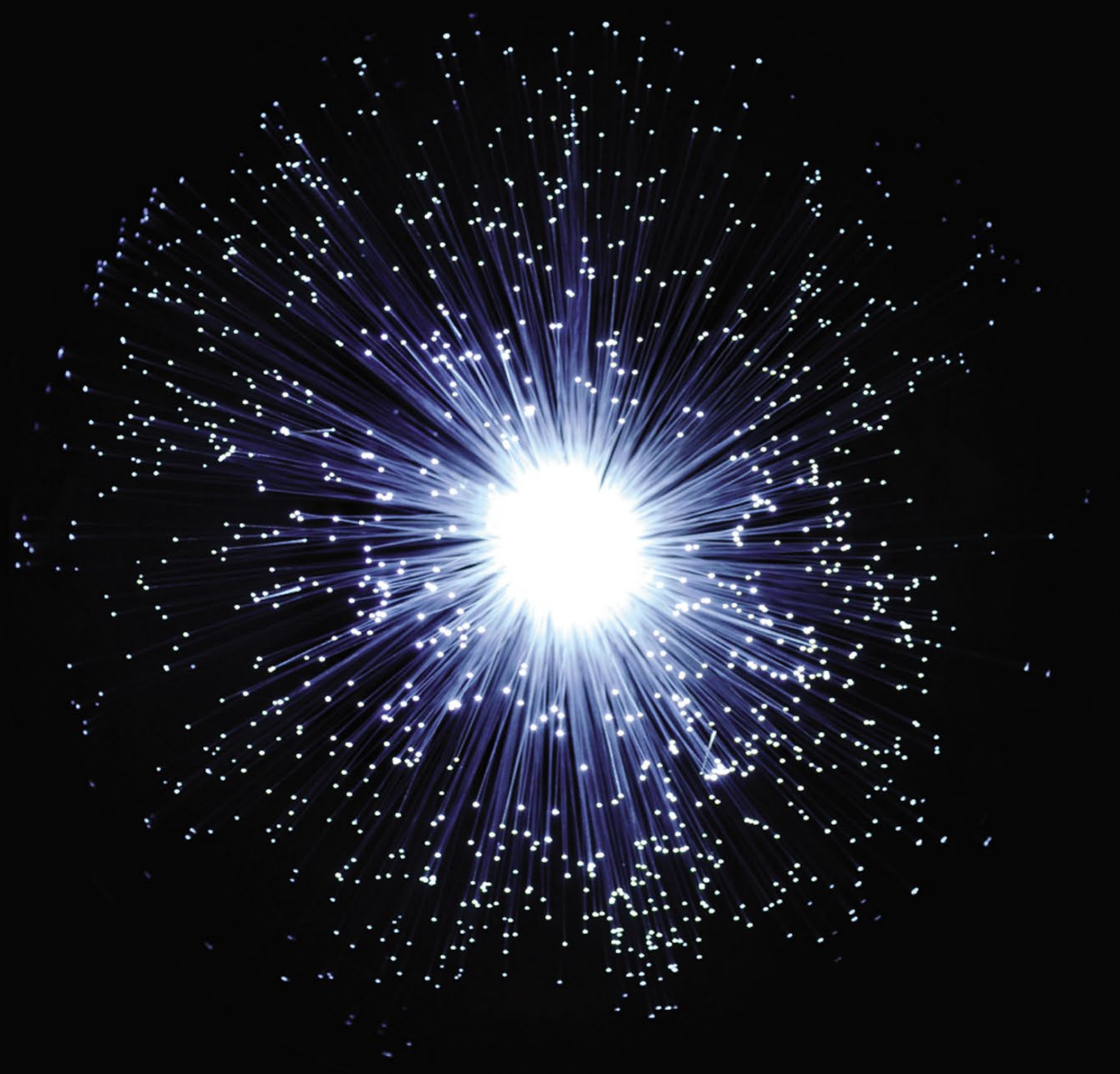

Global Tax Developments Quarterly
Accounting for Income Taxes

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

January 1, 2019 – March 31, 2019
April 17, 2019
Issue 2019-1

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Introduction

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Unless otherwise indicated, the content in this document is based on information available as of March 31, 2019. 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, 2019 to March 31, 2019

The following section includes a summary of major international income tax law changes enacted during the period January 1, 2019 to March 31, 2019.

Hong Kong
Japan
Mexico
Romania
South Africa
United Kingdom

Hong Kong

Law on tax treatment of financial instruments enacted

Date of Enactment: March 1, 2019
Effective Date: January 1, 2018

Inland Revenue (Amendment) (No. 2) Ordinance 2019, enacted by Hong Kong's Legislative Council on March 1, 2019, provides an option to align the tax treatment of financial instruments with their accounting treatment. Subject to certain exceptions, the option is available if the taxpayer prepares financial statements in accordance with a specified financial reporting standard (e.g. IFRS/HKFRS 9). The new legislation applies to years of assessment for which the basis period begins on or after January 1, 2018.

See also tax@hand – March 12, 2019

Law extending the profits tax exemption for funds enacted

Date of enactment: April 1, 2019
Effective date: April 1, 2019

Inland Revenue (Profits Tax Exemption for Funds) (Amendment) Ordinance 2019, which allows a profits tax exemption for certain funds regardless of whether the central management and control of the funds is exercised in Hong Kong, was enacted by Hong Kong's Legislative Council on April 1, 2019.

See also tax@hand - November 9, 2018 and March 12, 2019

Japan

2019 Tax reform enacted

Date of Enactment: March 27, 2019
Effective Date: Various

Japan's National Diet enacted the 2019 tax reform proposals on March 27, 2019, which include changes to the earnings stripping rules, transfer pricing rules, controlled foreign company rules and R&D tax credits.

See also tax@hand – December 21, 2018

Mexico

Tax incentives granted for certain bond interest and capital gains on IPO share sales

Date of Enactment: January 8, 2019
Effective Date: January 9, 2019

A presidential decree published in Mexico's official gazette on January 8, 2019 grants a withholding tax credit on certain interest paid on publicly-traded bonds and a 10% tax rate on certain gains from the sale of shares made through initial public offerings. The incentives apply as from January 9, 2019.

See also tax@hand – January 12, 2019

Romania

New interest deduction limitation rules in effect

Date of enactment: January 20, 2019
Effective date: January 1, 2019

As from January 1, 2019, new rules apply to the deductibility of interest and other costs economically equivalent to interest by Romanian companies. Under the new limitation, "excess borrowing costs" (i.e. the difference between borrowing costs and interest income and other economically equivalent income) are deductible for corporate income tax purposes up to EUR 1 million, plus 30% of the company's tax-adjusted EBITDA (earnings before interest, tax, depreciation and amortization).

See also tax@hand – January 18, 2019

South Africa

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

Date of enactment: January 17, 2019
Effective date: January 1, 2019

The Taxation Laws Amendment Act No. 23 of 2018, promulgated on January 17, 2019, contains changes to the anti-dividend stripping rules. The anti-dividend stripping rules are effective as from January 1, 2019.

See also tax@hand – November 14, 2018

United Kingdom

Capital gains and corporation tax for nonresidents

Date of enactment: January 8, 2019
Effective date: April 6, 2019

As from April 6, 2019, UK corporation tax is charged on gains made by nonresidents on disposals of all types of UK immovable property (tax treaty relief may be available in some circumstances). Previously, the UK did not tax gains made on immovable property by nonresidents, unless it was residential property.

See also Deloitte Alert – November 08, 2018

Offshore receipts in respect of intangible property

Date of enactment: January 8, 2019
Effective date: April 6, 2019

Beginning on April 6, 2019, the new UK offshore receipts rules will tax (at 20%) intangible property receipts received by a company that is not tax resident in a full treaty jurisdiction and where the IP is ultimately connected to UK sales. For these purposes, a full treaty territory is a jurisdiction that has concluded a tax treaty with the UK that treaty contains a nondiscrimination clause (broadly speaking, the territory also must not operate a territorial regime).

See also Deloitte Alert – December 13, 2018

Reinstatement of relief for goodwill and certain other assets

Date of enactment: January 8, 2019

Effective date: April 1, 2019

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 spend on qualifying IP assets and if available, will be subject to a 6.5% fixed rate writing down allowance.

See also tax@hand – January 10, 2019

Enacted Tax Law Changes That Are Now Effective: January 1, 2019 to March 31, 2019

The following section includes a brief summary of major international income tax law changes enacted before January 1, 2019, but are first effective in the period January 1, 2019 to March 31, 2019.

Albania

Barbados

British Virgin Islands

Bulgaria

Colombia

Italy

Korea

Luxembourg

Mexico

Netherlands

Portugal

Albania

Second tranche of 2019 fiscal package amendments enacted

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

On December 21 and 28, 2018, the second part of the fiscal package for 2019 was published in Albania's official gazette. Among the key amendments are a broadening of the taxable base by expanding the definition of Albanian-source income, while relieving the tax burden on certain categories of income. The changes generally are effective as from January 1, 2019.

See also tax@hand – January 8, 2019

Barbados

Economic substance test enacted

Date of Enactment: November 21, 2018
Effective Date: January 1, 2019

As part of Barbados' efforts to comply with action 5 of the OECD BEPS project, legislative amendments that generally apply beginning January 1, 2019 include the abolition of the regimes for international business companies and international societies with restricted liability and the reclassification of such entities as regular Barbados companies (subject to certain "grandfathering" provisions). Additionally, an economic substance test has been introduced.

See also tax@hand – February 11, 2019

British Virgin Islands

Legislation on economic substance passed

Date of Enactment: December 19, 2018
Effective Date: January 1, 2019

On December 19, 2018, the British Virgin Islands (BVI) government passed legislation that introduces increased substance requirements for certain BVI-resident legal entities.

See also tax@hand – January 15, 2019

Bulgaria

2019 tax law changes include partial implementation of ATAD 1

Date of Enactment: November 27, 2018
Effective Date: January 1, 2019

Broad-based changes to Bulgaria's tax laws, published in the state gazette on November 27, 2018, generally apply beginning January 1, 2019. The measures include the partial implementation of the EU anti-tax avoidance directive (ATAD 1), specifically, limits on the deduction of net borrowing costs and the introduction of new controlled foreign company rules.

See also tax@hand – January 5, 2019

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 law enacted on December 28, 2019 introduces tax reforms, including the progressive reduction in the corporate income tax rate from 33% for taxable year 2019 to 30% for taxable year 2022 and thereafter. The provisions apply as from January 1, 2019.

See also tax@hand – January 9, 2019

Italy

2019 budget law introduces significant changes to tax rules

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 that generally applies from January 1, 2019, includes the repeal of the notional interest deduction, the introduction of a lower corporate tax rate for earnings re-invested in qualifying assets and new hires, a reopening of a window for the tax step-up of business assets and the introduction of a new tax on digital services.

The budget law also includes tax provisions that affect banks and insurance companies, such as rules that affect the deductibility of write-downs and losses on certain customer receivables, advance payments of the tax on insurance premiums, the deductibility of losses relating to the adoption of IFRS 9 and deferred tax assets for goodwill and other intangibles.

See also tax@hand – January 15, 2019 and tax@hand – January 10, 2019

Legislative decree transposes EU ATAD into domestic law

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

On December 28, 2018, a legislative decree transposing the ATAD 1, as amended by ATAD 2 into Italy's domestic law was published in the official gazette. The new legislation provides changes relating to the interest expense deduction limitation rules, exit taxation, the controlled foreign company rules, dividends and capital gains associated with foreign subsidiaries and hybrid mismatches. The decree does not include changes to the general anti-avoidance rule because the government considers the domestic legislation to be in line with the ATAD.

See also tax@hand – January 16, 2019

Korea

2019 tax reform includes rules to improve efficiency of tax law

Date of Enactment: December 8, 2018
Effective Date: January 1, 2019

On December 8, 2018, Korea's National Assembly approved the tax reform proposals for 2019, which makes changes to 21 laws, including various amendments to the corporate income tax. The new rules generally apply for financial years starting on or after January 1, 2019.

See also tax@hand – January 23, 2019

Luxembourg

ATAD 1 transposed into domestic law

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

On December 18, 2018, the Luxembourg parliament voted on the transposition of the ATAD 1 into domestic law. The ATAD 1 provisions are applicable in Luxembourg as from fiscal years starting on or after January 1, 2019, except for the exit tax provisions, which will apply as from fiscal year 2020. The measures covered by the law transposing the ATAD 1 into domestic law mainly deal with EU hybrid mismatch rules, controlled foreign company rules, interest deduction limitations rules, exit taxation and general anti-abuse rule.

See also tax@hand - November 24, 2018

Mexico

Tax incentives granted to taxpayers in northern border region

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

A presidential decree published in Mexico's government gazette on December 31, 2018 grants a temporary income tax credit to certain taxpayers located in 43 municipalities in the northern border region. The decree applies for a two-year period from January 1, 2019 through December 31, 2020. The Tax Administration Service issued clarifying regulations on January 7, 2019.

See also tax@hand – January 7, 2019 and tax@hand – January 10, 2019

Netherlands

2019 tax package enacted

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

On December 18, 2018, the Dutch Senate approved the 2019 tax package originally published on September 18, 2018, and subsequently amended on October 15, 2018. The tax package became effective on January 1, 2019 and includes the implementation of the EU ATAD 1, in particular, the earnings stripping rule and controlled foreign company rules, as well as a gradual reduction of the corporate income tax rate and changes to the rules regarding tax losses and the depreciation of buildings.

See also tax@hand – January 11, 2019

Portugal

2019 budget law contains corporate income tax changes

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

Portugal's 2019 budget law, published in the official gazette on December 31, 2018 and that generally applies beginning January 1, 2019, revises the corporate income tax rules. In particular, intangible assets acquired from related parties no longer are eligible for the intangible assets tax regime, and taxpayers that have submitted a corporate income tax return and an annual declaration in accordance with Portuguese tax law for the two previous fiscal years may be exempt from the special payments on account. Notably, the budget law does not include provisions transposing the ATAD 1 as amended by ATAD 2 into domestic law, although the Council of Ministers announced on January 17, 2019 that draft legislation had been approved.

See also tax@hand – January 31, 2019

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

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

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, 2019, but that are effective beginning April 1, 2019.

On the Horizon

The following developments had not yet been enacted as of March 31, 2019, 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.

France

Luxembourg

Netherlands

South Africa

Switzerland

France

Proposed digital services tax legislation released

On March 6, 2019, the French government released a bill that would introduce a digital services tax retroactively as from January 1, 2019 and revise the trajectory of the planned progressive reduction of the corporate income tax rate. The DST was adopted by the National Assembly on April 10.

Pursuant to the 2018 finance law, the corporate income tax rate will be progressively reduced to 25% by 2022. In 2019, the standard rate was to be reduced to 31% (with a 28% rate applying on profits below EUR 500,000). According to the proposed legislation, the standard tax rate would remain at 33 1/3% for 2019, except for companies with turnover lower than EUR 250 million (to be assessed at the level of the tax group, if applicable). The 28% rate, as enacted in the 2018 finance act, still applies on the first EUR 500,000 of taxable income. The relevant bill was adopted on April 9 by the national assembly and now will be reviewed by the Senate.

See also tax@hand – March 6, 2019

Luxembourg

Draft budget law for 2019 released

On March 5, 2019, Luxembourg's finance minister presented the draft 2019 budget law to the Chamber of Deputies, which includes proposed changes to the corporate income tax rate and the fiscal unity regime. The parliament is expected to vote on and approve the draft budget law before the end of April 2019, with some of the tax measures applying retroactively as from January 1, 2019 and others applying as from May 1, 2019.

See also tax@hand – March 12, 2019

Netherlands

Legislative developments relating to fiscal unity remedial measures and MLI

The Dutch Senate's vote on legislation on remedial measures for the fiscal unity regime, scheduled for March 5, 2019, has been postponed indefinitely.

See also tax@hand - March 6, 2019

South Africa

2019 budget announced

The 2019 budget presented by South Africa's Finance Minister on February 20, 2019 did not include any changes to the corporate income tax.

See also tax@hand – February 25, 2019

Switzerland

Referendum to be held on corporate tax reform bill

The Swiss tax reform and AHV Financing bill (TRAF, formerly known as Swiss Tax Reform 17 and Swiss Corporate Tax Reform III) will be subject to a referendum on May 19, 2019 and, if approved, likely will be effective beginning January 1, 2020 at the federal level.

See also tax@hand – January 18, 2019

Did you know

Denmark
Ecuador
European Union
Germany
Malaysia
Oman
Peru
Spain
United States

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

Denmark

Guidance issued on extension of interest exemption under thin cap rules

On January 7, 2019, the Danish tax authorities issued guidance that explains the application of legislation that became effective on July 1, 2018, which extends the tax exemption for related party interest paid by a Danish debtor to certain related party interest arising from debtors resident in another EU or European Economic Area (EEA) member state.

See also tax@hand – January 9, 2019

Ecuador

Annual coefficients for presumptive income tax assessments updated

A resolution issued by Ecuador's tax authorities, published on February 6, 2019, updates the coefficients to be applied by the authorities in calculating presumptive annual income tax assessments for the 2018 fiscal year (i.e. the year ending December 31, 2018). A presumptive income tax assessment is carried out by the tax authorities when taxpayers fail to keep adequate accounting records, do not issue tax vouchers or invoices or do not file their tax returns. The coefficients are established for different industries/economic activities and estimate taxpayers' annual taxable profits based on their annual revenue, total assets or total costs and expenses incurred during the year.

See also tax@hand – February 12, 2019

European Union

CJEU interprets concept of beneficial ownership in EU directives

On February 26, 2019, the Court of Justice of the European Union (CJEU) issued decisions in six cases concerning the Danish withholding tax treatment of dividends, interest and the concept of beneficial ownership in the context of the EU parent-subsidiary directive and interest and royalties directive. The CJEU held that EU member states should deny the tax relief provided in the directives in situations where taxpayers use the directives for abusive or fraudulent purposes, even when there is no domestic law targeting such abuse.

See also tax@hand – March 6, 2019

Germany

Ministry of Finance considering introduction of new R&D tax incentive

Germany's Ministry of Finance is considering issuing a legislative proposal that would provde for the introduction of a new research and development tax incentive equal to 25% of qualifying expenditure during the four-year period from 2020 to 2023. The incentive would be in the form of a cash grant upon a qualifying taxpayer's successful application to the responsible local tax office.

See also German Tax and Legal News - March 4, 2019

Malaysia

2018 finance bill and related legislation enacted

Date of Enactment: December 27, 2018
Effective Date: December 28, 2018

Three bills that implement significant direct and indirect tax measures, including some measures from Malaysia's Budget 2019, were published in the official gazette on December 27, 2018 as the Finance Act 2018, Income Tax (Amendment) Act 2018 and Labuan Business Activity Tax (Amendment) Act 2018 and became effective on December 28, 2018. Changes were made to the draft legislation that affect the carryforward of allowances, the scope of withholding tax on payments for services rendered by nonresidents and the tax deduction for payments by residents to Labuan entities.

See also tax@hand – February 10, 2019

Oman

Regulations clarify amendments to income tax law

The Omani tax authorities released executive regulations on February 10, 2019 that clarify amendments to the income tax law announced in Royal Decree 9/2017 issued in 2017, such as specifying the conditions that must be fulfilled to qualify for the five-year nonrenewable corporate tax exemption on manufacturing income. The regulations were published in the official gazette on February 10, 2019 and have effect as from that date.

See also tax@hand – February 19, 2019

Peru

Income tax regulations updated to implement significant tax changes

Four decrees issued by the Peruvian government on December 30, 2018 that apply beginning January 1, 2019 revise the income tax regulations and introduce additional rules and clarifications to implement several legislative decrees that are effective as from January 1, 2019. The decrees affect the deductibility of payments for intragroup services; the deductibility of interest expense and the treatment of indirect transfers of shares; the accrual of income for tax purposes; and the definitions of noncooperative jurisdictions and preferential tax regimes for purposes of the transfer pricing rules.

See also tax@hand – February 6, 2019

Spain

Parliament rejects budget bill 2019

On February 13, 2019, the Spanish parliament rejected the 2019 budget bill because it was unable to reach a consensus and returned the bill to the government for potential amendments. The government then called for general elections, which are expected to be held on April 28, 2019. The budget bill submitted to parliament on January 14, 2019, which had been approved by the government, contained several significant tax measures, including a move from a full participation exemption system for dividends and capital gains to a partial exemption system, the introduction of a minimum corporate tax regime and changes to the rules for advance payments of corporate income tax. Other tax measures in the budget are found in separate legislation, including the bill on a proposed digital services tax and a bill on a financial transactions tax.

See also tax@hand – February 15, 2019

United States

Final regulations released on transition tax

On January 15, 2019, the US Treasury Department and Internal Revenue Service released final regulations on the transition tax under section 965 of the Internal Revenue Code, which was enacted in the 2017 Tax Cuts and Jobs Act.

See also tax@hand – January 16, 2019

Regulations and other new guidance under section 199A released

On January 18, 2019, the US Treasury Department and Internal Revenue Service released final regulations and other guidance items addressing the deduction for qualified business income of certain passthrough entities under section 199A, which was enacted as part of the 2017 Tax Cuts and Jobs Act.

See also tax@hand – February 1, 2019

Proposed regulations released on deduction for FDII and GILTI

On March 4, 2019, the US Treasury Department and Internal Revenue Service released proposed regulations under section 250, pertaining to deductions for Foreign-Derived Intangible Income and Global Intangible Low-Taxed Income that were enacted in the 2017 Tax Cuts and Jobs Act.

See also tax@hand – March 8, 2019

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 select jurisdictions, 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 2018 Global Tax Rates

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 generally 30%. However, a 27.5% rate applies for companies with an aggregate annual turnover of less than AUD 25 million for the 2017-18 income year; the threshold increases to AUD 50 million as from the 2018-19 income year.
Brazil	34%	34%	N/A	The corporate income tax base rate is 15%. The additional 10% surtax on income in excess of BRL 240,000 per year 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	The general enterprise income tax rate is 25%. 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 also are subject to a 15% tax rate if they operate in certain industries.
Colombia	33% + 4% surcharge (combined rate of 37%)	33%	Dec 28, 2018	Law 1943 of 2018 enacted on December 28, 2018 introduces 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 or exceeded COP 800 million (approximately USD 266,000).
France	33.33% –	31% –	Dec 30, 2013 (See Note 1 for 2017 and Note 2 for the new rates applicable for FYs	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). However, a bill presented on March 6, 2019 wouold maintain the corporate tax rate at 33.33% in 2019 for entities with revenue of EUR 250 million or more.

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.)		Date the combined national/local rate enacted	Notes
	2018	2019	National and Local	
	34.43%	32% 28% - 28.92% for SMEs up to EUR 75K (see Note 1)	opened as of Jan 1, 2018). Dec 31, 2016	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%.
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%/40%	Mar 29, 2018	The rate is 30% for domestic companies and 40% for foreign companies and branches of foreign companies. A surcharge of 7% applies to domestic companies (2% for foreign companies) if income exceeds INR 10 million, and 12% surcharge applies to domestic companies (5% for foreign companies) if income exceeds INR 100 million. An additional 4% cess is payable in all cases. The 25% rate (plus the surcharge and cess) is applicable for financial years 2018-19 and 2019-20 for domestic companies with total turnover or gross receipts of up to INR 2.5 billion in financial years 2016-17 and 2017-18, respectively, and also may be elected by certain new resident manufacturing companies. A minimum alternative tax is imposed in certain cases.
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% (29.74%~ or 33.58%~ for FYs beginning on or after Oct 1, 2019) (see Note 4)	Mar 29, 2016 (for FYs beginning before Oct 1, 2019) Mar 29, 2016 and Mar 27, 2019 (for FYs beginning on or after Oct 1, 2019)	The national corporate tax rate is 23.2% for ordinary corporations with share capital exceeding JPY 100 million 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, the rates of which vary depending on certain factors. The local enterprise tax, including the special local corporate tax (for fiscal years beginning before October 1, 2019) or special corporate enterprise tax (for fiscal years beginning on or after October 1, 2019), generally is levied on taxable income at a standard rate between 3.6% and 9.59% (see Note 4), depending on the amount of capital

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.)		Date the combined national/local rate enacted	Notes
	2018	2019	National and Local	
				and the location of the corporation. The inhabitants tax generally is levied on taxable income at a rate of 12.9% or 16.3% (for fiscal years beginning before October 1, 2019), or 7.0% or 10.4% (for fiscal years beginning on or after October 1, 2019) 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% (for fiscal years beginning before October 1, 2019), or 10.3% (for fiscal years beginning on or after October 1, 2019) 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%	~24.94%	Dec 23, 2016 for 2018 To be enacted for 2019 (draft law)	Based on the draft 2019 budget law, the corporate income tax rate should be reduced from 18% to 17%, and the income bracket affected by the minimum rate of 15% would be increased from EUR 25,000 to EUR 175,000. Once the law is passed, the effective combined income tax rate for a company in Luxembourg City should be 24.94% for 2019 (including the corporate income tax, municipal business tax and the contribution for the unemployment fund). Rates for residents of other municipalities may vary.
Mexico	30%	30%	Dec 11, 2013	The standard corporate tax rate is 30%. However, a two-year income tax credit is available for certain taxpayers located in 43 municipalities in the northern border region, which translates to a 20% effective tax rate.
Netherlands	25%	25%	N/A	The corporate tax rates for 2019 are 19% on the first EUR 200,000 of taxable profits (reduced from 20% as from 1 January 2019), and 25% on taxable profits exceeding EUR 200,000. Further rate reductions will take place for 2020, and by 2021 a 15% rate for the first EUR 200,000 and a 20.5% top rate will apply.
Russia	20%	20%	Nov 26, 2008	The standard tax rate is 20%, except for certain types of income. In the period 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 (SEZs) 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 SEZs; • 0% for technology and innovation and tourism and recreation SEZs.

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.)		Date the combined national/local rate enacted	Notes
	2018	2019	National and Local	
				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	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 12% and 24% for companies subject to ordinary taxation, depending on the place of residence.
United Kingdom	19%	19%	Nov 18, 2015	The corporate tax rate will drop to 17% on 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.

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 effective tax rate 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 effective tax rate, 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 effective tax rate, including the 3.3% surtax: 32%)
- FY opened as of January 1, 2020: The standard corporate tax rate is 28% for all companies (maximum effective tax rate, 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 effective tax rate, 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 effective tax rate, 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.

Note 4:

The Tokyo rates were not yet available at the time of writing.

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 taught by experienced professionals who will explain applicable guidance as well as share real world experiences and leading practices.

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