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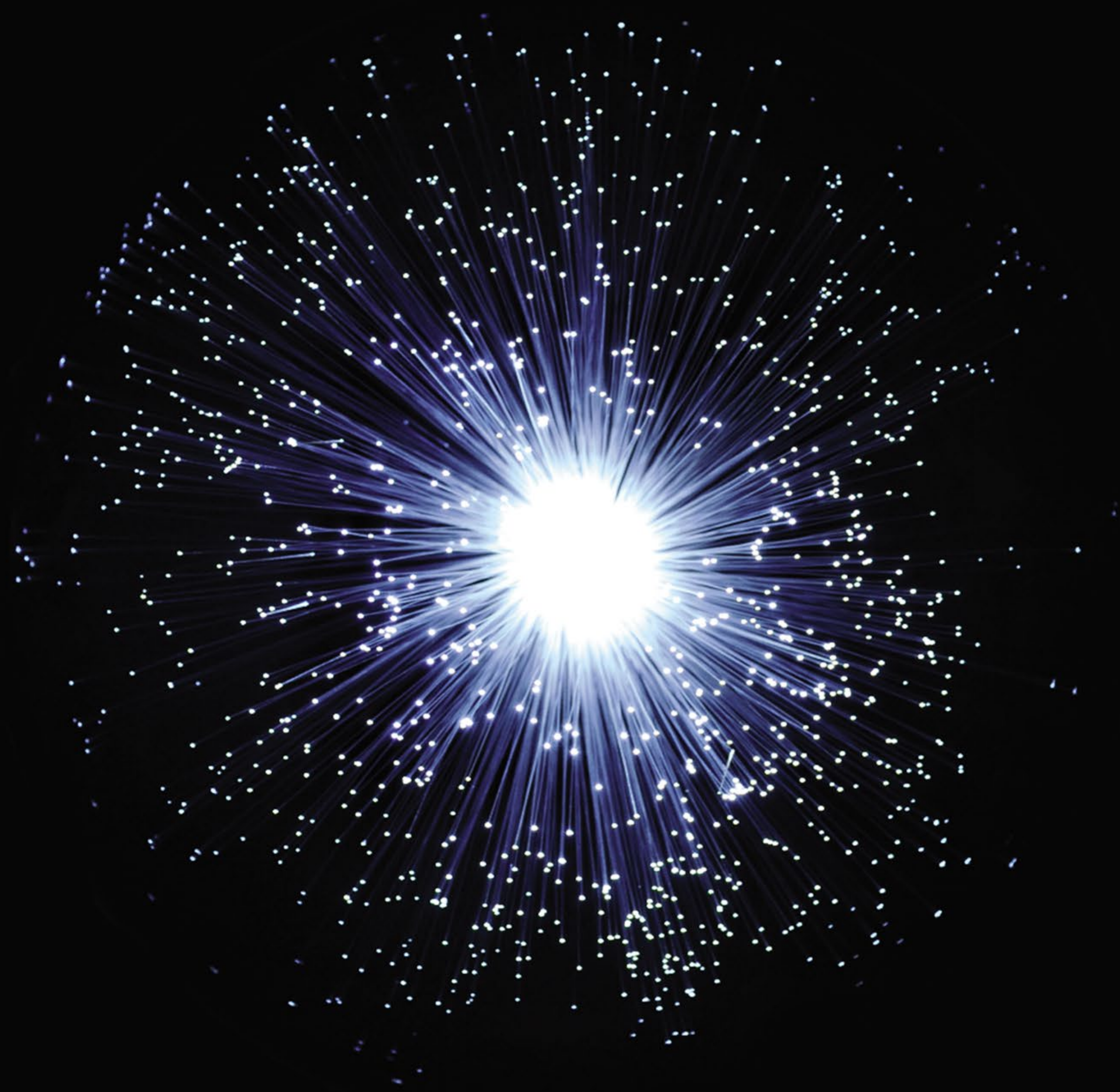

Global Tax Developments Quarterly
Accounting for Income Taxes

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

July 1, 2019 – September 30, 2019
October 18, 2019
Issue 2019-3

Contents

Introduction

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Unless otherwise indicated, the content in this document is based on information available as of July 1, 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: July 1, 2019 to September 30, 2019

The following section includes a summary of major international income tax law changes enacted during the period July 1, 2019 to September 30, 2019.

Kosovo

Corporate tax changes apply retroactively

Date of Enactment: July 27, 2019
Effective Date: January 1, 2019

A new corporate income tax law published in Kosovo's official gazette on July 27, 2019 replaces the corporate tax law that applied since 2015. The new law includes the following corporate tax law changes: (i) adjustment of the basis and rate of taxation of insurance companies from a 5% tax levied on gross premiums to a 10% tax on taxable income; (ii) reduction of the corporate tax loss carryforward period from six years to four years; and (iii) reduction of the annual turnover threshold for companies to elect to be taxed on a gross income basis from EUR 50,000 to EUR 30,000. The new law entered into force on March 8, 2019 (i.e. 15 days after the date it was published) and applies retroactively from January 1, 2019.

See also tax@hand – August 1, 2019

Enacted Tax Law Changes That Are Now Effective: July 1, 2019 to September 30, 2019

The following section includes a brief summary of major international income tax law changes enacted before July 1, 2019, but are first effective in the period July 1, 2019 to September 30, 2019.

Per a review of jurisdictions that are generally monitored in this publication, there were no major international income tax law changes enacted before July 1, 2019, but that are effective beginning October 1, 2019.

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

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

On the Horizon

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

Czech Republic

Consultation held on introduction of digital services tax

A consultation on draft legislation to introduce a tax on income from digital services (digital services tax (DST)) in the Czech Republic ended on July 29, 2019. The DST draft legislation, released by the Ministry of Finance on July 4, 2019, would be partly based on EU proposals for the taxation of digital services that were not agreed upon at an EU level. The domestic DST rate would be 7% on income from certain internet services provided in the Czech Republic.

See also tax@hand – August 1, 2019

France

Update on corporate income tax rate reduction trajectory

On July 11, 2019, the French parliament approved legislation shifting the trajectory of the reduction in the corporate income tax rate. Then, on September 7, the 2020 finance bill was released with tax measures that would impact the corporate income tax rate and also would implement the EU ATAD 2 directive into domestic law. The ATAD 2 is largely inspired by action 2 ("Neutralizing the Effects of Hybrid Mismatch Arrangements") of the OECD's base erosion and profit shifting (BEPS) project.

Based on France's the 2018 finance law, the corporate income tax rate is to be reduced progressively to 25% by 2022. The standard rate was to be reduced to 31% (with a 28% rate applicable to profits below EUR 500,000) in 2019. However, according to the proposed finance law, the standard tax rate for 2019 would remain at 33.33%, except for companies with a turnover lower than EUR 250 million (to be assessed at the tax group level, if applicable), to which a 31% rate would apply. The 28% rate, as enacted in the 2018 finance act, would continue to apply to the first EUR 500,000 of taxable income. The bill will be discussed by parliament during the fall session, with a vote likely to take place in December 2019.

See also tax@hand – July 12, 2019, tax@hand – September 30, 2019

Parliament approves legislation creating digital services tax

On July 11, 2019, France's parliament approved the draft legislation introducing a digital services tax (DST) after the EU failed to reach agreement on an EU-wide DST. The DST applies to the following: the online placement of advertising and the sale of collected user data: services provided in placing advertising targeted at users on a digital interface, as well as the transmission of data collected from users as they use the interface; and with respect to intermediation services, services rendered to make multi-sided digital interfaces available to users that allow users to find other users and to interact with them and that may facilitate the provision of underlying supplies of goods or services directly between users. Although the legislation is not subject to any time limitation, it is temporary since the DST will be applicable only until a consensus is reached at the OECD level. The 3% DST applies from 2019, and an installment will have to be paid in November 2019, based on the taxpayer's 2018 revenue.

See also tax@hand – July 12, 2019

Hong Kong

Government announces enhanced relief measures to support small and medium-sized enterprises

On August 15, 2019, the Financial Secretary for the Hong Kong Special Administrative Region (HKSAR) announced special relief measures in addition to those proposed in the 2019/20 budget in February 2019. The new measures are primarily intended to support enterprises (particularly small and medium-sized enterprises (SMEs)) and safeguard jobs. A key measure for business includes increasing the rebate of profits tax payable for the 2018/19 year of assessment from 75% to 100%, subject to the HKD 20,000 ceiling proposed in the 2019/20 budget.

See also tax@hand – August 19, 2019

India

Corporate tax rates significantly reduced

On September 20, 2019, India's Ministry of Finance issued a press release announcing a significant reduction in the corporate income tax rates for domestic companies, along with other tax relief to promote growth and investments. The Taxation Law (Amendment) Ordinance 2019 was promulgated by the president later the same day. Although the ordinance generally became effective immediately, it is a temporary law that must be approved by the parliament to remain in effect. Parliamentary approval is likely to take place in November 2019.

Under the ordinance, as from April 1, 2019, domestic companies that forego claiming specified tax exemptions or incentives can elect to claim a 22% corporate tax rate (previously, the standard rate was 30%, with a 25% rate applicable to companies with total turnover or gross receipts below a certain threshold, and certain manufacturing companies). New domestic manufacturing companies will be eligible to elect for a 15% corporate tax rate. The tax rate is further increased by a surcharge and cess.

See also tax@hand – September 29, 2019

Luxembourg

Draft law to implement ATAD 2 released

On August 8, 2019, the Luxembourg government published a draft law that would implement the hybrid mismatch measures in the 2017/952 EU Anti-Tax Avoidance Directive (ATAD 2) into domestic law. The ATAD 2 is largely inspired by action 2 (Neutralizing the Effects of Hybrid Mismatch Arrangements) of the OECD's BEPS project.

See also tax@hand – August 12, 2019

Mexico

Budget proposals for 2020 include comprehensive tax reform measures

On September 8, 2019, Mexico's president presented to Congress proposed tax measures as part of the 2020 budget. No changes are proposed to the corporate tax rate, but the budget contains measures to tackle tax avoidance and/or evasion based on the recommendations of the OECD under the BEPS project, including restrictions on the deduction of interest expense, hybrid arrangements and the definition of a permanent establishment. Unless otherwise noted, most of the proposed measures are expected to become effective on January 1, 2020.

See also [tax@hand – September 17, 2019]

Constitutional amendment proposed regarding forgiveness of tax liabilities

A proposal to amend Mexico's constitution to prohibit the forgiveness of tax liabilities was presented to the congress on August 13, 2019. Once approved, the constitutional amendment is expected to become effective the day following its publication in the official gazette.

See also [tax@hand – August 22, 2019]

Netherlands

2020 budget includes changes to planned corporate tax rate reduction

On September 17, 2019, the Dutch Ministry of Finance published the government's tax plans for 2020, which include a proposed reduction of the corporate income tax rate to 21.7% from 2021 and a permanent establishment definition aligned with the 2017 OECD model treaty. The bill will be discussed by parliament and is expected to be finalized by the end of 2019, so the changes can take effect from 2020.

A separate bill has been presented that includes a proposal for the introduction of withholding tax on interest and royalty payments made to related entities in designated low-tax jurisdictions and in abusive situations. The withholding tax rate would be equal to the headline Dutch corporate income tax rate (i.e. 21.7% as from 2021) and would apply as from 2021. The bill is expected to be finalized in 2020.

See also [tax@hand – September 18, 2019]

Proposal to implement ATAD anti-hybrid rules published

On July 2, 2019, the Dutch government published a legislative proposal that would implement the hybrid mismatch measures of the EU Anti-Tax Avoidance Directive (ATAD 2) into domestic law. The proposal is largely in line with the public consultation document published on October 29, 2018, although some clarifications are included in the explanatory statements to the proposal.

See also [tax@hand – July 3, 2019]

South Korea

2019 tax reform proposals announced

The Korean government's tax reform proposals for 2019 released on July 25, 2019 aim to encourage investment, innovative growth and job creation by expanding various tax credits, deductions and other incentives. The tax reform also includes proposals to increase tax revenue, notably measures that would tax royalties on patents registered outside of Korea. If enacted, most of the tax reform proposals would apply from January 1, 2020.

See also [tax@hand – July 31, 2019]

United Kingdom

Draft Finance Bill 2019-20 clauses published

On July 11, 2019, the UK government published draft legislation to be included in the next Finance Bill. The consultation on the draft legislation ended on September 5, 2019, and the UK tax authorities will seek to issue further guidance during or before the 2019 budget (for which a date has not yet been set), based on finalized legislation. The draft legislation includes a new 2% digital services tax (DST) on revenues of businesses that provide a social media platform, search engine or online marketplace to UK-based users that would apply as from April 1, 2020. The draft bill also includes corporate capital loss restrictions that would restrict the use of brought forward capital losses to shelter only 50% of annual capital gains arising from April 1, 2020, subject to a UK group de minimis of GBP 5 million.

See also tax@hand – July 12, 2019

United States

Regulations proposed on classification of cloud transactions

On August 9, 2019, the US Internal Revenue Service posted proposed regulations regarding the classification of cloud transactions and transactions involving computer programs, including transfers of digital content.

See also tax@hand – August 9, 2019

Proposed regulations released on PFICs

On July 10, 2019, the US Treasury Department and the Internal Revenue Service (IRS) released prospectively-applicable proposed regulations under sections 1291, 1297, and 1298 of the Internal Revenue Code (IRC). The regulations provide guidance with respect to a number of issues that are not specifically addressed in the current regulations and address some of the complexities that arise in the determination of the ownership of a passive foreign investment company (PFIC) and in the application of the income test and asset test in cases in which the look-through rule of section 1297(c) applies to a tested foreign corporation. The proposed regulations also withdraw certain proposed regulations published in 2015 with respect to the insurance exception in section 1297(b)(2)(B) and propose new regulations with respect to the insurance exception, which was modified by the Tax Cuts and Jobs Act (P.L. 115-97).

See also tax@hand – July 11, 2019

Did you know

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

Hong Kong

IRD further updates changes to guidance on deduction of foreign taxes

Hong Kong's Inland Revenue Department (IRD) released a further updated version of Departmental Interpretation and Practice Notes (DIPN) No. 28 (revised) in August 2019, which addresses the deduction of foreign taxes for profits tax purposes. The newly updated DIPN No. 28 replaces the version released by the IRD on July 19. It revises the wording of the DIPN and makes a change in the IRD's position with respect to the deduction of tax on gross income.

See also tax@hand – September 02, 2019

IRD issues guidance on application of PE profit attribution rules

The Hong Kong Inland Revenue Department (IRD) released three Departmental Interpretation and Practice Notes (DIPNs) on July 19, 2019 that provide guidance for taxpayers on the rules relating to the attribution of profits of a permanent establishment codified in the Inland Revenue (Amendment) (No. 6) Ordinance 2018 in July 2018. Although DIPNs are not legally binding on taxpayers, they provide insight into the IRD's interpretation and practices in relation to the relevant law.

See also tax@hand – August 8, 2019

Passage of 2019/20 budget measures suspended

The Inland Revenue (Amendment) (Tax Concessions) Bill 2019 would have given effect to the 2019/20 Hong Kong budget that proposed a one-time tax reduction for profits tax. The second reading debate meeting at the Legislative Council was originally scheduled for June 26, 2019 and then July 3, 2019, but has been suspended.

See also tax@hand – July 04, 2019

India

AAR rules that shareholder is taxable on conversion of company into LLP

India's Authority for Advance Rulings ruled on August 23, 2019 that the conversion of a private limited company into a limited liability partnership gives rise to taxable capital gains for the company's shareholders.

See also tax@hand – September 10, 2019

ITAT rules reimbursed salary costs of seconded employee are not FTS

The Pune Income Tax Appellate Tribunal ruled on July 8, 2019 that payments received by a foreign company from an Indian associated entity as a partial reimbursement of salary costs for a seconded employee were not "fees for technical services" and, hence, were not taxable in India in the hands of the foreign company.

See also tax@hand – August 16, 2019

Indonesia

CFC deemed dividend rules amended

Indonesia's Ministry of Finance (MOF) issued a regulation on June 26, 2019 that updates the controlled foreign corporation (CFC) rules from fiscal year 2019, specifically, certain provisions of a 2017 regulation relating to the determination of deemed dividends from CFCs. The new regulation limits deemed dividends to the following types of passive income: (i) dividends (excluding dividends from other CFCs); (ii) interest (excluding interest received by a CFC that is owned by an Indonesian tax resident bank, but not interest income received by a CFC from Indonesian tax resident related parties); (iii) rent from land, buildings and other assets (if received from a related party); (iv) royalties; and (v) gains from the sale or transfer of assets.

See also tax@hand – July 21, 2019

Israel

Tax authorities clarify classification of preferred shares for tax purposes

On July 23, 2019, the Israeli Tax Authority published Circular 1/2019, outlining the appropriate classification of different types of preferred share for tax purposes. Preferred shares may be issued with different rights and/or under different conditions; for example, a preferential dividend at a fixed rate; accumulated dividends; eligibility to participate in earnings beyond the preferred dividend; right to redemption and eligibility for conversion to ordinary shares, etc.

See also tax@hand – August 6, 2019

Italy

Urgent measures for economic growth transposed into law

A law decree that provides for urgent measures to promote economic growth was converted into law by the Italian parliament on June 28, 2019, with the measures generally effective as from May 1, 2019. Some of the direct tax measures affecting companies include: repeal of the reduced corporate income tax rate on reinvested profits and introduction of a new reduced corporate tax rate on retained earnings; amendments to the patent box regime; extension of the 30% "super depreciation" regime; and introduction of a special regime to "step-up" the tax basis of goodwill and other assets arising from certain corporate reorganizations.

See also tax@hand – July 1, 2019

Luxembourg

EU Anti-Tax Avoidance Directive (ATAD 1)

The law transposing the ATAD 1 into Luxembourg law (published on December 21, 2018) implements measures relating to the deduction of interest expense, controlled foreign company rules, hybrid mismatches, exit taxation and a general anti-abuse rule. It also amends the definition of a permanent establishment (PE) to allow the Luxembourg tax authorities to require a Luxembourg taxpayer claiming to have a PE in another country to produce confirmation from the other country's tax authorities that the PE exists. The new rules are applicable in Luxembourg for fiscal years starting on or after January 1, 2019, except for the exit tax provisions, which will apply for fiscal years starting on or after January 1, 2020. Therefore, for a taxpayer with a financial year closing on September 30, 2019, the rules are effective as from October 1, 2019.

See also tax@hand - December 24, 2018 and tax@hand - March 12, 2019

Malaysia

Rules and guidelines released to implement earnings stripping rules

Malaysia's Minister of Finance issued earnings stripping rules on June 28, 2019 to implement legislation that limits the deductibility of certain interest expense based on action 4 of the OECD BEPS project, and the Inland Revenue Board of

Malaysia issued guidelines on July 5, 2019 that provide additional clarifications on the rules. The earnings stripping rules are applicable to the basis periods for years of assessment beginning on or after July 1, 2019, and they may affect both foreign-based multinational enterprises with Malaysian branches or subsidiaries and Malaysian-based multinationals.

See also tax@hand – July 5, 2019

Peru

Supreme Court rules on deductibility of interest expense

A Peruvian Supreme Court decision published on July 8, 2019 resolves a long-standing dispute relating to the deductibility of interest on loans assumed as part of a reorganization, among other things. The court disallowed the deduction on the grounds that the taxpayer failed to provide sufficient evidence to support the nature, origin and use of the loans. The decision clarifies that, to deduct interest expense, a taxpayer must be able to trace the use of the loan to certain assets that generate taxable income; otherwise, the interest may not be deductible.

See also tax@hand – July 10, 2019

Clarification on joint liability for tax obligations following acquisitions

Guidance issued by the Peruvian tax authorities on July 15, 2019 sets forth their position regarding the types of assets and liabilities whose acquisition triggers joint and several liability for the acquirer with respect to the tax obligations of the transferor, clarifying previous guidance that was issued in June 2019.

See also tax@hand – July 20, 2019

Guidance on indirect transfers of shares or participations following spinoffs

Guidance published by the Peruvian tax authorities on August 1, 2019 sets forth their position regarding the tax basis for calculating the capital gains from certain indirect transfers of shares or participations of a Peruvian legal entity. The guidance covers the situation of an indirect transfer of shares or participations of a Peruvian entity that performed a spinoff before the indirect transfer, reducing its capital and cancelling the corresponding shares. The tax authorities state that a spinoff by a Peruvian entity before an indirect transfer does not indicate a modification of the cost of the shares or participations of the nonresident entity whose shares subsequently are transferred. The shares or participations of the nonresident entity after the spinoff retain the same cost that they had before the reorganization, i.e. the acquisition cost to the transferor.

See also tax@hand – August 2, 2019

Switzerland

Tax reform bill passed

On May 19, 2019, 66% of Swiss voters voted in favor of the Tax Reform Financing Bill. The federal government announced that it envisages that all cantons will implement the changes by December 31, 2019 so that the reform takes effect nationwide as from January 1, 2020. The reform will have a tax accounting impact due to the change in tax rates and other factors. The tax accounting impact must be analyzed on a case-by-case basis (the federal tax law was enacted in August 2019 and some cantons have enacted their tax laws in Q3/2019 but the process is still ongoing in some cantons).

United States

Court of Appeals affirms Tax Court decision in Amazon case

A unanimous three-judge panel of the Ninth Circuit US Court of Appeals on August 16, 2019 affirmed the Tax Court’s decision in *Amazon.com, Inc. v. Commissioner* that the definition of intangible assets under the US Treasury regulations in effect in 2005 and 2006 does not include residual business assets such as the value of workforce in place, goodwill, and going concern value. The court concluded that the definition was limited to independently transferrable assets.

See also tax@hand – August 22, 2019

Final regulations released for partnerships that pay or accrue foreign income taxes

On July 23, 2019, the US Internal Revenue Service issued final regulations with respect to section 704 of the Internal Revenue Code addressing the allocation by a partnership of foreign income taxes. The regulations affect partnerships that pay or accrue foreign income taxes and partners in such partnerships.

See also tax@hand – July 23, 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 2019 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 tax rate for certain eligible businesses with turnover of less than AUD 50 million is 27.5% for the 2017-19 and 2019-20 income years. In the 2020-21 income year, the rate will drop to 26%, and in the 2021-22 income year the rate drops to 25%.
Brazil	34%	34%	N/A	The corporate income tax base rate is 15%. Taking into account the additional 10% surtax on income in excess of BRL 240,000 per year and the 9% social contribution (20% for financial institutions), the effective tax rate is 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 and operating in certain industries also are subject to a 15% rate.
Colombia	33% + 4% surcharge (combined rate of 37%)	33%	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 or exceeded COP 800 million (approximately USD 266,000).
France	33.33% –	31% –	Dec 30, 2013 (See Note 1 for reduced rate for SMEs 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 rate is 33% (see Note 2). A bill approved by the French parliament on July 11, 2019 would maintain the 33.33% corporate tax rate in 2019 for French entities/ French tax groups with revenue of EUR 250 million or more. As of July 17, 2019, the bill had not been enacted.

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% and 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%	Sep 20, 2019	The following tax rates are prescribed under the law for domestic companies: (a) 22% for companies that forego claiming income tax exemptions or incentives (see Note 3); (b) 25% for companies (not covered by (a)) whose total turnover or gross receipts during the FY 2017-18 does not exceed INR 4 billion (USD 60 million); (c) 30% for companies (not covered by (a) and (b); and (d) Certain manufacturing companies incorporated on or after March 1, 2016 (that forego claiming income tax exemptions or incentives) may elect for a 25% rate, while certain new manufacturing companies incorporated on or after October 1, 2019 (that forego claiming income tax exemptions or incentives) and commencing production on or before March 31, 2023 can elect a concessional tax rate of 15% (see Note 3 with respect to the 15% rate). The above rates are to be increased by a surcharge and cess. A 7% surcharge applies to domestic companies if income exceeds INR 10 million and a 12% surcharge applies if income exceeds INR 100 million. However, for (a) above, a flat 10% surcharge is to be added to the tax rate (irrespective of level of income) (see Note 3). An additional 4% cess is payable in all cases. The corporate tax rate is 40% for foreign companies and branches of foreign companies. A surcharge of 2% applies to a foreign company if income exceeds INR 10 million, and a 5% surcharge applies if income exceeds INR 100 million. An additional 4% cess is payable in all cases. A minimum alternative tax is imposed in certain cases. Further, the MAT rate has been reduced to 15% from 18.5 from FY 2019-20 (see Note 3).
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-

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.)		Date the combined national/local rate enacted	Notes
	2018	2019	National and Local	
				operating" entities). In addition to the corporate tax rate, the 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%–30.62% or 33.58%–34.59% for FYs beginning on or after Oct 1, 2019)	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 4). 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 rate between 3.6% and 10.07%, depending on the amount of capital and the location of the corporation. The inhabitants tax generally is levied on taxable income at a rate of 12.9% or 16.3% (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 April 26, 2019 for 2019	The 2019 budget law reduced the corporate income tax rate from 18% to 17%, and increased the income bracket affected by the minimum 15% rate from EUR 25,000 to EUR 175,000. 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 municipalities in the northern border region, which translates to a 20% ETR.
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 January 1, 2019) and 25% on taxable profits exceeding EUR 200,000. Further rate reductions will take place for 2020, and by 2021 a 15% rate will apply to the first EUR 200,000 and a 20.5% top rate for income exceeding that amount.

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.)		Date the combined national/local rate enacted	Notes
	2018	2019	National and Local	
Russia	20%	20%	Nov 26, 2008	The standard tax rate is 20%, except for certain types of income. 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. 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 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. Proposed cantonal tax rate reductions will result in a combined ETR of approximately 11.9% to 18% as from January 1, 2020 (with the relevant ETR and enactment date depending on the canton).
United Kingdom	19%	19%	Nov 18, 2015	Based on legislation enacted in 2016, the corporate tax rate will drop to 17% on April 1, 2020.
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:

A reduced rate of 15% applies to SMEs (i.e. micro, small and medium-sized companies directly or indirectly, at least 75% held by individuals, with revenue below EUR 7.63 million) on the first EUR 38,120 of taxable income; a 28% rate applies to the portion of income under EUR 500,000; and the 31% rate applies to taxable income exceeding this threshold in 2019. As from January 1, 2020, the rate will be 15% where taxable income is under EUR 38,120 and the ordinary corporate rate will apply above that threshold (28% in 2020, 26.5% in 2021, 25% in 2022).

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:

- 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%).

Note 3:

These changes have been made through an ordinance issued by the Indian president on September 20, 2019 and are applicable from financial year 2019-20. The changes have been enacted as law, but the ordinance still must be tabled before the Indian parliament for ratification in accordance with the provisions of the Constitution.

Note 4:

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

Additional Resources

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

Accounting for Income Taxes—Global Tax Developments archive

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

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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 December 2-6 in Las Vegas, Nevada. 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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