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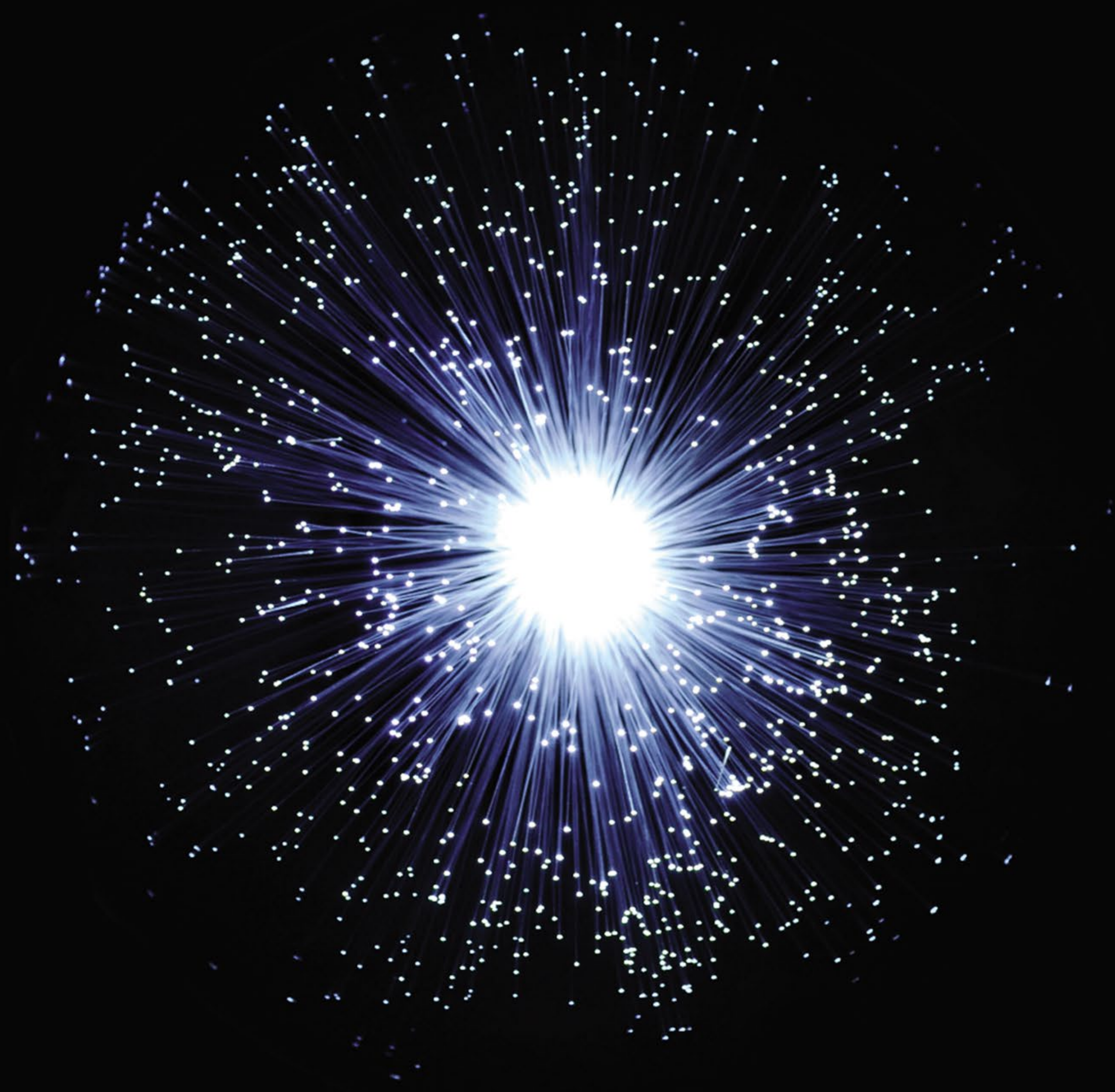

Global Tax Developments Quarterly
Accounting for Income Taxes

Summary of recent international tax developments that may have implications on accounting for income taxes under US GAAP

October 1, 2018 – December 31, 2018
January 23, 2019
Issue 2018-4

Contents

Introduction

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Unless otherwise indicated, the content in this document is based on information available as of December 31, 2018. Accordingly, certain aspects of this document may be updated as new information becomes available. Financial statement preparers and other users of this document should take actions to remain abreast of and carefully evaluate additional events that may be relevant to accounting for income taxes matters.

Applicable US GAAP guidance

Under US GAAP, the effects of new legislation are recognized upon enactment. More specifically, the effect of a change in tax laws or rates on a deferred tax liability or asset is recognized as a discrete item in the interim period that includes the enactment date. The tax effects of a change in tax laws or rates on taxes currently payable or refundable for the current year are reflected in the computation of the annual effective tax rate after the effective dates prescribed in the statutes, beginning no earlier than the first interim period that includes the enactment date of the new legislation. However, any effect of tax law or rate changes on taxes payable or refundable for a prior year, such as when the change has retroactive effects, is recognized upon enactment as a discrete item of tax expense or benefit for the current year. While there is no specific guidance as to what constitutes "enactment" under US GAAP, it is commonly accepted that enactment takes place on the date the last step in the legislative process required to promulgate the law is complete (e.g. a law is published in an official gazette, signed by a president, or receives Royal Assent).

Enacted Tax Law Changes: October 1, 2018 to December 31, 2018

The following section includes a summary of major international income tax law changes enacted during the period October 1, 2018 to December 31, 2018.

Australia

Tax cuts brought forward for companies with turnover under AUD 50 million

Date of Enactment: October 28, 2018
Effective Date: 2021

On October 25, 2018, the government enacted legislation to fast-track business tax relief for small businesses. Corporations with an aggregated turnover of less than AUD 50 million will be taxed at the lower rate of 25% from 2021-22 rather than 2026-27 as was previously legislated.

See also tax@hand – October 11, 2018

Colombia

Tax reform legislation includes progressive reduction in corporate income tax rate

Date of enactment: December 28, 2018
Effective date: January 1, 2019

Colombia's 2019 finance bill, enacted as Law 1934 of 2018 on December 28, 2018, makes reforms to various tax rules, the key feature being the progressive reduction in the corporate income tax rate from 33% for taxable year 2019 to 30% for taxable year 2022 and thereafter.

See also tax@hand – January 9, 2019

Costa Rica

Corporate tax brackets updated for 2019

Date of Enactment: October 1, 2018
Effective Date: October 1, 2018

Executive decrees published in Costa Rica's official gazette on October 1, 2018 update the income tax brackets for companies for the 2019 tax year (i.e. October 1, 2018 to September 30, 2019). The changes are effective beginning October 1, 2018 and reflect an adjustment of 2.24%.

See also tax@hand – October 5, 2018

Denmark

Several ATAD measures introduced

Date of Enactment: December 20, 2018
Effective Date: Various

On December 20, 2018, Denmark's parliament approved most of a bill that transposes the EU Anti-Tax Avoidance Directives (ATAD 1 and ATAD 2) into domestic tax law. The approved measures are changes to the interest expense deduction limitation rules, exit tax rules, a general anti-avoidance rule, arbitration provisions intended to eliminate double taxation and an extension of the existing hybrid mismatch rules. The controlled foreign company legislation remains pending. The enacted measures apply to income years starting on or after January 1, 2019, with the exception of the hybrid mismatch and exit taxation rules that will apply to income years starting on or after January 1, 2020.

See also tax@hand – December 26, 2018, tax@hand – November 5, 2018 and tax@hand – October 18, 2018

El Salvador

Decree nullifies tax procedures relating to tax years 2014/2015

Date of Enactment: October 1, 2018
Effective Date: October 1, 2018

A decree approved by El Salvador's legislative assembly on September 26, 2018 and published in the official gazette on October 1 invalidates all procedures initiated by the tax authorities relating to tax years 2014 and 2015. The decree affects audits, assessments, adjustments to tax liability, hearings or the imposition of penalties that had not been concluded on the date the decree became effective (i.e. October 1, 2018).

See also tax@hand – October 2, 2018

Finland

Final interest deduction limitation rules include changes to group ratio rule

Date of Enactment: November 28, 2018
Effective Date: January 1, 2019

The Finnish parliament approved the new interest deduction limitation rules based on the EU Anti-Tax Avoidance Directive (ATAD) on November 28, 2018. Changes to the balance sheet comparison in the group ratio rule and the grandfather clause were made during the parliamentary process. The new rules will be applicable to financial years ending on or after January 1, 2019.

See also tax@hand – December 4, 2018

CFC rules brought in line with EU ATAD

Date of Enactment: December 28, 2018
Effective Date: January 1, 2019

Measures adopted by the Finnish parliament on December 18, 2018 and ratified by the president on December 29 amend the domestic controlled foreign company rules to bring them in line with the EU Anti-Tax Avoidance Directive (ATAD 1). The new measures are stricter than what is required under the ATAD and the previous domestic rules. The new rules apply for financial years ending on or after January 1, 2019.

See also tax@hand – January 1, 2019 and tax@hand – November 12, 2018

France

Finance Law for 2019 implements ATAD 1 measures

Date of Enactment: December 30, 2018
Effective date: January 1, 2019

On December 20, 2018, the French finance law for 2019 was approved by the parliament, declared by the Constitutional Court to be in conformity with the French constitution, and published in the official journal on December 30, 2018. The law includes measures designed to ensure that French tax rules for enterprises are in line with OECD and EU initiatives, while maintaining the attractiveness of France as a place to invest. The main measure in the law implements the EU anti-tax avoidance directive (ATAD 1), specifically to revise France's interest expense limitation rules and introduce the ATAD general anti-avoidance rule. The finance law also makes changes to the tax consolidation regime to conform to decisions of the Court of Justice of the European Union.

See also tax@hand – December, 29 2018

Hong Kong

Concessionary tax measure includes profit tax exemption for certain qualifying debt instruments

Date of Enactment: November 23, 2018
Effective Date: April 1, 2018

The Inland Revenue (Amendment) (No. 5) Bill 2018, passed by Hong Kong's Legislative Council on November 14, 2018, introduced a profit tax exemption for certain qualifying debt instruments (QDIs). Interest or profits from QDIs of any maturity period and QDIs listed on the Hong Kong stock exchange now are fully exempt from profits tax, with respect to QDIs issued on or after April 1, 2018.

See also tax@hand – November 19, 2018

Ireland

Finance Act 2018 includes measures to implement EU ATAD

Date of Enactment: December 19, 2018
Effective Date: Various

Finance Act 2018 was signed into law on December 19, 2018 and introduced controlled foreign company rules applying from January 1, 2019 as required by the EU ATAD 1. Finance Act 2018 also amended Ireland's exit tax rules to become ATAD compliant, which were effective from October 10, 2018.

See also tax@hand – October 10, 2018 and Finance Bill 2018 Captured in full

Italy

EU Anti-Tax Avoidance Directives transposed into domestic law

Date of Enactment: December 28, 2018
Effective Date: Various

The legislative decree that transposes the EU Anti-Tax Avoidance Directives (ATAD 1 and 2) into domestic law was published in Italy's official gazette on December 28, 2018. The new legislation revises Italy's interest expense deduction limitation, controlled foreign company rules, rules on dividends and capital gains associated with foreign subsidiaries, exit tax rules and hybrid mismatches (the latter of which will apply as from January 1, 2020 and January 1, 2022 (for reverse hybrids). The decree does not amend the existing general anti-avoidance rule, which the Italian government considers to be in line with the ATAD.

See also tax@hand – January 16, 2019

2019 budget law enacted

Date of Enactment: December 31, 2018
Effective Date: January 1, 2019

Italy's budget law for 2019, published in the official gazette on December 31, 2018 and generally applies as from January 1, 2019, includes the following measures: (i) a lower corporate tax rate (15%) for income invested in qualifying assets and/or new hires; (ii) the repeal of the notional interest deduction (the carryforward of excess NID from previous fiscal years continues to be available); (iii) the introduction of a 3% web tax on digital services (including the use of digital platforms for the sale of goods); (iv) a new window for the election to step up the tax basis of participations owned by Italian individuals and nonresident entities in private Italian companies held as of January 1, 2019 by paying a substitute tax; (v) an extension of the applicability of the additional depreciation for certain assets owned by Italian companies ("hyper depreciation"); and (vi) changes to the R&D tax credit mechanism.

See also tax@hand – January 15, 2019 and tax@hand January 15, 2019

Luxembourg

Law implementing ATAD 1 published in official gazette

Date of Enactment: December 18, 2018
Effective Date: January 1, 2019

The law transposing the EU Anti-Tax Avoidance Directive (ATAD 1) into Luxembourg law was published on December 21, 2018, following parliament's approval on December 18. The new rules are applicable to fiscal years starting on or after January 1, 2019, except for the exit tax provisions, which will apply as from January 1, 2020. The measures covered by the law mainly deal with intra-EU hybrid mismatches, controlled foreign company rules, interest deduction limitations rules, exit taxation, a general anti-abuse rule and an amendment to the domestic definition of a foreign permanent establishment.

See also tax@hand - December 24, 2018

Mexico

Tax incentives for northern border region introduced

Date of Enactment: December 31, 2018
Effective Date: January 1, 2019

A presidential decree published in Mexico's official gazette on December 31, 2018 introduces tax incentives for certain residents of 43 municipalities in states located in the northern border region. The decree allows qualifying taxpayers that derive income "exclusively" in the northern border region to claim a tax credit of up to one-third of their income tax liability against the tax reported in the annual tax return or in the estimated tax returns. A taxpayer will be deemed to derive income exclusively in the northern border region where the income represents at least 90% of the taxpayer's total income during the immediately preceding fiscal year. The incentive is available to Mexican tax resident individuals that engage in entrepenurial activities, Mexican entities and foreign entities with a permanent establishment in Mexico.

See also tax@hand – January 7, 2019

Elimination of universal offset of taxes

Date of Enactment: December 28, 2018
Effective Date: January 1, 2019

The Federal Revenue Law for 2019 published in Mexico's official gazette on December 28, 2018 eliminates the ability of taxpayers to offset federal taxes (e.g. income tax and VAT) against each other and against other federal taxes. As from January 1, 2019, the offset will be allowed only against the same tax.

See also tax@hand – January 14, 2019

Netherlands

2019 tax package enacted

Date of Enactment: December 18, 2018
Effective Date: January 1, 2019

On December 18, 2018, the Dutch parliament approved the 2019 tax package that includes the following measures, which apply as from January 1, 2019:

- Reduction of the corporate income tax rate on the first EUR 200,000 of taxable income from 20% to 19%. The rate will be further reduced to 15% by 2021.
- Reduction of the tax loss carryforward period from nine years to six years, although losses incurred in financial years starting before January 1, 2019 still should be able to be carried forward nine years under the old rules.
- Abolition of the rules for ring-fenced holding and financing losses (subject to transition rules).
- Introduction of new interest deduction limitation rules, under which net borrowing costs are deductible up to 30% of the taxpayer's EBITDA (with all net interest deductible up to EUR 1 million).
- Introduction of CFC rules for (in)direct subsidiaries / permanent establishments located in certain EU black-listed jurisdictions or other specified low tax jurisdictions, earning passive income and not carrying out substantial economic activities.

See also tax@hand – January 11, 2019

Norway

Budget 2019 reduces corporate tax rate and amended interest expense deduction limitation

Date of Enactment: December 20, 2018
Effective Date: January 1, 2019

Norway's budget for 2019 includes a reduction in the general corporate rate from 23% to 22%, with effect for 2019 (i.e. for fiscal years ending in 2019; the fiscal year normally is the same as the calendar year, although, for example, subsidiaries and branches of non-Norwegian companies may apply the fiscal year of the parent company). The budget also revises the interest expense deduction limitation rules, largely based on a consultation paper released on May 4, 2017. The rules now also comprise interest expenses on external debt.

See also Norway tax alert – October 8, 2018

Enacted Tax Law Changes That Are Now Effective: October 1, 2018 to December 31, 2018

The following section includes a brief summary of major international income tax law changes enacted before October 1, 2018, but are first effective in the period October 1, 2018 to December 31, 2018.

Per a review of jurisdictions that are generally monitored in this publication, there were no major international income tax law changes enacted before October 1, 2018, but that are first effective in the period of beginning October 1, 2018 to December 31, 2018.

Enacted Tax Law Changes That Are Effective Beginning January 1, 2019

The following section includes a summary of major international income tax law changes enacted before before October 1, 2018, but effective beginning January 1, 2019.

Albania

First tranche of 2019 fiscal package amendments enacted

Date of Enactment: September 18 and 19, 2018
Effective Date: January 1, 2019

Amendments to Albania's income tax law published in the official gazette on September 18-19, 2018 include a change in the corporate profit tax rate. As from January 1, 2019, the standard profit tax rate is 5% for taxpayers with turnover of up to ALL 14 million and 15% for taxpayers whose turnover exceeds ALL 14 million.

See also tax@hand – October 2, 2018

On the Horizon

The following developments had not yet been enacted as of December 31, 2018, but may, in certain cases, be enacted and become effective in the near future. Please follow up with your U.S. or local country tax advisor for more information.

Barbados

IBC and ISRL regimes to be abolished and no new licenses to be granted

In a statement delivered on November 21, 2018, the Barbados prime minister reaffirmed the government's commitment to removing any preferential tax regimes that caused the ring-fencing of the international business sector and announced that, starting January 1, 2019, international business companies (IBCs) and international societies with restricted liability (ISRLs) will become regular Barbados companies (RBCs). This will have the effect of converging the tax treatment of domestic companies and "international" companies (i.e. resident companies that carry out all of their business overseas), subject to certain "grandfathering" provisions. Changes also are being made to the tax rate structure, which should result in a significant rate reduction for domestic RBCs, and additional corporate tax changes could be made in light of the rate reduction. The bill was passed by the Senate on December 19, 2018, but has not yet been enacted.

See also tax@hand – November 30, 2018

Hong Kong

Proposed tax exemption for investment funds

On December 7, 2018, the Hong Kong SAR government gazetted the Inland Revenue (Profits Tax Exemption for Funds) (Amendment) Bill 2018 that would unify the Hong Kong exemption regimes for privately-offered funds regardless of the type, size, location of central management and control, etc. Once enacted, it is expected that the new unified fund exemption regime would become effective on April 1, 2019. The measures will help address the EU concerns about Hong Kong's existing offshore fund exemption regime as containing "ring-fencing" features by allowing both onshore and offshore "funds" that invest in Hong Kong private companies to be eligible for the tax exemption if certain conditions are fulfilled.

See also tax@hand – November 9, 2018

Luxembourg

New government committed to corporate tax rate reduction

The newly-elected Luxembourg government has confirmed that it is committed to ensuring that the country's business tax system is competitive and has proposed some changes, including a reduction in the overall corporate tax (i.e. corporate income tax and municipal business tax) rate by 1% in 2019, thus resulting in a combined rate of 25.01% for companies in Luxembourg City, and an extension of the income bracket from EUR 25,000 to EUR 175,000 to which the minimum corporate income tax rate (15%) would apply.

See also tax@hand - December 11, 2018

Malaysia

Budget 2019 includes rate reductions

Budget 2019, presented by Malaysia's Finance Minister on November 2, 2018, proposes various tax measures to stimulate economic growth, facilitate the training of the workforce and reduce the deficit. Among the proposals are a reduced income tax rate for small and medium-sized entities, limited loss carryforward periods and a tightening of the group relief rules and changes to the Labuan tax regime.

See also tax@hand – November 5, 2018

Netherlands

Consultation launched on measures to implement EU ATAD-II

On October 29, 2018, the Dutch government launched a public consultation on the implementation of ATAD II into domestic law that would target hybrid mismatches within the EU and in third-country situations. The proposed measures relating to ATAD II, which largely are in accordance with the directive, would be effective beginning January 1, 2020, the date required under the ATAD. An additional rule that targeting reverse hybrid structures would be effective beginning January 1, 2022.

See also tax@hand – October 30, 2018

Papua New Guinea

Tax measures in 2019 budget include changes to loss carryforward rules

Papua New Guinea's 2019 budget contains including changes to the loss carryforward rules.

See also tax@hand – November 14, 2018

South Africa

2018 tax amendment bill includes changes to anti-dividend stripping rules

The 2018 Taxation Laws Amendment Bill, tabled by South Africa's Minister of Finance in the National Assembly on October 24, 2018, contains changes to the anti-dividend stripping rules. For the bill to be enacted and enter into force, the president must sign it into law, which is expected to occur before the end of January 2019. The anti-dividend stripping rules will likely be retroactively effective from January 1, 2019.

See also tax@hand – November 14, 2018

Spain

Draft bills issued on digital services and financial transaction taxes, ATAD measures

On October 23, 2018, the Spanish government released three draft bills that would implement some of the tax measures proposed in the 2019 budget. The bills would introduce new taxes on digital services and financial transactions, as well as measures to amend the domestic exit tax and controlled foreign company rules to transpose the EU Anti-Tax Avoidance Directive (ATAD 1) into domestic law. The government held a consultation on the draft bills but no further action has been taken.

See also tax@hand – October 30, 2018

Switzerland

No new principal company, finance branch rulings beginning January 1, 2019

Effective January 1, 2019, no new rulings will be granted for Swiss principal company regimes that are governed by Circular Letter No. 8 dating from 2001 and for Swiss finance branch regimes. Existing rulings for these regimes are scheduled to sunset on January 1, 2020 as part of the tax reform.

See also tax@hand – November 20, 2018

United Kingdom

Offshore receipts in respect of intangible property

New "offshore receipts" rules are proposed to to tax (at 20%) intangible property receipts received by a company that is not tax resident in a "full treaty jurisdiction" and where the intangible property is ultimately connected to UK sales. For these purposes, a full treaty territory is a jurisdiction that concluded a tax treaty with the UK that contains a nondiscrimination clause; broadly speaking, the territory also must not operate a territorial tax regime. If approved, the measures would apply beginning April 6, 2019.

Reinstatement of relief for goodwill and certain other assets

Relief for certain intangible assets, including goodwill, will be granted where the assets are acquired on or after April 1, 2019 and certain conditions are satisfied. The amount of relief will be determined by reference to the spend on qualifying IP assets and if available, will be subject to a 6.5% fixed rate writing down allowance. Draft legislation is included in Finance (No. 3) Bill 2017-19.

See also tax@hand – January 10, 2019

Digital Services Tax announced

The UK government has announced a digital services tax (DST) at a rate of 2% on the revenues of certain digital businesses that would apply from April 2020 to businesses with global revenue of at least GBP 500 million and UK revenue in excess of GBP 25 million per annum where that revenue is from social media platforms, online marketing platforms or search engines and the revenue is linked to UK users. The DST would not be creditable against UK corporation tax, but would be allowable as an expense and it is not intended to fall within the scope of the UK's tax treaties.

See also tax@hand – November 12, 2018 and tax@hand – October 29, 2018

Did you know

The following section contains information that may be relevant at the date of publication.

China

Tax exemptions granted for bond interest derived by foreign institutional investors

On November 22, 2018, China's Ministry of Finance and the State Administration of Taxation published guidance that grants a three-year income tax and VAT exemption for foreign institutional investors on bond interest derived from the Chinese bond market. The exemption applies retroactively for the period of November 7, 2018 to November 6, 2021. The income tax exemption applies to foreign institutional investors that do not have an establishment in China, or where there is an establishment(s) in China, the bond interest is not effectively connected with the establishment(s).

See also tax@hand – November 28, 2018

Germany

BFH rules downstream merger with foreign shareholders is taxable

Germany's federal tax court (BFH) issued a decision on November 21, 2018 on the tax consequences of a downstream merger of a German corporation with foreign shareholders, confirming the position of the tax authorities that such a merger generally triggers a taxable capital gain.

See also tax@hand – November 26, 2018

United States

Proposed regulations released on rules regarding certain hybrid arrangements

On December 20, 2018, the US Department of the Treasury released proposed regulations on rules regarding certain hybrid arrangements and that would apply to certain amounts paid or accrued in hybrid transactions or with hybrid entities and to hybrid dividends. The regulations would prevent taxpayers from claiming the same deduction under the tax laws of both the US and a foreign country. They affect taxpayers that otherwise would claim such a deduction and certain shareholders of foreign corporations paying or receiving hybrid dividends.

See also tax@hand – December 28, 2018

Proposed regulations released on foreign tax credits

On November 28, 2018, the US Internal Revenue Service released proposed regulations on foreign tax credits for businesses and individuals, following the major changes to the tax treatment of foreign activities made by the December 2017 tax reform legislation.

See also tax@hand – November 28, 2018

Proposed regulations issued on base erosion and anti-abuse tax

On December 13, 2018, the US Internal Revenue Service issued proposed regulations on the base erosion and anti-abuse tax (BEAT) that contain rules to determine whether a taxpayer may be subject to the BEAT and how to calculate a taxpayer's BEAT liability.

See also tax@hand – December 14, 2018

Proposed regulations issued on sections 951A and 163(j)

On October 10, 2018, the IRS and Treasury released proposed regulations on global intangible low-taxed income (GILTI) generated by controlled foreign corporations under section 951A of the Internal Revenue Code, the provision added to the Internal Revenue Code by the Tax Cuts and Jobs Act (TCJA). On November 26, 2018, the IRS and Treasury released proposed regulations under new section 163(j), that was also added by the TCJA and limits the deductibility of business interest expense.

US–Mexico–Canada trade agreement

On September 30, 2018, Canada, Mexico and the US announced the completion of North American Free Trade Agreement (NAFTA) renegotiations.

See also tax@hand – October 4, 2018

Example Disclosures

The following section contains example financial statement disclosures that may be considered relevant, in part or in whole, at the date of publication.

FASB Accounting Standards Codification (ASC or the "Codification") Topic 740, Income Taxes states that deferred tax liabilities and assets should be adjusted for the effect of changes in tax laws or rates in the period that includes the enactment date. Before enactment, financial statement preparers should consider whether potential changes represent an uncertainty that management reasonably expects will have a material effect on the results of operations, liquidity or capital resources. If so, financial statement preparers should consider disclosing information about the scope and nature of any potential material effects of the changes. After enactment, when material, financial statement preparers should consider disclosing in Management's Discussion & Analysis (MD&A) the anticipated current and future impact on their results of operations, liquidity, and capital resources. In addition, financial statement preparers should consider disclosures in the critical accounting estimates section of MD&A, the footnotes to the financial statements, or both, to the extent that the changes could materially impact existing assumptions used in making estimates of tax-related balances.

Certain legislation that has been discussed in other sections of this document may lead to an adjustment to the deferred tax balances and current taxes payable recorded on an entity's books and, if material, may need to be disclosed in the company's financial statements. In addition, proposals to change tax laws, rules, regulations, and interpretations could impact an entity's accounting for income taxes in the future. In preparation for possible impacts of the changes in tax laws, companies should consider including disclosure of the impacts of these proposed changes in their financial statements or in MD&A.

The link below provides sample disclosures with respect to issues including but not limited to the US tax reform, indefinite reinvestment, and intra-entity transfers.

See Roadmap to Accounting for Income Tax and Deloitte financial reporting alert 18-1 – Updated August 30, 2018

Quick Reference Guide for Income Tax Rates

The following section includes a summary of combined tax rates applicable in key jurisdictions, the related dates of enactment, for US GAAP purposes, of certain income tax rate changes, and supplemental information with respect to certain jurisdictions.

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.)		Date the combined national/local rate enacted	Notes
	2018	2019	National and Local	
Australia	30%	30%	N/A	The corporate tax rate is 27.5% for companies with an aggregate annual turnover of less than AUD 50 million beginning in the 2018-19 and 2019-20 income years.
Brazil	34%	34%	N/A	The corporate income tax base rate is 15%. The additional 10% surtax and 9% social contribution (20% for financial institutions) yield an effective tax rate of 34% (45% for financial institutions).
China	25%	25%	Mar 16, 2007 Dec 26, 2007	Entities qualifying as small-scale taxpayers are subject to a 20% rate, and entities qualifying as new and high-tech enterprises or technology advanced service enterprises are subject to a 15% rate. Entities incorporated in the western region of China are subject to a 15% tax rate if they operate in certain industries.
France	33.33% – 34.43%	31% – 32% 28% - 28.92% for SMEs up to EUR 75K (see Note 1)	Dec 30, 2013 (See Note 1 for 2017 and Note 2 for the new rates applicable for FYs opened as of Jan 1, 2018). Dec 31, 2016	The Finance Law for 2018 enacted on December 20, 2017 accelerates the reduction of the corporate tax rate. In 2019, the corporate tax rate is 33% (see Note 2). These rates do not include the impact of the CVAE, an annual local business tax that is considered an income tax under US GAAP.
Germany	30%–33%	30%–33%	Aug 17, 2007	The corporate rate is 15%. The municipal trade tax rate typically ranges between 14% and 17%. A 5.5% solidarity surcharge is levied on corporate income tax. The effective corporate tax rate (including the solidarity surcharge and trade tax) typically ranges between 30% and 33%.

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.)		Date the combined national/local rate enacted	Notes
	2018	2019	National and Local	
Hong Kong	8.25%/ 16.5%	8.25%/ 16.5%	Mar 29, 2018	A two-tiered profits tax applies as from year of assessment 2018/19: 8.25% for corporations (7.5% for unincorporated businesses) on the first HKD 2 million of assessable profits, and 16.5% for corporations (15% for unincorporated businesses) on the remainder of assessable profits.
India	25%/30%	25%/30%	Mar 29, 2018	As from April 1, 2018, the standard corporate tax rate is reduced from 30% to 25% (plus the applicable surcharge and cess) for domestic companies whose total turnover or gross receipts during FY 2016-17 did not exceed INR 2.5 billion (approximately USD 40 million). The standard corporate tax rate for other Indian companies remains 30% (plus the applicable surcharge and cess) and is 40% (plus the applicable surcharge and cess) for foreign companies.
Italy	27.9%	27.9%	Jan 1, 2017	The general corporate tax rate is 24% (27.5% for banks and other financial institutions and 34.5% for "non-operating" entities). In addition to the corporate tax rate, IRAP (the regional tax on productive activities) is levied at an average rate of 3.9% (4.65% for banks and 5.9% for insurance companies). Each region can increase or decrease the base IRAP rate up to 0.92%.
Japan	29.74% – 30.62% or 33.59% – 34.59% (for FYs beginning on or after Apr 1, 2018)	29.74% – 30.62% or 33.59% – 34.59% (33.59%-34.60%) for FYs beginning on or after Oct 1, 2019)	Mar 29, 2016 (for 2018 and 2019)	The national corporate tax rate is reduced to 23.2% for fiscal years beginning on or after April 1, 2018 (See Note 3). Japanese corporations and foreign corporations carrying on a business through a PE in Japan also are subject to a local inhabitants tax, a local enterprise tax and a local corporate tax. Inhabitants and enterprise tax rates vary depending on certain factors. The local enterprise tax, including the special local corporate tax, generally is levied on taxable income at a rate between 3.6% and 10.1%, depending on the amount of capital and the location of the corporation. The inhabitants tax generally is levied on taxable income at a rate of 12.9% or 16.3% of the national corporate tax rate, depending on the location of the corporation. The local enterprise tax is deductible for national corporate tax, local inhabitants tax and local enterprise tax purposes when it is paid. The local corporate tax generally is levied on taxable income at a rate of 4.4% of the national corporate tax rate. The top effective tax rate ranges are for corporations with stated capital exceeding JPY 100 million and the bottom effective tax rate ranges are for corporations with stated capital of JPY 100 million or less.
Luxembourg	~26.01%	~25.01%	Dec 23, 2016	The corporate income tax rate reduced from 19% to 18% on January 1, 2018. As a result, the effective combined income tax rate for a company in Luxembourg City is 26.01% for 2018 (including the corporate income tax, municipal business tax and the contribution for the unemployment fund). Rates for residents of other municipalities may vary. The reduction of the corporate income tax rate for FY 2019 has not yet been voted on.
Mexico	30%	30%	Dec 11, 2013	

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.)		Date the combined national/local rate enacted	Notes
	2018	2019	National and Local	
Netherlands	25%	25%	N/A	Beginning on January 1, 2019, a 19% tax rate applies to income below EUR 200,000, with a further reduction to 15% by 2021.
Russia	20%	20%	Nov 26, 2008	The standard tax rate is 20%, except for certain types of income. In 2017-2020, the inter-budgetary distribution is 17% to the regional budget and 3% to the federal budget. The 20% tax rate can be reduced to 15.5% (12.5% regional and 3% federal) by the regional governments. In some regions, profit tax may be reduced to zero due to special tax regimes. The regional authorities in special economic zones (SEZ) may grant a reduction of the regional tax rate to as low as 0%, leaving only the 3% federal portion. The maximum profit tax rate may be reduced depending on the type of SEZ and its location, from 20% to: • 3% for manufacturing and port SEZ; • 0% for technology and innovation and tourism and recreation SEZ. Qualifying investors in certain regions in the far eastern part of Russia and Siberia are entitled to a profits tax rate of 0% to 10% for the first five years of income generation, and from 10% to 18% for the following five years. Companies providing educational or medical services and agricultural goods producers are subject to a 0% profits tax rate if certain criteria are fulfilled. Residents of the Skolkovo Innovation Centre are entitled to a 10-year exemption from profits tax.
Switzerland	11.5%–24.5%	11.5%–24.5%	N/A	The tax rate includes federal and cantonal/communal taxes for an ordinarily taxed legal entity. The rate at the cantonal/communal level depends on the canton/municipality in which the company is located.
United Kingdom	19%	19%	Nov 18, 2015	The corporate tax rate will drop to 17% beginning April 1, 2020 (enacted September 6, 2016).
United States	21%	21%	Dec 22, 2017	The graduated corporate rate structure was replaced with a flat 21% rate, effective in 2018, and the corporate alternative minimum tax was repealed.
Other Jurisdictions	See 2018 Global Tax Rates			

Note 1:

Under the Finance Law for 2017, enacted on December 29, 2016, the corporate tax rate for FY 2017 is 33.33% (plus a surtax of 3.3% when the corporate income tax laibility exceeds EUR 763,000), resulting in an ETR of 34.43%). A reduced rate of 28% applies to SMEs (i.e. micro, small and medium-sized entreprises with revenue below EUR 50 million) on the first EUR 75,000 of taxable income; the 33.33% rate applies for taxable income exceeding this threshold. The 3% dividend tax that was declared unconstitutional on October 8, 2017 is abolished under finance law 2018.

Note 2:

The Finance law for 2018, enacted on December 29, 2017, provides for a progressive reduction of the corporate tax rate under the following timetable:

- FY opened as of January 1, 2018: The 28% rate applies to the first EUR 500,000 of taxable income for all companies, and 33.3% for income above this threshold (maximum ETR, including the 3.3% surtax: 34.43%)
- FY opened as of January 1, 2019: The standard corporate tax rate is 31% for all companies (the 28% rate will continue to apply to the first EUR 500,000 of taxable income for all companies) (maximum ETR, including the 3.3% surtax: 32%)
- FY opened as of January 1, 2020: The standard corporate tax rate is 28% for all companies (maximum ETR, including the 3.3% surtax: 28.9%)
- FY opened as of January 1, 2021: The standard corporate tax rate is 26.5% for all companies (maximum ETR, including the 3.3% surtax: 27.4%)
- FY opened as of January 1, 2022: The standard corporate tax rate is 25% for all companies (maximum ETR, including the 3.3% surtax: 25.8%)

Note 3:

The national corporate tax rate is 23.4% for fiscal years beginning on or after April 1, 2016, and is reduced to 23.2% for fiscal years beginning on or after April 1, 2018.

Additional Resources

A Roadmap to Accounting for Income Taxes—This Roadmap includes all of Deloitte's interpretive guidance on the accounting for income taxes, combining the income tax accounting rules and implementation guidance from ASC 740 with Deloitte's interpretations.

Accounting for Income Taxes—Global Tax Developments archive

Accounting for Income Taxes Hot Topics archive—A quarterly publication that highlights certain recent tax and accounting developments that may have accounting for income taxes (ASC 740) implications.

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Transfer Pricing Alerts — The latest updates in transfer pricing from around the world.

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Deloitte International Tax Source (DITS)—An online database featuring corporate, withholding and tax treaty rates and information for 66 jurisdictions worldwide.

Tax Accounting & Provisions Dbriefs Webcasts—A collection of live and archived Dbrief webcasts that give you valuable insights on important developments impacting financial reporting for taxes.

Tax Publications—Various tax publications issued by Deloitte to help clients stay informed on tax legislation and regulations and the potential impact on their businesses.

Tax Training – Deloitte's Financial Reporting for Taxes Training is scheduled for May 20-24 in Orlando, Florida. The training features interactive courses tauht by experienced professionals who will explain applicable guidance as well as share real world experiences and leading practices.

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