On February 11, 2021 the MOF published a decree regarding the tax compliance obligations of nonresident taxpayers that are subject to German extraterritorial taxation on royalties and/or transfers of certain intellectual property (IP). The decree provides some procedural relief relating to royalty withholding tax filings and payments in relation to certain nonresidents that qualify for benefits under an applicable tax treaty with Germany; the relief is available for 2013 and subsequent years. However, the decree also provides that where there is a transfer of German-registered IP, a nonresident is required to file a German tax return even in a case where the transfer is not taxable in Germany based on the provisions of an applicable tax treaty (which would be a "nil return" in this case).

For additional details, please see the Deloitte [tax@hand](#) article dated February 12, 2021.

On February 26, 2021, the lower house of the parliament approved the third tax aid act. The draft law inter alia includes an increase of the NOL carry-back amount for the years 2020 and 2021 from EUR 5m to EUR 10m for individuals and corporations. The upper house of parliament approved the bill on March 5, 2021.

Additionally, the MOF published a decree that allows taxpayers to amortize computer hardware and certain software based on a one-year amortization period. The amortization period previously was a general three-year period for hardware and a five-year period for software (ERP software).

India

Highlights of 2021/22 union budget

On February 1, 2021, India's finance minister presented the [2021/22 union budget](#). The finance bill now will be discussed in parliament, and the bill must be approved by both the upper and lower houses before being sent to the Indian president for his assent. Once signed by the president, the bill will become law.

The budget contained no changes to corporate income tax rates; however, there were a number of key tax proposals, including an expansion in the scope of the equalization levy, extensions to various tax incentives, new procedures for tax appeals and rulings, and the rationalization of customs duty.

For additional details, please see the Deloitte [tax@hand](#) article dated February 3, 2021.

Italy

2021 budget law enacted, including tax incentives to encourage investment

The 2021 budget law was published in the official gazette on December 30, 2020. Changes have been made to tax incentives, step-up regimes, and the taxation of distributions received, and capital gains derived by EU/European Economic Area (EEA) collective investment funds (CIVs) from Italian investments, among others. The budget law introduces a new business combination incentive for Italian companies. In particular, in the case of a business combination carried out by merger, demerger, or business contribution executed from January 1, 2021 to December 31, 2021, the entity resulting from the extraordinary transaction is entitled to convert deferred tax assets (DTAs) relating to tax net operating loss (NOL) carry-forwards and excess notional interest deductions (NIDs) into tax credits, even if the DTAs were not booked in the statutory financial statements.

For additional details, please see the Deloitte [tax@hand](#) article dated January 5, 2021.

Japan

Enacted Tax reform

The 2021 tax reform proposals were enacted on March 26, 2021. There are a number of changes to corporate income taxes including:

- Temporary removal of limitations on NOL utilization
- Revision of R&D tax credits
- Revision of tax credits for wage and investment increases
- Extension of disallowance of R&D and certain other tax incentives for large companies by three years
- Introduction of Digital Transformation and Carbon Neutral tax incentives
- Relaxation of requirements to deduct director's compensation for certain asset management firms

For additional details, please see the Deloitte [tax@hand](#) article dated January 5, 2021.

Luxembourg

Tax authorities release guidance on interest limitation rules

The Luxembourg tax authorities issued guidance ([Circular n°168bis/1](#), in French only) on January 8, 2021, clarifying certain aspects of the interest expense deduction limitation rules in article 168bis of the Income Tax Law (ITL).

The interest limitation rules were introduced following the transposition of the [EU Anti-Tax Avoidance Directive](#) (ATAD1) into Luxembourg domestic tax law. They are applicable as from fiscal years starting on or after January 1, 2019.

For additional details, please see the Deloitte [tax@hand](#) article dated January 13, 2021.

Deduction will be denied for certain related entity payments as from March 1, 2021

On January 28, 2021, the Luxembourg legislature adopted rules disallowing tax deductions for interest and royalties due to related entities established in a country or territory included in the EU list of non-cooperative jurisdictions for tax purposes (EU list). These rules will be effective as from March 1, 2021.

For additional details, please see the Deloitte [tax@hand](#) article dated January 29, 2021.

Mexico

Tax incentives granted in northern and southern border regions

A presidential decree published in Mexico's government gazette on December 30, 2020 extended the validity of the income tax credit and reduced the value-added tax (VAT) rate initially granted in 2019 for two years to certain taxpayers located in 43 municipalities in the northern border region.

Another presidential decree was published granting a temporary income tax credit and a reduced VAT rate to certain taxpayers located in 23 municipalities in the southern border region.

The first decree extended the incentives period by four years (i.e., from January 1, 2021 through December 31, 2024), and the second will apply from January 1, 2021 through December 31, 2024.

For additional details, please see the Deloitte [tax@hand](#) article dated January 27, 2021.

U.K.

Key measures from Spring Budget 2021 for non-UK owned groups

The UK Chancellor of the Exchequer delivered the first budget since Britain's exit from the EU on March 3, 2021. The finance bill published on March 11, 2021, includes an increase to the corporate tax rate to 25% for companies with profits over GBP 250,000 beginning April 1, 2023, as well as changes to the period for which trading losses can be carried back against previous profits. The carry-back has been extended from one to three years for accounting periods ending between April 1, 2020 and March 31, 2022.

For additional details, please see the Deloitte [tax@hand](#) article dated March 3, 2021.

An early analysis of the UK-EU trade deal

On December 24, 2020, the UK and the EU agreed on a Brexit deal: The Trade and Cooperation Agreement ("TCA"). The full 1,246-page text was published on December 26, 2020, received parliamentary approval on December 30, and became law via the passing of the European Union (Future Relationship) Act 2020 on December 31. The EU has agreed for provisional application from January 1, 2021, pending formal ratification before the end of April. The TCA governs the relationship between the EU and the UK following Brexit.

For additional details, please see the Deloitte [article](#) dated March 3, 2021.

Accounting Developments

Reminder: FASB ASU 2019-12, Simplifying the Accounting for Income Taxes, now effective

As a reminder, the amendments under FASB ASU 2019-12, Simplifying the Accounting for Incomes Taxes, are now effective for public business entities (PBEs).

The ASU impacts various topic areas within ASC 740, including accounting for taxes under hybrid tax regimes, accounting for increases in goodwill, allocation of tax amounts to separate company financial statements within a group that files a consolidated tax return, intraperiod tax allocation, interim period accounting, and accounting for ownership changes in investments, among other minor codification improvements.

For non-PBEs, the ASU is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption of the ASU is permitted.

For additional details and a full summary of ASU 2019-12, please refer to our December 19, 2019 [Heads Up](#).

COVID-19

The following Financial Reporting Alerts on considerations related to COVID-19 and an economic downturn are available. Please refer to the Deloitte publications listed below for more information:

[Financial Reporting Alert 20-2: Financial Reporting Considerations Related to COVID-19 and an Economic Downturn](#), updated on January 11, 2021, includes discussion of key US GAAP financial statement considerations related to recent COVID-19 developments.

[Financial Reporting Alert 20-3: COVID-19 and Financial Reporting Trends – Accounting for the Pandemic in the Current Quarter](#), published on June 5, 2020, includes guidance on which accounting hot topics companies should keep in mind related to COVID-19 as they prepare quarterly financial statements.

[Financial Reporting Alert 20-4: COVID-19 and Non-GAAP Measures](#), published on July 1, 2020, considers key considerations for registrants related to reflecting the specific impact of COVID-19 in their non-GAAP measures.

[Financial Reporting Alert 20-5: COVID-19 Financial Reporting Trends – Different News or More of the Same?](#), published September 11, 2020, considers financial reporting and accounting challenges that are top of mind for many companies, as well as insights into different alternatives that companies are pursuing in response to these challenges.

Other

For other information regarding newly issued accounting standards, exposure drafts, and other key developments, refer to our [Quarterly Accounting Roundup](#).

For upcoming webcasts that give you valuable insights on important developments affecting your business and feature practical knowledge from Deloitte specialists and CPE credits, please visit us at [Dbriefs Webcasts](#).

Additional Resources and Other Interesting Topics

Paycheck protection program loan guidance issued

The IRS on January 6, 2021 issued [Rev. Rul. 2021-2](#), which provides that certain business expenses that are paid for with funds from a Paycheck Protection Program (PPP) loan that is forgiven (or expected to be forgiven) are tax deductible.

The revenue ruling aligns the IRS's position with a provision in the Consolidated Appropriations Act, 2021 that amended the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) to say that no deduction is denied, no tax attribute is reduced, and no basis increase is denied by reason of the exclusion from gross income of the forgiveness of an eligible recipient's covered loan. This change applies for taxable years ending after March 27, 2020.

Please refer to this [alert](#) issued by Deloitte Tax LLP providing further detail.

Employee retention credit guidance, enhancements, and extension

The IRS issued guidance ([Notice 2020-21](#)) on March 1, 2021 that addresses retroactive changes to the employee retention tax credit (ERTC) that were included in the Consolidated Appropriations Act, 2021, the omnibus tax-and-spending legislation that was signed into law on December 27, 2020. Notice 2021-20 explains when and how employers that received a PPP loan can claim the employee retention credit for 2020.

Please refer to this [alert](#) issued by Deloitte Tax LLP providing further detail.

The American Rescue Plan, signed into law March 11, 2021, has further extended the ERTC through December 31, 2021. The American Rescue Plan provides enhancements to the ETRC, such as allowing certain hardest hit businesses to count wages paid to all employees as qualifying wages (rather than just those wages paid to employees that are not providing services) in determining their credit and making the credit available to certain start-up businesses, subject to certain limits.

For additional details, please see the Deloitte Tax News & View [article](#) dated March 10, 2021.

Learn More

Additional resources you may find helpful

- [Accounting for Income Taxes—Quarterly Hot Topics Archive](#)
- [TaxFirst Webcast Series](#)
- [Deloitte Tax Accounting & Provision Services Home Page](#)
- [Deloitte Tax Accounting & Provisions Dbriefts Webcasts Series](#)
- [Deloitte Heads Up Newsletter Archive](#)
- [Global Tax Developments Quarterly—Accounting for Income Taxes](#)
- [tax@hand](#)

As always, we are interested in your comments on our publications. Please take a moment to tell us what you think by sending us an [e-mail](#).

Talk to us

If you have any questions or comments about the ASC 740 implications described above or other content of Accounting for Income Taxes Quarterly Hot Topics, contact the Deloitte Washington National Tax Accounting for Income Taxes Group at:

USNationalWNTActIncomeTaxesGrp@deloitte.com

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte, its affiliates, and related entities shall not be responsible for any loss sustained by any person who relies on this publication.

As used in this document, "Deloitte" means Deloitte Tax LLP and Deloitte & Touche LLP, which are separate subsidiaries of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

Deloitte.com | [Legal](#) | [Privacy](#)

1633 Broadway
New York, NY 10019-6754
United States
Copyright © 2021 Deloitte Development LLC. All rights reserved.

 [Deloitte RSS feeds](#)