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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

January 1, 2025 – March 31, 2025
March 31, 2025

Issue 2025-1

Contents

Introduction

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Unless otherwise indicated, the content in this document is based on information available as of March 31, 2025. 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: January 1, 2025 to March 31, 2025

The following section includes a summary of major international income tax law changes enacted during the period January 1, 2025 to March 31, 2025.

Japan

2025 Japan Tax Reform Proposals Digest

Date of Enactment: March 31, 2025
Effective Date: Various

Japan's National Diet enacted the 2025 tax reform on March 31, 2025. The major tax changes relevant to US taxpayers operating in Japan are as follows:

- As a result of the introduction of a new corporate surtax called the Special Defense Corporate Tax at a rate of 4% on corporation tax, the effective Japanese corporate income tax rate will increase to approximately 30.64% – 35.43%, effective for fiscal years beginning on or after April 1, 2026.
- The corporation tax rate for taxable income of small and medium-sized enterprises (SMEs) up to JPY 8 million will increase to 17% (currently 15%) if the SMEs have taxable income over JPY 1 billion, effective for fiscal years beginning on or after April 1, 2025.
- An undertaxed profits rule (UTPR) and a qualified domestic minimum top-up tax (QDMTT) will be introduced to align with the OECD's Pillar Two global minimum tax framework, effective for fiscal years beginning on or after April 1, 2026.
- The treatment of lease transactions has been revised.

See also Japan Tax & Legal Inbound Newsletter - January 2025, tax@hand - March 18, 2025 and tax@hand - February 26, 2025

Mexico

Tax incentives to support "Mexico Plan" national strategy

Date of Enactment: January 21, 2025
Effective Date: January 22, 2025

A decree (available in Spanish only) providing a set of new tax incentives to support a "Mexico Plan" national strategy was published in Mexico's official gazette on January 21, 2025 and went into effect on January 22, 2025. The plan is intended primarily to strengthen domestic industry in local/regional markets; extend the substitution of imports with value chains; generate employment; strengthen scientific and technological development and innovation; and position Mexico among the world's 10 largest economies to enhance the wellbeing of all Mexicans, industrial sectors, domestic or foreign companies, while considering the participation of micro, small, and medium-sized enterprises (MSMEs). The incentives are effective through September 30, 2030.

See also tax@hand - February 4, 2025

United Kingdom

Finance Act 2025 receives royal assent

Date of Enactment: March 20, 2025
Effective Date: Various

The remaining House of Lords stages of the UK Finance Bill 2024-25 took place on March 19, 2025. The House of Lords does not amend finance bills, and so the bill was approved unamended from the version passed by the House of Commons on March 3, 2025. The bill received royal assent on March 20, 2025 and has been published as Finance Act 2025.

See also tax@hand - March 21, 2025, tax@hand - March 7, 2025 and tax@hand - February 28, 2025

Enacted Tax Law Changes That Are Now Effective: January 1, 2025 to March 31, 2025

The following section includes a summary of major international income tax law changes enacted before January 1, 2025, but are first effective in the period January 1, 2025, to March 31, 2025.

Australia

Pillar Two legislation enacted

Date of Enactment: December 23, 2024
Effective Date: January 1, 2025

On December 10, 2024, the legislation implementing the global and domestic minimum tax in Australia received royal assent and on December 23, 2024, the legislative instrument containing the substantive rules was registered by the Treasurer.

See also tax@hand - January 7, 2025

Belgium

Law amending investment deduction regime to support "green" transition published

Date of Enactment: May 29, 2024
Effective Date: January 1, 2025

On May 29, 2024, the law introducing significant amendments to Belgium's investment deduction regime was published in the official gazette (Dutch | French).

See also tax@hand - June 5, 2024

Investment deduction/credit rate changes for tax year 2025

Date of Enactment: May 29, 2024
Effective Date: January 1, 2025

Owing to lower inflation rates in Belgium in 2023, the rate of the increased investment deduction applicable to eligible capital investments by Belgian companies during financial year 2024 (tax year 2025) will decrease by 5%. Eligible expenditure includes mainly energy-saving investments, environmentally friendly investments in research and development (R&D), investments in security, and expenditure on patents.

See also tax@hand - June 14, 2024

Bermuda

Corporate income tax legislation enacted

Date of Enactment: December 27, 2023
Effective Date: January 1, 2025

On December 27, 2023, the Bermuda Corporate Income Tax Act 2023 (the Act) received the governor's assent and was enacted, and a notice on the enactment was posted to the government of Bermuda's official gazette. The enacted law is generally consistent with the draft legislation included with the third public consultation paper and introduces a 15% corporate income tax (CIT) on Bermuda businesses that are part of multinational enterprise (MNE) groups with annual revenue of EUR 750 million or more. The effective date for the tax is January 1, 2025 (i.e., it is effective for tax years beginning on or after January 1, 2025). The government also has released "version 2.0" of a set of frequently asked questions (FAQs) providing additional guidance with respect to the Act, and a form that allows certain elections to be made in advance of filing a Bermuda CIT return.

As summarized in previous Bermuda government consultation papers, the Bermuda CIT rules incorporate key foundational definitions from the OECD global anti-base erosion (GloBE) model rules, to remain aligned as far as practicable with the GloBE rules.

See also tax@hand - January 3, 2024

Brazil

Pillar Two legislation enacted

Date of Enactment: December 30, 2024
Effective Date: January 1, 2025

Following approval by the Chamber of Deputies and Federal Senate on December 18, 2024, the Brazilian president on December 30, 2024 signed into law Bill No. 3,817/24 (enacted as Law No. 15,079/24), establishing the OECD's Pillar Two global minimum tax and introducing the global anti-base erosion (GloBE) rules in Brazil.

See also tax@hand - January 1, 2025

Guatemala

Simplified tax regimes proposed for producers of handicrafts and agricultural sectors

Date of Enactment: December 9, 2024
Effective Date: March 3, 2025

On November 19, 2024, the Guatemalan Congress passed Decree 31-2024 containing the Law for the Integration of the Primary and Agricultural Productive Sectors, which would introduce two new simplified special tax regimes for Guatemalan producers of goods for sale on the domestic market or export. The primary regime would apply to the agricultural and handicrafts sectors, and the livestock and hydrobiological (defined as products derived from the farming of fish, crustaceans, or mollusks) regime would apply to the livestock, hydrobiological, and beekeeping sectors. The legislation will take effect four months following its publication in the official gazette. Regulations for the implementation of the legislation will be published by the Ministry of Public Finance prior to the effective date.

See also tax@hand - November 28, 2024

Indonesia

Pillar Two global minimum tax rules implemented as from January 1, 2025

Date of Enactment: December 31, 2024
Effective Date: January 1, 2025

On December 31, 2024, the Minister of Finance issued Regulation Number 136 of 2024 (PMK-136) implementing the OECD Pillar Two global minimum tax (GMT) framework in Indonesia as from January 1, 2025, imposing a 15% GMT rate for multinational enterprises (MNEs).

See also tax@hand - January 21, 2025

Malaysia

Finance Act 2024 enacted, tax exemption for foreign income of individuals extended

Date of Enactment: Various
Effective Date: Various

Three acts (the Finance Act 2024; Measures for the Collection, Administration and Enforcement of Tax Act 2024; and Labuan Business Activity Tax (Amendment) (No. 2) Act 2024) providing the legislative basis for some of the tax measures announced in Malaysia's Budget 2025 and various other tax measures were published in the government gazette on December 31, 2024 and came into operation on January 1, 2025. In addition, the Income Tax (Exemption) (No. 5) Order 2022 (Amendment) Order 2024 (P.U.(A) 451/2024) was gazetted on December 24, 2024 to extend the income tax exemption for foreign-source income received by resident individuals through December 31, 2036.

See also tax@hand - January 10, 2025

Oman

Domestic minimum tax of 15% implemented as from January 1, 2025

Date of Enactment: December 31, 2024
Effective Date: January 1, 2025

Oman has taken a significant step toward aligning with the OECD/G20 global tax reform framework under Pillar Two of the Base Erosion and Profit Shifting (BEPS) 2.0 initiative. On December 31, 2024, Royal Decree 70/2024 ("the royal decree") was issued that implements a domestic minimum tax (DMT) of 15% and a top-up tax (or supplementary tax) on multinational enterprises (MNEs) through the income inclusion rule (IIR). The legislation was published in the official gazette on January 5, 2025, and illustrates Oman's commitment to maintaining a competitive tax regime while ensuring adherence to global tax standards. While the decree sets the legal framework, the detailed executive regulations and specific rules outlining the full implementation of these provisions are yet to be published by the Omani tax authorities.

See also tax@hand - January 27, 2025

Thailand

Emergency decree on top-up tax enacted

Date of Enactment: December 26, 2024
Effective Date: January 1, 2025

On December 26, 2024, the Emergency Decree on Top-Up Tax B.E. 2567 (2024) ("Top-Up Tax Decree") was officially enacted and published in the Thai royal gazette. The Top-Up Tax Decree is effective for fiscal years beginning on or after January 1, 2025 and is generally intended to be in line with the global anti-base erosion (GloBE) or "Pillar Two" model rules published by the OECD inclusive framework.

See also tax@hand - January 30, 2025

Enacted Tax Law Changes That Are Effective After March 31, 2025

The following section includes a summary of major international income tax law changes enacted before January 1, 2025, but effective after March 31, 2025

Per a review of jurisdictions that are generally monitored in this publication, there were no major international income tax law changes enacted before January 1, 2025, but effective after March 31, 2025.

On the Horizon

The following developments had not yet been enacted as of March 31, 2025, but may, in certain cases, be enacted and become effective in the near future. Please follow up with your U.S. or local country/jurisdiction tax advisor for more information.

Belgium

Federal government agreement: Tax measures affecting the real estate sector

After almost eight months of negotiations, Belgium's new federal government has introduced a coalition agreement featuring significant changes to tax and labor law policies that could affect businesses across the country.

See also tax@hand - February 12, 2025

Cyprus

Tax Reform Team presents proposed tax law amendments

On February 26, 2025, the Cyprus Tax Reform Team, led by the Center of Economic Research of the University of Cyprus, presented its proposals to key stakeholders at the Presidential Palace. The proposals are expected to be available for public consultation and will subsequently be submitted to the Council of Ministers for approval. For a proposal to be effective, it will have to be voted by the parliament.

See also tax@hand - February 28, 2025

Denmark

New Pillar Two reporting requirements introduced in 2024 corporate income tax return

The Danish Tax Agency has introduced additional reporting requirements for Danish 2024 corporate income tax returns, in connection with the implementation of the Minimum Taxation Act ("the act") in Denmark. The act was passed by the Danish parliament on December 7, 2023 and transposes the provisions of Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation of 15% for multinational enterprise groups and large-scale domestic groups in the Union (referred to as "the Pillar Two directive"), into Denmark's domestic legislation. The act applies to group entities that are part of either a multinational group or a large domestic group where the group's annual consolidated revenue is at least EUR 750 million in at least two of the last four years. The act applies for accounting periods commencing on or after December 31, 2023, with the IIR (income inclusion rule) applicable for accounting periods beginning on or after December 31, 2023 and the UTPR (sometimes referred to as the undertaxed profit(s) rule or the undertaxed payments rule) applicable for accounting periods beginning on or after December 31, 2024. Denmark has also adopted a qualified domestic top-up tax (sometimes referred to as a QDMTT), applicable for accounting periods beginning on or after December 31, 2023.

See also tax@hand - March 11, 2025

France

2025 finance bill adopted by Parliament

On February 6, 2025, France's 2025 finance bill was adopted by Parliament. It is now expected to be published in France's official journal in the next few weeks, following a review by the French Constitutional Council, and then enacted at that time.

See also tax@hand - February 7, 2025

Hong Kong SAR

Bill introducing Pillar Two global minimum tax, domestic minimum top-up tax published

The long-awaited Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Bill 2024 ("the bill"), intended to implement the OECD Pillar Two rules (also referred to as the global anti-base erosion or GloBE rules) and the Hong Kong minimum top-up tax (HKMTT) in Hong Kong SAR (HKSAR), was published in the official gazette on December 27, 2024. The 270-page bill is drafted in line with the OECD Pillar Two model rules and administrative guidance issued up to June 2024, and incorporates feedback received during the consultation exercise conducted from December 2023 through March 2024.

See also tax@hand - January 2, 2025

Key tax measures in 2025-26 Budget

The Financial Secretary of the Hong Kong Special Administrative Region (HKSAR), Paul Chan Mo-po, delivered the 2025-26 Budget Speech on February 26, 2025, outlining the fiscal policy for the coming year amid challenging economic times. This is the third budget he has presented under the current-term government led by HKSAR Chief Executive John Lee Ka-chiu and it is intended to strike a balance between addressing fiscal deficits and fostering economic growth.

See also tax@hand - February 28, 2025

Italy

Summary of main tax provisions introduced by 2025 budget law and "IRES/IRPEF decree"

Two pieces of legislation (Legislative Decree No. 192/2024 ("IRES/IRPEF decree") and Law No. 207/2024 ("2025 budget law")) that entered into force on December 31, 2024 and January 1, 2025, respectively, introduce significant changes to the Italian tax system, including a reduced corporate income tax rate of 20% for companies that invest in certain assets and fulfill certain other conditions. A summary focusing on the main corporate income tax measures introduced by the IRES/IRPEF decree and the 2025 budget law that may be of interest to multinational enterprise (MNE) groups or foreign investors is provided in the article.

See also tax@hand - January 21, 2025

Netherlands

2025 tax plan package adopted by Senate

On December 17, 2024, the Dutch Senate agreed to the bills in the 2025 tax plan package, which relate to the following:

- 2025 Tax Plan;
- Other 2025 tax measures;
- Taxation (Miscellaneous Provisions) Act 2025;
- Business Succession Tax Facilities Amendment Act 2025;
- Minimum Taxation Amendment Act 2024;
- Electricity netting scheme termination;
- Reduction of personal contribution to housing allowance;

See also tax@hand - January 8, 2025

New Zealand

Snapshot of recent developments (March 2025)

This article provides a round-up of New Zealand tax news and developments as of March 2025.

See also tax@hand - March 10, 2025 and tax@hand - February 14, 2025

OECD

Pillar One: Consolidated report on Amount B published

On February 24, 2025, the OECD announced the release of a consolidated report regarding Amount B of Pillar One of the two-pillar solution to address the tax challenges arising from the digitalization and globalization of the economy.

See also tax@hand - February 25, 2025

Working paper released on taxation of capital gains

On February 26, 2025, the OECD released a working paper titled *Taxing capital gains: Country experiences and challenges*, which examines the taxation of capital gains in OECD jurisdictions and analyzes “the rationales, challenges, and implications of offering more favourable tax treatment to capital gains compared to other forms of income.” The working paper is part of broader OECD work on the taxation of wealth and capital income. It focuses on capital gains taxes paid by individuals and is intended to lay the groundwork for evaluating potential policy reforms.

See also tax@hand - February 27, 2025

Spain

“Minimum advance payments” of corporate income tax could be declared unconstitutional

On February 17, 2025, the Spanish Constitutional Court announced that it will consider two appeals against the current legislation governing advance payments on account of corporate income tax (CIT) for large companies (i.e., those whose net turnover in the previous 12-month period is EUR 10 million or higher). The payments at issue are referred to as “minimum advance payments” and, in particular, the court will consider whether the legislation could violate the constitutional principle of economic capacity (established by article 31.1 of the Spanish constitution).

See also tax@hand - February 17, 2025

Taiwan (China)

US-Taiwan tax bill introduced in US Senate

Legislation that addresses the double taxation on investments between the US and Taiwan (China) (“Taiwan”) was introduced on January 23, 2025 by Senate Finance Committee Chairman Mike Crapo (R-Idaho) and Ranking Member Ron Wyden (D-Ore.). Senate Foreign Relations Committee Chairman James Risch (R-Idaho) and Ranking Member Jeanne Shaheen (D-N.H.) were also cosponsors of the bill and provided additional backing for this bicameral piece of legislation.

See also tax@hand - January 25, 2025

Thailand

Tax incentive approved to support business operators located in SEZs

On January 13, 2025, the Thai cabinet approved a draft royal decree that would reduce the corporate income tax rate to 10% of net profits for companies or juristic partnerships operating in targeted industries designated by the Special Economic Zone Policy Committee in accordance with a 2021 (B.E. 2564) regulation from the prime minister's office on the development of special economic zones (SEZs). The standard corporate income tax rate is currently 20%, and the tax rate reduction is intended to promote investment in SEZs. The reduced tax rate would apply to entities with business establishments located within an SEZ (regardless of where their headquarters are located) with respect to income derived from the production of goods in the SEZ or from the provision of services used within the SEZ, and would be available for 10 consecutive accounting periods.

See also tax@hand - January 15, 2025

United Arab Emirates

Pillar Two law introduced

On December 20, 2021, the OECD/G20 Inclusive Framework on BEPS ("inclusive framework") published the global anti-base erosion (GloBE) model rules, also known as the Pillar Two model rules. These rules have been complemented and clarified by commentary and various administrative guidance documents. The model rules provide governments with a template for implementing the Pillar Two agreement reached by 137 jurisdictions in the inclusive framework.

See also tax@hand - February 10, 2025

United States

Webcast replay: Amount B – US Proposed Regulations and other OECD Updates

On December 18, 2024, the US Internal Revenue Service announced forthcoming proposed regulations providing a new method (the simplified and streamlined approach, or SSA) for pricing certain baseline marketing and distribution activities consistent with OECD Pillar One Amount B. The next day, the OECD also released additional fact sheets and a pricing tool to facilitate the understanding and operation of Amount B for transfer pricing. How will this new development affect multinational businesses?

See also tax@hand - January 17, 2025

Highlights of final and proposed regulations under section 987 and related rules

On December 11, 2024, the US Treasury Department and the Internal Revenue Service (IRS) released final currency regulations under section 987 of the Internal Revenue Code and related rules. Section 987 generally applies to taxpayers with a "flow-through" qualified business unit (QBU) if the QBU has a functional currency that is different from the functional currency of its tax owner(s). The final regulations generally retain the key elements of the proposed regulations issued in November 2023 while introducing changes that are intended to provide certain administrative and substantive relief.

See also tax@hand - January 25, 2025

Webcast replay—CAMT proposed regulations: CAMT basis and legislative update

Given the change in US administration and a recent hearing on the corporate alternative minimum tax (CAMT) proposed regulations, many questions have arisen relating to whether CAMT will be repealed or pared back legislatively or through regulations. In addition, the proposed regulations have provided questions on determining CAMT basis.

See also tax@hand - February 5, 2025

GOP leaders eye vote on compromise budget plan that would punt on tax, spending cuts

US Senate Budget Committee Chairman Lindsey Graham (R-S.C.) announced on February 7, 2025 that the Budget panel will mark up the Senate's fiscal year 2025 budget resolution on February 12th and 13th which includes budget reconciliation instructions that would pave the way for several hundred billion dollars in a spending package on defense, energy, and border security programs. Graham's approach—which would punt the debate around extending expiring provisions in the Tax Cuts and Jobs Act of 2017 (TCJA, P.L. 115-97) to a second reconciliation effort later in 2025—comes as House Republican leaders are still struggling to find a path forward on their favored plan for one reconciliation bill that marries together tax and spending policy.

See also tax@hand - March 28, 2025, tax@hand - February 8, 2025

Tax and withholding increases considered in response to Pillar Two and DSTs

The Trump administration and House Republican tax writers are separately considering US tax increases on investors from countries that impose undertaxed profits rules (UTPRs), digital services taxes (DSTs), or other "discriminatory or extraterritorial taxes" on US citizens or corporations.

See also tax@hand - February 13, 2025

Trump renews calls for extending TCJA provisions and campaign tax proposals

In a wide-ranging address to Congress covering border security, defense, tariffs, consumer prices, and other issues, US President Trump's economic message on March 4, 2025 was to "pass tax cuts for everyone," a nod to extending the soon-to-expire (and expired) provisions of the Tax Cuts and Jobs Act of 2017 (TCJA, P.L. 115-97) and ensure that his campaign promises were met, including no tax on tipped and overtime income and social security benefits for seniors.

See also tax@hand - March 10, 2025, tax@hand - March 3, 2025, tax@hand - February 22, 2025, tax@hand - February 3, 2025, tax@hand - January 29, 2025, tax@hand - January 25, 2025, tax@hand - January 18, 2025 and tax@hand - January 18, 2025

Did you know

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

Australia

New draft ATO guidance on third party debt test and restructures released

On December 4, 2024, the Australian Taxation Office (ATO) released the following draft guidance:

- TR 2024/D3 Income tax: aspects of the third party debt test in Subdivision 820-EAB of the Income Tax Assessment Act 1997. The draft ruling provides interpretative guidance in respect of the "third party debt conditions," which are the critical conditions an entity must meet in order to satisfy the new third party debt test in the new interest limitation rules.
- An update to PCG 2024/D3—Restructures and the thin capitalization and debt deduction creation rules—ATO compliance approach. The initial release of the draft practical compliance guideline (PCG) explained the ATO's compliance approach in relation to restructures in respect of the debt deduction creation rules.

See also tax@hand - January 15, 2025

France

Interest paid to shareholders: Fourth 2024 quarterly interest rate limit established

On December 27, 2024, France's Official Journal published the fourth 2024 quarterly average floating rate for bank loans/credit facilities with maturities exceeding two years, which is used to calculate the annual maximum interest rate on loans from direct shareholders: the average floating rate is set at 5.37% for the fourth quarter of 2024.

See also tax@hand - January 8, 2025

Finance Act and Social Security Financing Act for 2025: Overview of R&D tax measures

France's Finance Act and Social Security Financing Act for 2025 introduced important revisions to various tax incentives related to research and development (R&D). This article provides an overview of these tax measures.

See also tax@hand - March 6, 2025

Germany

BFH clarifies TT deduction requirements for certain real estate income

The German federal tax court (BFH), on January 23, 2025, published a decision dated October 17, 2024, ruling that a real estate company could not take a deduction for trade tax (TT) purposes for income from real estate activities where the company sold all of its real estate at the beginning of the last day of its fiscal year (FY), in contravention of the requirement that real estate activities must be conducted for the entire FY. The decision of the BFH rejects the view of the lower tax court of Muenster, which ruled in favor of the taxpayer, and confirms the view of the tax authorities.

See also tax@hand - February 5, 2025

MOF publishes updated decree on income tax treatment of specific crypto assets

The German Ministry of Finance (MOF) on March 6, 2025 published a decree (and provided an English translation) on the income tax treatment of specific crypto assets. The decree is intended to update and replace a prior decree that was dated May 10, 2022.

See also tax@hand - March 10, 2025

Italy

Decrees on miscellaneous Pillar Two rules and transition year published

Two decrees issued by the Italian Minister of Finance to implement specific provisions of Pillar Two (or "global anti-base erosion" (GloBE)) rules were published in the Italian official gazette on December 30 and 31, 2024, respectively. The decree issued on December 20, 2024 and published on December 30th contains miscellaneous provisions, while the decree issued on December 27, 2024 and published on December 31st contains provisions relating to the transition year (i.e., the fiscal year in which a group falls within the scope of application of the GloBE rules for the first time in respect of a jurisdiction).

See also tax@hand - January 13, 2025

Mexico

Various tax incentives extended through 2025

Mexico's official gazette published on December 24, 2024 the following decrees: "Decree to amend the decrees issued for key sectors of the export industry as regards the immediate deduction of the investment in new fixed assets and the additional deduction of training expenses," "Decree for the northern border region," "Decree for the southern border region," "Decree to establish excise tax incentives applicable to the fuels specified therein," "Decree to provide supplemental tax incentives for automotive fuels," and "Decree to grant tax incentives for the sale of these fuels at the southern border region." All decrees took effect on December 25, 2024.

See also tax@hand - January 8, 2025

New Zealand

Asset identification guidance for depreciation purposes finalized

In July 2024, New Zealand's Inland Revenue released for consultation a draft interpretation statement on how to identify the relevant item of property when applying the depreciation rules. Inland Revenue on January 22, 2025 finalized the interpretation statement and the final document provides useful guidance (with a number of helpful examples) for taxpayers when identifying the depreciation treatment of more complicated assets.

See also tax@hand - February 13, 2025

Deductibility of repair and maintenance expenditure on recently acquired assets

The New Zealand Inland Revenue interpretation statement 12/03, *Deductibility of repairs and maintenance expenditure*, provides guidance on the general principles for repairs and maintenance deductions. However, questions remained about the deductibility of expenditure on repairs to "recently acquired capital assets." Inland Revenue has recently released draft guidance through a "Question We've Been Asked" (QWBA) on this specific issue: "PUB000459 Can I claim a deduction for expenses I incur on repairing a recently acquired capital asset?"

See also tax@hand - March 10, 2025

OECD

OECD Pillar Two: Qualified jurisdictions and further guidance

On January 15, 2025, the OECD/G20 Inclusive Framework on BEPS ("inclusive framework") published a compilation of Pillar Two-related documents including a central record of jurisdictions' domestic Pillar Two legislation with transitional qualified status. Further administrative guidance has also been released in respect of deferred tax assets arising from tax benefits provided by governments.

See also tax@hand - January 17, 2025

New OECD guidance addresses Pillar Two incentives and administration

On January 15, 2025, the OECD/G20 Inclusive Framework on BEPS ("inclusive framework") released the latest package of materials related to the 15% global minimum tax on multinational corporations ("Pillar Two" or "GloBE"). The guidance (hereafter, the "January 2025 AG") addresses the application of the article ("art.") 9 transition rules to certain deferred tax assets (DTAs) arising prior to the application of the GloBE rules.

See also tax@hand - January 21, 2025

United States

Final regulations address disregarded payment loss and dual consolidated loss rules

On January 14, 2025, the US Internal Revenue Service (IRS) and Treasury Department published final regulations (TD 10026) (the "final DPL regulations") to finalize certain provisions of the proposed regulations issued on August 6, 2024 (REG-105128-23, the "proposed DCL/DPL regulations"). The final DPL regulations finalize the rules from the proposed DCL/DPL regulations that relate to disregarded payment losses (DPLs), including portions that are also relevant for dual consolidated losses (DCLs), such as the proposed anti-avoidance rule and the exception to a foreign use in Treas. Reg. section 1.1503(d)-3(c)(3). The final DPL regulations retain the basic approach and structure of these portions of the proposed DCL/DPL regulations, with certain revisions. It is important to note that the final DPL regulations do not finalize all provisions of the proposed DCL/DPL regulations. With the exception of the proposed rules addressing the application of the DCL rules to the global anti-base erosion (GloBE) model rules (see within the article), the following provisions remain outstanding as proposed rules with retroactive effective dates. They may have retroactive effect if and when they are finalized in the future.

See also tax@hand - January 16, 2025

Trump says global tax deal has no "force or effect" in the US

As Donald Trump took the oath of office on January 20, 2025 as the 47th president of the United States, he issued a number of executive orders on energy and border security and declared that the global tax deal—a two-part international agreement signed on to by the Biden administration in 2021 with 140 other countries—has no "force or effect" in the US. Trump's international and trade agenda took center stage on January 20th as he also threatened to double US taxes on citizens and corporations domiciled in jurisdictions deemed to have discriminated against American individuals and companies and to search for additional retaliatory measures.

See also tax@hand - January 22, 2025

Podcast—New administration tax policy

The new US administration's tax policies bring significant changes and challenges. In this episode of the Tax News & Views podcast (released on January 24, 2025), host Carrie Falkenhayn talks with Jon Traub and Anna Taylor from Deloitte US's Tax Policy group to discuss the implications of these policies. They explore the process of budget reconciliation, the potential revenue-raising proposals, and the executive orders affecting international tax. Understanding these changes is essential for businesses to adapt and thrive.

See also tax@hand - January 24, 2025

Webcast replay: New IRA guidance released on tax credits and incentives

Recent US legislation has created potential opportunities for individuals, businesses, tax-exempt entities, and government entities to leverage a variety of tax credits and incentives under the Inflation Reduction Act (IRA) that may be available at the global, federal, and state level.

See also: tax@hand - February 13, 2025

United Kingdom

HMRC publishes guidance on patent box, employment allowance "connected entity" rules

On November 7 2024, the UK tax authority, HM Revenue & Customs (HMRC) published two new sets of guidance documents as part of its series of Guidelines for Compliance (GfC). GfCs offer HMRC’s views on complex, widely misunderstood, or novel risks that can occur across tax regimes.

See also tax@hand - November 15, 2024

Tribunal dismisses taxpayer’s appeal on loan relationships “unallowable purpose” rule

The UK First-tier Tribunal has dismissed a taxpayer’s appeal in the corporation tax case Syngenta Holdings Limited v HMRC concerning the loan relationships "unallowable purpose" rule (sections 441 and 442 Corporation Tax Act 2009).

The taxpayer, a UK-resident group company, claimed tax deductions between 2011 and 2016 for interest expense arising on a new intragroup loan from an overseas group treasury company. The loan had partly funded an intragroup acquisition in 2011 under which the taxpayer acquired 100% of the shares in another UK company from its non-UK parent company. HM Revenue & Customs (HMRC) considered that the main purpose for which the taxpayer was a party to the loan was an unallowable purpose—i.e., the obtaining of the UK tax deductions for the interest.

After reviewing the evidence in detail, including documentary evidence from the time the transaction was implemented, and applying recent case law on the unallowable purpose rule, the First-tier Tribunal made a finding of fact that the only reason the loan was entered into was to secure the tax advantage. Accordingly, the tribunal agreed with HMRC that all the interest debits were disallowed under the rule.

See also tax@hand - November 11, 2024

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 Alerts

Quick Reference Guide for Income Tax Rates

The following section includes a summary of combined tax rates applicable in jurisdictions with rate changes in 2025, and supplemental information with respect to certain jurisdictions.

For other jurisdictions see **2025 Global Tax Rates as well as a comparative table of 2021-2025 Global Tax Rates**.

Jurisdiction	2023	2024	Notes
Bermuda	0%	15%	A new corporate income tax rate of 15% has been established, effective as from January 1, 2025. See Bermuda Tax Highlights
Japan	15%/23.2%	17%/23.2%	Japan's National Diet enacted the 2025 tax reform on March 31, 2025. As a result of the introduction of a new corporate surtax called the Special Defense Corporate Tax at a rate of 4% on corporation tax, the effective Japanese corporate income tax rate will increase to approximately 30.64% – 35.43%, effective for fiscal years beginning on or after April 1, 2026. The corporation tax rate for taxable income of small and medium-sized enterprises (SMEs) up to JPY 8 million will increase to 17% (currently 15% before the 2025 tax reform) if the SMEs have taxable income over JPY 1 billion, effective for fiscal years beginning on or after April 1, 2025 See Japan Tax & Legal Inbound Newsletter - January 2025
Luxembourg	15/17%	14/16%	As from the 2025 tax year, the corporate income tax rate is 14% for companies with taxable income up to EUR 175,000 (reduced from 15%) and 16% for companies with taxable income above EUR 200,000 (reduced from 17%). See Luxembourg Tax Highlights

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.

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