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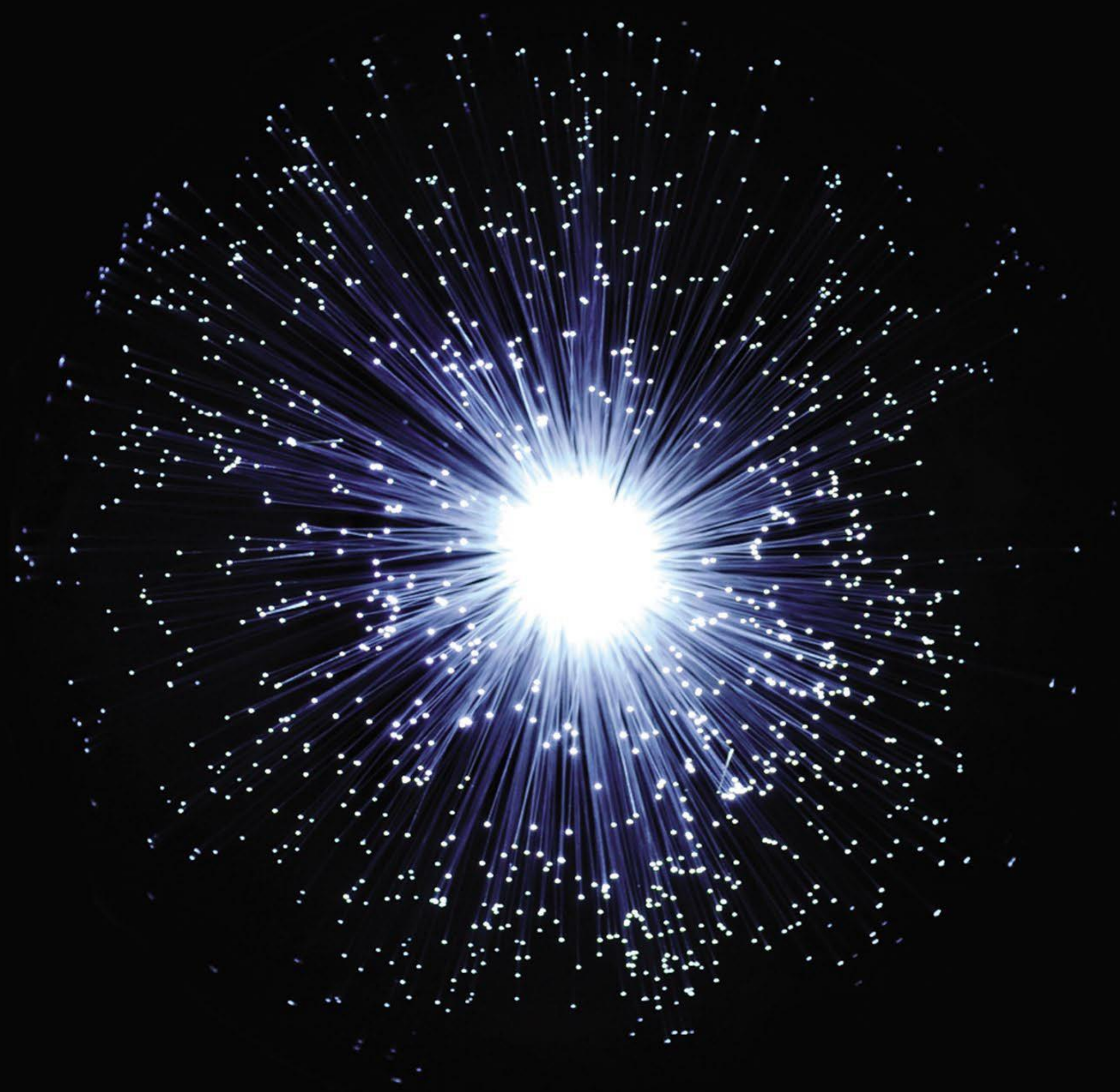

Global Tax Developments Quarterly

Accounting for Income Taxes

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

April 1, 2020 – June 30, 2020
July 20, 2020
Issue 2020-2

Contents

Introduction

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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: April 1, 2020 to June 30, 2020

The following section includes a summary of major international income tax law changes enacted during the period April 1, 2020 to June 30, 2020.

Australia

Amendments to extend COVID-19 instant asset write-off received royal assent

Date of Enactment: June 19, 2020
Effective Date: July 20, 2020

Treasury Laws Amendment (2020 Measures No. 3) Bill 2020 passed in both Houses of Parliament on June 18, 2020 and received royal assent on June 19. The bill's key amendment relates to the extension of the COVID-19 instant asset write-off (IAWO) measure for six months, from June 30, 2020 to December 31, 2020 as well as ensuring equal availability irrespective of the tax year end of the company.

See also tax@hand – June 13, 2020

Italy

Decree expands incentive measures introduced in response to COVID-19

Date of Enactment: April 8, 2020
Effective Date: April 9, 2020

A law decree (No. 23/2020) dated April 8, 2020 that is effective from April 9, 2020 introduces a variety of tax and fiscal measures in Italy to increase the support for businesses and the economy in response to the coronavirus (COVID-19). Among other measures, the decree includes an extension of tax credit for sanitization costs for fiscal year 2020 so that it is available not only for the costs of sanitizing work environments and tools, but also for costs to purchase personal protective equipment and other safety devices designed to protect workers from accidental exposure to infection and to facilitate appropriate social distancing among individuals. Although the decree is in force, it must be converted into law by the parliament within 60 days of its publication to avoid being retroactively null and void, and there could be changes to its provisions.

See also tax@hand – April 24, 2020

New law decree introduces additional tax measures in response to COVID-19

Date of Enactment: May 19, 2020
Effective Date: May 19, 2020

On May 19, 2020, the Italian government published a new law decree (No. 34/2020) in the official gazette, introducing additional tax measures to increase the support for businesses and the economy in response to the coronavirus (COVID-19). Among other measures, the law decree provides that Italian companies (other than those carrying on banking, insurance, and other financial activities) with revenue lower than EUR 250 million in the prior fiscal year, i.e., the year ending December 31, 2019 for calendar-year taxpayers, need not pay the balance of the IRAP settlement due for FY 2019 (if any), and the first advance payment of IRAP due for FY 2020 (if any). While the wording of the provision is unclear, this measure appears to be intended to be an actual reduction of the IRAP liability for FYs 2019 and 2020, and not a mere postponement of the related payments. Although the decree entered into force immediately after its publication, it must be converted into law by the parliament within 60 days to avoid being retroactively null and void, and there could be changes to its provisions.

See also tax@hand – June 1, 2020

Hong Kong

One-time tax rebate for businesses and individuals enacted

Date of Enactment: June 19, 2020

Effective Date: June 19, 2020

The Inland Revenue (Amendment) (Tax Concessions) Bill 2020 was passed by Hong Kong's Legislative Council on June 10, 2020. This gives effect to the one-time 100% tax rebate for profits tax, salaries tax, and tax under personal assessment for assessment year 2019/20 (subject in all cases to a ceiling of HKD 20,000), originally announced at the 2020/21 budget.

See also tax@hand – June 10, 2020

Concessionary measures for ship leasing business passed by Legislative Council

Date of Enactment: June 19, 2020
Effective Date: June 19, 2020

Hong Kong's Legislative Council on June 10, 2020 passed the Inland Revenue (Amendment) (Ship Leasing Tax Concessions) Bill 2020, providing profits tax concessions for qualifying ship lessors and qualifying ship leasing managers. The corresponding ordinance was published on June 19, 2020 and comes into effect as from that date. The new tax concession applies retroactively to sums received or accrued as from April 1, 2020.

See also tax@hand – June 18, 2020

Tax exemption for subsidies under the Anti-Epidemic Fund announced

Date of Enactment: May 29, 2020
Effective Date: June 1, 2020

On May 29, 2020, the Hong Kong government published the Exemption from Salaries Tax and Profits Tax (Anti-Epidemic Fund) Order, that provides for a tax exemption for most of the financial assistance or relief provided to businesses under the Anti-epidemic Fund (AEF), established in February 2020 in response to the COVID-19 pandemic.

See also tax@hand – June 3, 2020

Japan

Additional tax relief measures as part of COVID-19 emergency economic response plan enacted

Date of Enactment: April 30, 2020
Effective Date: April 30, 2020

On April 30, 2020, the Japanese Cabinet enacted a proposed COVID-19 emergency economic response plan containing additional tax relief measures. Among other measures, the new tax law includes special provisions regarding a one-year tax payment deferral and a special carryback of net operating losses for certain corporations with stated capital not exceeding JPY 1 billion (normally, the carryback of NOLs applies only for small and medium-sized enterprises (SMEs)).

See also tax@hand – April 14, 2020

Netherlands

Decree additional tax measures in response to COVID-19

Date of Enactment: May 6, 2020
Effective Date: May 8, 2020

The initial Dutch COVID-19 measures were supplemented by more measures announced on April 24, 2020 and enacted by Decree of May 8, 2020 (updated per Decree of May 22, and June 18, 2020). The most important measure in this package for larger businesses is that an immediate reduction can be obtained of the 2019 corporate income tax (CIT) liability (assuming the financial year equals the calendar year) to the extent losses are expected in 2020. The system proposed is quite unique compared to the usual carry back mechanism as under the existing rules a Dutch company can carry back its loss in a year to the prior year profits for Dutch CIT purposes. As this carry back to the year 2019 can only be effectuated once the 2020 results are known, the earliest possible moment that a cash tax refund can be obtained for the 2019 CIT is somewhere in 2021. The new system proposed allows for a so-called "corona-provision" equal to the expected 2020 CIT loss that can be taken into account upon calculating the 2019 CIT liability. As a result, Dutch companies that are subject to CIT and had taxable profits in 2019 can obtain a tax cash refund to the extent that a CIT loss is expected in 2020. The provision is not allowed to be more than the profit over 2019.

See also Deloitte Netherlands article April 24, 2020

New Zealand

Loss carryback rule fast tracked

Date of Enactment: April 30, 2020
Effective Date: April 30, 2020

On April 30, 2020, New Zealand's government enacted new legislation to introduce further tax changes in response to the impacts of the COVID-19 outbreak. The key tax component of the COVID-19 Response (Taxation and Other Regulatory Urgent Matters) Act 2020 is the introduction of a temporary tax loss carryback measure. Broadly, this allows businesses that anticipate being in a loss position for the 2020 or 2021 tax year to carry some or all of the loss back to the preceding year to enable an immediate cash refund of prior tax paid. A permanent loss carry rule is expected to be legislated for in 2021.

See also tax@hand – April 29, 2020

Peru

Tax loss carryforward period extended for corporations in response to COVID-19

Date of Enactment: May 8, 2020
Effective Date: May 8, 2020

Due to the impact on the economy of the state of emergency declared in response to the coronavirus (COVID-19), on May 8, 2020 the Peruvian government published a legislative decree (No. 1481) that provides a special extension for corporate taxpayers of the carryforward period for tax losses for fiscal year (FY) 2020. Taxpayers that have opted into the system, under which tax losses generally may be carried forward for four FYs from the year in which the loss was incurred, will be able to carry forward any tax losses for FY 2020 for five FYs. The decree was issued pursuant to temporary powers delegated to the executive branch to legislate on specific subjects, including tax measures to provide relief to taxpayers affected by COVID-19.

See also tax@hand – May 11, 2020

Accelerated depreciation of certain fixed assets introduced in response to COVID-19

Date of Enactment: May 10, 2020
Effective Date: Jan 1, 2021

The Peruvian government published a legislative decree (No. 1488) on May 10, 2020 that is effective beginning January 1, 2021 and that introduces a special temporary regime for the depreciation of certain fixed assets (including certain newly constructed immovable property) for taxpayers that pay tax under the general income tax regime. The decree was issued pursuant to temporary powers delegated to the executive branch to legislate on specific subjects, including tax measures to provide relief to taxpayers affected by COVID-19, and also provides special rules to allow broader accelerated depreciation for certain taxpayers operating in the hospitality industry.

See also tax@hand – May 19, 2020

Singapore

Amendment establishes framework for the transfer of tax incentive awards between companies and enhances Investment Allowance scheme

Date of Enactment: April 27, 2020
Effective Date: June 15, 2020

The Economic Expansion Incentives (Relief from Income Tax) Act (EEIA) was amended to allow for the transfer of existing incentive awards under the EEIA, in whole or in part, from a company to another company as a result of corporate amalgamation, mergers or corporate restructuring. Incentive schemes that may be transferred include the Pioneer Industry Award, the Pioneer Service Award and the Development and Expansion Award, but exclude incentives governed by the Singapore Income Tax Act.

The EEIA was also amended to introduce two enhancements to the Investment Allowance (IA) scheme. Briefly, the IA scheme provides additional allowances (on top of normal capital allowance) on a percentage of approved fixed capital expenditure. The IA scheme will be extended to corporate partnerships. A corporate partnership refers to a partnership, limited partnership or limited liability partnership comprising solely of partners that are companies. Among others, this enhancement will be beneficial for large capital investment projects undertaken by consortiums structured in the form of corporate partnerships.

See also tax@hand – July 9, 2020

Enacted Tax Law Changes That Are Now Effective: April 1, 2020 to June 30, 2020

The following section includes a brief summary of major international income tax law changes enacted before April 1, 2020 but are first effective in the period April 1, 2020 to June 30, 2020.

Portugal

2020 budget law makes changes to corporate tax rules

Date of Enactment: March 31, 2020
Effective Date: April 1, 2020

Portugal's 2020 budget law, which was published in the official gazette on March 31, 2020 and generally applies as from April 1, 2020, makes significant changes to the tax legislation. Among others, changes that impact corporate income tax include changes to deduction for employees' monthly commuter passes, changes to patent box regime, and a reduced corporate income tax rate for small or medium-sized enterprises that applies to their first EUR 25,000 of taxable income (increased from EUR 15,000).

See also tax@hand – April 15, 2020

Enacted Tax Law Changes That Are Effective Beginning July 1, 2020

The following section includes a brief summary of major international income tax law changes enacted before April 1, 2020 but are effective beginning July 1, 2020.

Germany

COVID-19: Upper and lower houses of parliament approve economic stimulus bill

Date of Enactment: June 30, 2020
Effective Date: July 1, 2020

On June 29, 2020, the upper and lower houses of the German parliament approved the economic stimulus bill that was introduced into the legislative process by the government on June 12, 2020. The purpose of the "Second bill on tax relief measures relating to the COVID-19 crisis" is to combat the economic effects of the coronavirus (COVID-19) and to stimulate and reinvigorate the economy. The approved bill includes only minor changes compared to the draft bill. The stimulus bill includes, among other things, an increase of the amount of the one-year loss carryback to EUR 10 million for corporations, and the introduction of an accelerated depreciation method. In addition, the maximum amount of annual qualifying expenses for the newly introduced R&D tax credit will be increased (to EUR 4 million) and the existing allowance for add-back amounts for local trade tax purposes will be doubled (to EUR 200,000).

See also tax@hand – June 29, 2020

On the Horizon

The following developments had not yet been enacted as of June 30, 2020, 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.

Australia

Amendments to extend COVID-19 instant asset write-off introduced to parliament

On June 12, 2020, Treasury Laws Amendment (2020 Measures No. 3) Bill 2020 was introduced to the Australian parliament. The bill's key amendment relates to the extension of the COVID-19 instant asset write-off (IAWO) measure for six months, from June 30, 2020 to December 31, 2020.

See also tax@hand – June 13, 2020

Belgium

COVID-19: Measures proposed to reduce companies' tax payments and improve cash flow

On June 5, 2020, the Belgian government presented a draft bill to the parliament introducing new income tax measures to support businesses facing financial losses as a consequence of the COVID-19 outbreak. For companies, there are two income tax measures, intended to reduce current and future tax liabilities: first, a loss carry-back reserve that would allow companies to offset taxable profits of tax years 2019 and 2020 (relating to the financial year ended between March 13, 2019 and March 12, 2020), with anticipated losses of the subsequent tax year, (i.e., tax years 2020 or 2021); and second, a recovery reserve, providing a tax exemption for profits of tax years 2022, 2023, and 2024, provided certain conditions are met.

See also tax@hand – June 8, 2020

Luxembourg

Draft law to consider non-deductible tax expense interest and royalties

On March 30, 2020, draft law n°7547 to consider non-deductible tax expense interest and royalties paid or due as from January 1, 2021 to related undertakings established in a country or territory included on the EU black list, was published on the website of the Chamber of Deputies. This tax measure would not apply if the Luxembourg company would provide evidence that the expense would correspond to a transaction reflecting economic reality. The draft law is currently still under legislative process.

See also tax@hand – April 9, 2020

United Kingdom

Digital services tax and corporate capital loss restrictions are awaiting royal assent, as part of the same finance bill

The UK's digital services tax (DST) is awaiting royal assent and will apply from April 1, 2020. The tax will be charged at a rate of 2% on gross revenues from in-scope activities provided to UK users and will apply to search engines, social media platforms and online marketplaces, together with associated online advertising. The measure is targeted at businesses that generate more than GBP 500 million in global revenues from 'in-scope' activities and more than GBP 25 million in revenues from 'in-scope' activities linked to UK users. Businesses will not pay UK DST on the first GBP 25 million of their 'in-scope' UK revenues.

Another provision awaiting royal assent as part of the same finance bill will affect the way in which relief will be given for capital losses, which will be brought in line with the regime introduced for trading income losses in 2017. This change will take effect from April 1, 2020, and from that date, companies with chargeable gains may fully offset the first GBP 5 million of chargeable gains with losses brought forward, but limited to 50% for gains in excess of GBP 5 million, with the remainder giving rise to cash tax, absent any other provisions applying.

Both the DST and the corporate capital loss restrictions have not been enacted for US GAAP purposes, as the finance bill has not yet received royal assent.

See also UK Deloitte Alert – March 24, 2020 and UK Deloitte Alert

Did you know

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

Belgium

Grandfathering under interest limitation rule clarified in light of COVID-19

On May 5, 2020, the Belgian tax authorities published a circular (No. 2020/C/62) providing new clarifications on the "grandfathering" rule applicable to loans concluded before June 17, 2016 for purposes of the interest deduction limitation rule. The new circular clarifies that the granting of specific payment terms related to bank or intercompany loans should not constitute a fundamental change in relation to the interest deduction limitation rule if the modifications aim at supporting borrowers with payment issues resulting from COVID-19.

See also tax@hand – May 8, 2020

China

Enterprise income tax incentive extended in western regions

On April 23, 2020, the Ministry of Finance, State Taxation Administration, and National Development and Reform Commission jointly released a regulation extending incentive to encourage domestic and foreign investment into the western regions of China. The incentive provides for a reduced rate of enterprise income tax (EIT) of 15% (reduced from 25%) for qualified companies conducting specific businesses in these regions. The tax incentive, which was set to expire on December 31, 2020, has been extended to December 31, 2030.

See also tax@hand – May 7, 2020

Existing tax relief measures

On May 15, 2020, the government has announced an end effective date of December 31, 2020 for various existing COVID-19 tax relief measures related to EIT (deduction for qualifying equipment, loss carryforwards) and other taxes.

See also tax@hand – May 20, 2020

India

Supreme Court rules liaison office's activities do not constitute PE under UAE treaty

India's Supreme Court, in a decision announced on April 24, 2020, held that the activities carried out by a liaison office (LO) in accordance with the approval granted by the Reserve Bank of India (RBI) do not constitute a permanent establishment (PE) of the taxpayer in India.

See also tax@hand – May 15, 2020

Parliament enacts Finance Act 2020, amends certain Finance Bill 2020 proposals

On March 23, 2020, India's parliament enacted the Finance Bill, 2020 (FB 2020), which contains the tax proposals for financial year 2020-21. The Finance Act, 2020 (FA 2020) received presidential asset on March 27 and its provisions are incorporated in the Income-tax Act, 1961 (ITA) as from April 1. FA 2020 includes numerous changes to the ITA and introduces a new type of equalization levy on foreign e-commerce operators on revenue earned from India.

See also tax@hand – April 3, 2020

Indonesia

Additional businesses eligible for tax incentives during COVID-19 pandemic

In response to the COVID-19 pandemic, the Ministry of Finance (MOF) has decided to expand the tax incentives to include additional business sectors, including small and medium enterprises (SMEs). As such, on April 27, 2020, the MOF issued Regulation Number 44/PMK.03/2020 (PMK-44), which was followed by the issuance of Director General of Taxation Circular Letter Number SE-29/PJ/2020 (SE-29). Please see the article linked below for a more detailed discussion.

See also tax@hand – May 7, 2020

Tax relief provided for taxpayers contributing to fight against COVID-19

To encourage public contributions to the fight against the COVID-19 outbreak, on June 10, 2020 the Indonesian government issued Regulation Number 29 (PP-29), which provides tax relief for certain activities carried out between March 1 and September 30, 2020 relating to the pandemic. The tax relief includes additional deductions for the production of certain medical equipment and supplies, deductions for donations to certain organizations, and final 0% income tax on compensation on the use of assets to support health services. In addition, PP-29 relaxes the requirements for publicly listed corporate taxpayers that buy back their shares to qualify for a reduced CIT rate.

See also tax@hand – June 29, 2020

Implementing regulation issued for super tax deduction for labor-intensive industries

Government Regulation Number 45/2019 (GR-45) was issued in 2019 to introduce new income tax facilities ("super tax deduction" facilities) in Indonesia for certain labor-intensive industries; human resources development expenditures; and research and development expenditures. The super tax deduction facility for labor intensive industries is an investment allowance, i.e., a deduction from net income, of 60% of the amount invested in tangible fixed assets, including land, that are used for the taxpayer's main business activities. The deduction is spread over six years (10% annually), starting from the fiscal year the commercial production commences. On March 9, 2020, the Minister of Finance (MOF) issued implementing Regulation Number 16/PMK.010/2020 (PMK-16) as the implementing regulation for the super tax deduction facility for labor intensive industries. In general, PMK-16 follows the key features of MOF Regulation Number 11/PMK.010/2020 (PMK-11), with modifications to fit the labor-intensive industry requirement. PMK-11 is the implementing regulation to Government Regulation Number 78/2019 regarding the "tax allowance" facility.

See also tax@hand – April 1, 2020

Measures introduced in response to COVID-19 include immediate CIT rate reduction

In view of the urgent need to preserve the health of the national economy during the COVID-19 outbreak, the president of Indonesia on March 31, 2020 took an emergency measure by issuing Government Regulation in Lieu of Law Number 1 (PERPU-1). PERPU-1, which has immediate effect, reduces the corporation income tax rate for domestic corporate taxpayers and PEs from 25% to 22% for fiscal years (FYs) 2020 and 2021; and 20% for FY 2022 and subsequent years. For publicly listed corporates with a minimum of 40% of the shares held by public investors, that meet certain criteria, the applicable corporate income tax rate is 3% lower than the regular rate. PERPU-1 has been passed as law through the issuance of Law Number 2, 2020.

See also tax@hand – April 7, 2020

Korea

Tax reform measures enacted in response to COVID-19

On March 23, 2020, Korea's National Assembly approved and enacted the Special Tax Treatment & Control Law, which includes various tax reform measures in response to the impact of COVID-19. The major changes that affect corporations include (i) a reduction of income taxes for small and medium-sized enterprises (SMEs) within qualified disaster areas; (ii) a temporary uplift of limitation for deductions of corporate entertainment expenses; and (iii) an expanded tax incentives for domestic companies relocating overseas facilities to Korea.

See also tax@hand – April 1, 2020

Malaysia

Guidelines issued to clarify determination of place of business

Malaysia's Inland Revenue Board (IRB) issued guidelines on May 21, 2020 to clarify the application of certain subsections (sections 12(3) and 12(4)) of the Income Tax Act, 1967 (ITA) in determining the "place of business" of a person operating in Malaysia. The clarifications are relevant in ascertaining whether the business profits of a nonresident from a jurisdiction that does not have a tax treaty in effect with Malaysia (a "non-treaty country") would be subject to income tax in Malaysia, as summarized below. In addition, a detailed publication on the impact of the guidelines on companies from non-treaty countries (e.g., the US) is available from Deloitte Malaysia.

See also tax@hand – June 4, 2020

Mexico

Foreign private equity funds could be adversely impacted by new tax rules

The tax reform rules enacted in Mexico on January 1, 2020 added a new article 4-A to the Mexican Income Tax Law (MITL). The provision, which will enter into force on January 1, 2021, will confer legal personality to nonresident transparent vehicles, i.e., entities currently without their own legal personality, such as limited partnerships (LPs) organized in Ontario, Canada (likely the most common vehicles used by private equity funds to invest in Mexico). Therefore, these entities will lose their tax transparency for Mexican tax purposes. Foreign private equity funds investing in Mexico and using these vehicles would likely be affected as the Mexican withholding taxes applicable under domestic law to nonresident vehicles should be substantially higher than those applied to the members or partners of the vehicles. In addition, tax treaties concluded by Mexico should not be applicable as the vehicles are neither "persons" nor "residents" as defined under tax treaties.

See also tax@hand – June 16, 2020

No regulations to be issued for 2020 tax reform on limitations to deductibility of payments to foreign related parties

It was expected that around mid-year of 2020, regulations would be issued under article 28, section XXIII of the Mexican Income Tax Law (MITL), which, as part of the tax reform for 2020, was amended to restrict the deduction of payments made to low-tax jurisdictions. A jurisdiction is considered low-tax if income there is subject to an income tax rate that is lower than 75% of the Mexican income tax rate, which translates to a 22.5% effective tax rate threshold. However, there are no expected regulations to be issued any time soon that could further regulate this provision, so article 28, section XXIII of the MITL would be considered final for 2020.

See also tax@hand – October 30, 2019

Singapore

IRAS guidance on company tax residence, PE, and employee taxation in view of COVID-19

On April 6, 2020, the Inland Revenue Authority of Singapore (IRAS) published administrative guidance on the impact of COVID-19 related travel restrictions in determining corporate tax residence in Singapore, and whether a foreign company may have a permanent establishment (PE) in Singapore. The guidance also addresses the taxation of employment income derived by individuals now required to remain in Singapore.

See also tax@hand – April 7, 2020

Taiwan

Losses incurred in Q1 2020 due to COVID-19 may offset 2018 undistributed surplus

On May 4, 2020, Taiwan's Ministry of Finance (MOF) issued guidance explaining how losses that some enterprises have incurred during the first quarter of 2020 due to COVID-19 may be recognized on their 2018 undistributed surplus tax return filed by or before the extended deadline of June 30, 2020.

See also tax@hand – May 8, 2020

United States

Guidance on business interest limitation, GILTI high-tax exception reaches OIRA

The US Office of Information and Regulatory Affairs (OIRA) indicated in updates on its website the week of June 15, 2020 that guidance on the business interest expense deduction limitation under section 163(j) of the Internal Revenue Code (IRC) and guidance on the high-tax income exception under the global intangible low-taxed income (GILTI) rules has been submitted for review by the Treasury Department. OIRA is part of the White House Office of Management and Budget. Its review of a regulatory project is one of the final actions taken before the guidance is released to the public.

See also tax@hand – May 1, 2020

Deduction for FDII and GILTI: Final regulations released

On July 9, 2020, the US Treasury Department and Internal Revenue Service released final foreign-derived intangible income (FDII) regulations under section 250 of the IRC, which are scheduled to be published on July 15, 2020 in the Federal Register. Section 250 was added to the IRC by the Tax Cuts and Jobs Act (P.L. 115-97), which was enacted on December 22, 2017. The regulations provide guidance regarding the deduction for FDII and GILTI. The document also contains final regulations coordinating the deduction for FDII and GILTI with other IRC provisions. These regulations generally affect domestic corporations and individuals who elect to be subject to tax at corporate rates for purposes of inclusions under subpart F and GILTI.

See also tax@hand – July 10, 2020

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 jurisdictions with rate changes in 2020, the related dates of enactment, for US GAAP purposes, of certain income tax rate changes, and supplemental information with respect to certain jurisdictions.

For other jurisdictions see 2020 Global Tax Rates as well as a comparative table of 2016 – 2020 Global Tax Rates

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.)		Date the combined national/local rate enacted	Notes
	2019	2020	National and Local	
Argentina	30%	30%	Dec 23, 2019	A law enacted on December 23, 2019 and Decree 99/2019 issued by the Executive Power on December 28 postpone the planned reduction in the corporate tax rate from 30% to 25% that was scheduled to apply for fiscal years starting on or after January 1, 2020. The rate reduction now will apply for fiscal years starting after January 1, 2021.
Colombia	33%	32%	Dec 28, 2018	A law enacted on December 28, 2018 introduced a progressive reduction of the corporate income tax rate from 33% for taxable year 2019, to 32% for 2020, 31% for 2021, and 30% for taxable year 2022 and thereafter. A reduced rate of 20% applies to companies located in free trade zones. The 4% surcharge, which was abolished for 2019, was applicable when the taxpayer's income was equal to or exceeded COP 800 million (approximately USD 266,000).
France	33.33% – 34.43%	31% – 32.02% with surtax 28% - 28.92% with surtax	Dec 30, 2013 (See Note 1 for reduced rate for SMEs and Note 2 for the new rates applicable for FYs opened as of Jan 1, 2020).	The Finance Law for 2018 enacted on December 20, 2017 accelerates the reduction of the corporate tax rate. The rate in 2019 initially was set at 31% (see Note 2). A law adopted in July 2019 maintained the 2018 corporate tax rate (33.33%) for FY 2019 for French entities/French tax groups with revenue of EUR 250 million or more. The 31% rate remained applicable to entities / tax groups with revenue below EUR 250 million. In both instances for FY 2019, the first EUR 500,000 of taxable income is subject to a 28% rate. These rates do not include the impact of the CVAE, an annual local business tax that is considered an income tax under US GAAP.

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.)		Date the combined national/local rate enacted	Notes
	2019	2020	National and Local	
Indonesia	25%	22%	N/A	Rate reduced from 25% for fiscal year 2020; 19% rate applies for publicly listed corporations meeting certain criteria with minimum of 40% "free float" shares. Resident corporate taxpayers with gross revenue of up to IDR 50 billion received 50% reduction of corporate income tax rate imposed on taxable income for first IDR 4.8 billion of gross revenue. Taxpayers that fulfill certain criteria with gross revenue not exceeding IDR 4.8 billion in tax year subject to final income tax at rate of 0.5% of gross revenue. PEs also subject to 20% branch profits tax, applied on PE's net profit after tax.
Netherlands	25%	25%	N/A	The corporate tax rates for 2020 are 16.5% on the first EUR 200,000 of taxable profits (reduced from 19% as from January 1, 2020) and 25% on taxable profits exceeding EUR 200,000. Further rate reductions will take place for 2021, a 15% rate will apply to the first EUR 200,000 and a 21.7% top rate for income exceeding that amount.
Switzerland	11.5%–24.5%	11.9%–19.7%	N/A	Tax is imposed at both the federal and cantonal/communal levels. The federal tax rate is 8.5% levied on net income, with an effective rate of 7.8%; the rate at the cantonal/communal level depends on the canton/municipality in which the company is located. Taking into account the federal and the cantonal/communal income tax, the combined effective income tax rate typically is between 11.9% and 19.7% for companies subject to ordinary taxation, depending on the place of residence. Cantonal tax rate reductions will result in a combined ETR of approximately 11.9% to 19.7% as from January 1, 2020 (with the relevant ETR and enactment date depending on the canton. As of January 1, 2020, 16 of the 26 cantons had finalized the cantonal legislative process and enacted cantonal law, four cantons have legislation that will be subject to a popular vote during 2020, and six cantons have not yet concluded their internal approval procedures.
United Kingdom	19%	19%	Nov 18, 2015	Based on legislation enacted in 2016, the corporation tax rate was due to drop to 17% on April 1, 2020. However, as announced in the UK Budget announced on March 11, 2020, the rate will be maintained at 19%. Relevant legislation has not yet been enacted.

Note 1:

A reduced rate of 15% applies to SMEs (i.e., micro, small, and medium-sized companies held directly or indirectly, at least 75% by individuals and with revenue below EUR 7.63 million) on the first EUR 38,120 of taxable income.

For FY 2019, a 28% rate applied to the portion of income under EUR 500,000, and the 31% rate applied to taxable income exceeding this threshold for companies with a revenue below EUR 250 million (33.33% for companies with revenue of EUR 250 million or more).

As from January 1, 2020, the rate is 15% where taxable income is under EUR 38,120 and the ordinary corporate rate applies for taxable income exceeding that threshold, as follows:

- 28% in 2020, 26.5% in 2021, and 25% in 2022 for companies with revenue of less than EUR 250 million;
- 31% (or 28% for the first EUR 500,000) in 2020, 27.5% in 2021, and 25% in 2022 for companies with revenue of EUR 250 million or more.

A 3.3% surtax computed on the standard corporate income tax charge (after the deduction of a lump-sum amount of EUR 763,000) applies. Accordingly, the maximum aggregated corporate income tax rates reflecting the surtax should be as follows: 31% => 32.02%; 28% => 28.92%; 26.50% => 27.37%; 27.50% => 28.41%; and 25% => 25.83%.

Note 2:

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

- FYs 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 exceeding threshold (the maximum ETR, including the 3.3% surtax, is 34.43%);
- FYs 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) (the maximum ETR, including the 3.3% surtax, is 32%);
- FYs opened as of January 1, 2020: The standard corporate tax rate is 28% for all companies (the maximum ETR, including the 3.3% surtax, is 28.9%);
- FYs opened as of January 1, 2021: The standard corporate tax rate is 26.5% for all companies (the maximum ETR, including the 3.3% surtax, is 27.4%); and
- FYs opened as of January 1, 2022: The standard corporate tax rate is 25% for all companies (the maximum ETR, including the 3.3% surtax, is 25.8%).

This timetable has been modified as a result of the adoption of the Law of July 25, 2019 and the Finance Law for 2020. See Note 1 above.

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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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.

Join us at the Deloitte Tax Accounting Conference – 2020 Virtual, November 30 – December 11. Now in its 15th year, content will be delivered by live presenters with advanced technology and enhanced online engagement through a virtual platform.

Deloitte COVID-19 hub – A collection of all the latest Deloitte content in relation to COVID-19.

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