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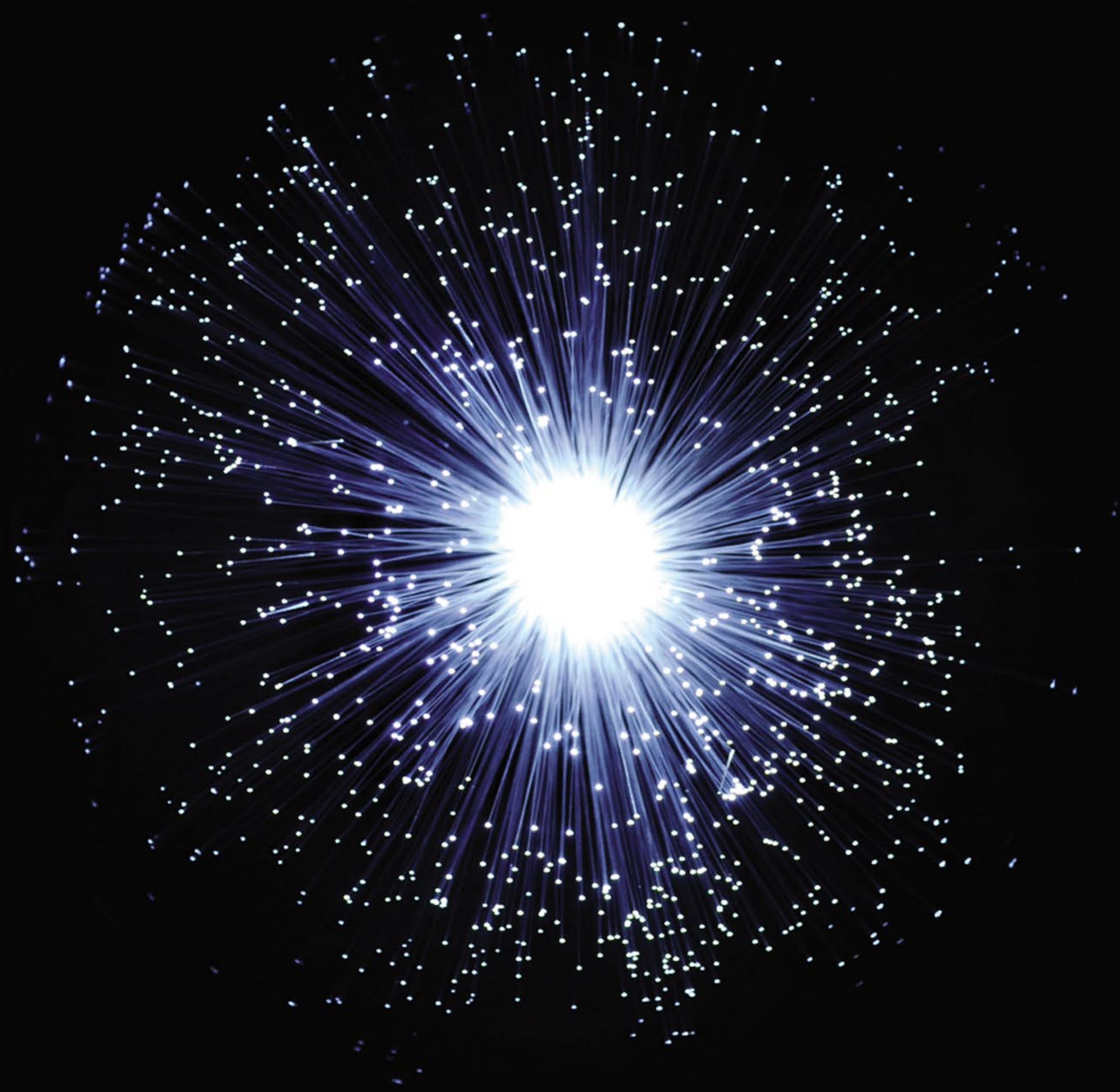

Global Tax Developments Quarterly
Accounting for Income Taxes

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

January 1, 2020 – March 31, 2020
April 18, 2020
Issue 2020-1

Contents

Introduction

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Unless otherwise indicated, the content in this document is based on information available as of April 1, 2020. 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, 2020 to March 31, 2020

The following section includes a summary of major international income tax law changes enacted during the period January 1, 2020 to March 31, 2020.

Australia

Government enacts business support measures in response to coronavirus

Date of Enactment: Various
Effective Date: Various

An economic stimulus package and business relief measures in response to the coronavirus (COVID-19) pandemic were enacted in Australia in several separate acts between March 24, 2020 and April 9, 2020. The packages target areas, such as delivering support for business investment; cash flow assistance for employers; and assistance for regions severely affected by the virus. The measures may affect taxable income (e.g., due to accelerated or immediate write-offs of some depreciation expenditure), the timing of payments, refunds and filings, and supports the remission of penalties and interest arising during the current period.

See also tax@hand – March 12, 2020 and tax@hand – March 23, 2020

China

Emergency tax measures implemented to address novel coronavirus outbreak

Date of Enactment: February 7, 2020
Effective Date: January 1, 2020

On February 7, 2020, China's Ministry of Finance and the State Taxation Administration published tax relief measures to help mitigate the economic impact of the novel coronavirus outbreak on businesses. The measures, some of which affect enterprise income tax, apply retroactively from January 1, 2020, and although they are expected to be temporary, no expiration date has been announced. The relief measures include a full deduction for certain donations of cash and domestic goods for coronavirus prevention and medical treatment and an extension of the tax loss carryforward period for losses incurred in calendar year 2020 by taxpayers in the transportation, catering, hospitality, and travel sectors.

See also tax@hand – February 18, 2020

Czech Republic

Stabilization package for taxpayers approved in response to COVID-19

Date of Enactment: March 16, 2020
Effective Date: March 16, 2020

The Czech Ministry of Finance published various documents on March 16, 2020 to implement a stabilization package approved by the government to mitigate the effects of the coronavirus. The package, which is effective immediately, includes measures to provide relief from penalties and interest for late tax filings or the late payment of taxes. Some measures are available to all taxpayers, while others require a reason related to COVID-19 to obtain relief.
See also tax@hand – March 23, 2020

India

Parliament enacts Finance Act 2020

Date of Enactment: March 27, 2020
Effective Date: April 1, 2020

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

See also tax@hand - April 3, 2020

Japan

2020 Tax reform enacted

Date of Enactment: March 27, 2020
Effective Date: Various

Japan's 2020 tax reform enacted by the National Diet on March 27, 2020 includes a new group aggregation system (to replace the tax consolidation rules), a new anti-avoidance rule relating to tax-free dividend payments prior to a share transfer, changes to the earnings stripping rules, new tax relief for open innovation, and changes to tax incentives.

See also tax@hand – December 19, 2019

Malaysia

Changes made to tax treatment of Labuan entities

Date of Enactment: February 10, 2020
Effective Date: February 11, 2020

On February 10, 2020, a bill affecting the tax treatment of Labuan entities was gazetted as the Labuan Business Activity Tax (Amendment) Act 2020 (LBATAA 2020) and became effective on February 11, 2020. Under the new rules, Labuan entities that fail to comply with the substance requirements for a year of assessment will be taxed at a rate of 24% of their chargeable profits for the relevant year.

See also tax@hand – February 12, 2020

New Zealand

Tax reform measures included as part of Business Continuity Package

Date of Enactment: March 25, 2020
Effective Date: Various

On March 17, 2020, the New Zealand government announced a substantial business continuity package aimed at assisting businesses through the COVID-19 situation, which includes tax initiatives that will provide some relief to taxpayers. All of the tax changes were included in the COVID-19 Response (Taxation and Social Assistance Urgent Measures) Act 2020, which was introduced and passed by Parliament on March 25, 2020.

See also New Zealand Tax Alert - April 7, 2020

Sweden

Financial measures in response to COVID-19 enacted

Date of Enactment: Various
Effective Date: Various

The Swedish government made two announcements on March 16, 2020 that set out a package of financial measures, including tax measures, to mitigate the economic and financial consequences of the COVID-19 virus on businesses. Measures relating to the deferral of taxes were enacted on March 30, 2020 and are applicable retroactively as from January 1, 2020. Measure relating to financial support for employers were enacted on April 7, 2020 and are applicable retroactively as from March 16, 2020.

See also tax@hand – March 20, 2020

United States

Coronavirus Aid, Relief, and Economic Security (CARES) Act is passed

Date of Enactment: March 27, 2020
Effective Date: March 27, 2020

The US Congress approved and President Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, a tax-and-spending package intended to provide additional economic relief to address the impact of the COVID-19 pandemic, with the CARES Act becoming law on March 27, 2020. The act includes business tax provisions that, among other things, eliminate the taxable income limit for certain net operating losses and allow businesses to carry back such losses arising in 2018, 2019, and 2020 to the five prior tax years; suspend the excess business loss rule; accelerate refunds of previously generated corporate alternative minimum tax credits; and generally loosen the business interest limitation from 30% to 50%.

See also tax@hand – March 27, 2020

Venezuela

New version of tax code includes changes to exemptions

Date of Enactment: January 29, 2020
Effective Date: February 28, 2020

A decree approved by Venezuela's National Constituent Assembly and published in the country's official gazette on January 29, 2020 introduces a new version of the tax code to replace the 2014 version, as amended. The new code, which generally applies as from February 28, 2020, includes rules that limit the circumstances in which tax exemptions will be available and limits on the use of the "tax unit" in calculating tax liability.

See also tax@hand – February 1, 2020

Enacted Tax Law Changes That Are Now Effective: January 1, 2020 to March 31, 2020

The following section includes a brief summary of major international income tax law changes enacted before January 1, 2020 but are first effective in the period January 1, 2020 to March 31, 2020.

Albania

2020 fiscal package enacted

Date of Enactment: December 31, 2019
Effective Date: January 15, 2020

Amendments to legislation included in the fiscal package for 2020 were published in Albania's official gazette on December 31, 2019. Some key changes relating to income tax include a reduced income tax rate for the automotive industry, an extension of the tax loss carryforward period for certain projects, an enhancement of the tax incentive for companies that sponsor sports teams/activities, and an increase in the deduction for representation expenses incurred abroad by exporters. The 2020 fiscal package also clarifies the rules that tax "deemed profits" by certain legal entities following a direct or indirect change of ownership of more than 20% of the entity's capital or voting rights, by providing that the change of ownership provisions do not apply where a tax treaty is in place between the jurisdictions in which the parties to the transaction are resident.

See also tax@hand – January 21, 2020

Argentina

Reduction in corporate income tax rate is postponed

Date of Enactment: December 23, 2019
Effective Date: January 1, 2020

Law 27,541 passed by the Argentine Congress and published in the official gazette on December 23, 2019 and Decree 99/2019 issued by the Executive Power on December 28 introduce changes to the tax system, including a one-year postponement of the planned reduction in the corporate tax rate from 30% to 25% that was scheduled to apply for fiscal years starting on or after January 1, 2020. The rate reduction now will apply for fiscal years starting after January 1, 2021.

See also tax@hand – January 9, 2020

Bulgaria

Tax legislation changes for 2020

Date of Enactment: December 6, 2019
Effective Date: January 1, 2020

Changes to Bulgaria's tax laws published in the state gazette on December 6, 2019 and generally applicable as from January 1, 2020 include the implementation of the exit tax provisions in the EU Anti-Tax Avoidance Directive (ATAD 1) and most of the hybrid mismatch provisions in ATAD 2.

See also tax@hand – January 28, 2020

Curacao

Tax legislation includes introduction of territorial tax system

Date of Enactment: December 30, 2019
Effective Date: January 1, 2020

On December 30, 2019, the Curaçao government passed legislation that introduces a territorial tax system, economic substance rules, anti-abuse measures, and a reduced corporate income tax rate for certain business activities that the government seeks to attract and promote. The new rules apply as from January 1, 2020.

See also tax@hand – January 22, 2020

Czech Republic

Tax amendments include changes affecting income and consumption taxes

Date of Enactment: December 19, 2019
Effective Date: January 1, 2020

On December 19, 2019, the Czech president signed legislation, which was published in the collection of laws on December 31, 2019 and applies as from January 1, 2020. The legislation includes changes to the tax treatment of technical reserves that are expected to have an impact on insurance and reinsurance companies, as well as changes to the treatment of interest income from bonds issued before 2013.

See also tax@hand – January 5, 2020

Ecuador

Tax Simplicity and Progressivity Law enacted

Date of Enactment: December 30, 2019
Effective Date: January 1, 2020

On December 30, 2019, Ecuador's National Assembly enacted the "Tax Simplicity and Progressivity Law," which contains direct tax measures to simplify the tax system and raise tax revenue, such as rules affecting the deductibility of interest expense and the introduction of a temporary additional tax on companies with high taxable revenue. The law was published in the official gazette on December 31, 2019 and generally is effective beginning January 1, 2020.

See also tax@hand – January 9, 2020

France

2020 finance bill becomes law

Date of Enactment: December 29, 2019
Effective Date: January 1, 2020

Following approval by the constitutional court, France's 2020 finance bill (n° 2019-1479 dated December 28, 2019) was published in the official journal on December 29, 2019. Some of the measures that affect income tax include changes to the trajectory of the corporate income tax rate reduction, implementation of ATAD2, clarification of the calculation of the interest expense deduction limitations, and changes to tax credits and tax reductions.

See also tax@hand – January 2, 2020

Italy

2020 budget law enacted, related law decree converted into law

Date of Enactment: December 30, 2019
Effective Date: January 1, 2020

Italy's 2020 budget law, published in the country's official gazette on December 30, 2019, generally applies as from January 1, 2020. The budget law include a new digital services tax, re-introduction of the notional interest deduction, and changes to tax incentives.

See also tax@hand – January 13, 2020

Luxembourg

ATAD 2 implemented into domestic law

Date of Enactment: December 23, 2019
Effective Date: Taxable years starting on or after January 1, 2020/2022

The Luxembourg law implementing the ATAD 2 hybrid mismatch measures into domestic law was approved by the parliament and published on December 23, 2019. The law covers hybrid mismatches not yet covered by Luxembourg's anti-hybrid provisions, such as imported mismatches, hybrid transfers, tax residence mismatches, and reverse hybrid mismatches.

See also tax@hand – January 3, 2020

Exit tax provisions of ATAD 1 come into effect

Date of Enactment: December 21, 2018
Effective date: January 1, 2020

Luxembourg passed the law implementing the ATAD 1 into domestic legislation on December 21, 2018. The law modifies the rules on exit taxation to include all the cases under the ATAD 1 and to provide for a payment of tax in installments over five years. The updated exit tax provisions apply to transfers taking place during tax years starting on or after January 1, 2020. Tax deferrals granted before that date are unaffected by the amendments.

See also tax@hand - January 17, 2020

Mexico

2020 tax reform package

Date of Enactment: December 9, 2019
Effective Date: January 1, 2020

Mexico's tax reform package for 2020 was published in the official gazette on December 9, 2019, with most of the measures applying as from January 1, 2020. The reform does not make any changes to the corporate tax rates, but there are 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.

See also tax@hand – November 1, 2019

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

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

Per a review of jurisdictions that are generally monitored in this publication, there were no major international income tax law changes that were enacted before January 1, 2020, but that are effective beginning April 1, 2020.

On the Horizon

The following developments had not yet been enacted as of March 31, 2020, but may, in certain cases, be enacted and become effective in the near future. Please follow-up with your U.S. or local country tax advisor for more information.

Australia

Government announces business support measures in response to coronavirus

On March 30, 2020, the Australian government announced the JobKeeper payment intended to provide wage subsidies to businesses that are significantly affected by COVID-19. Under the JobKeeper scheme, which is proposed to operate for six months, the government will pay eligible employers a wage subsidy, being a flat payment of AUD 1,500 per fortnight for an estimated six million eligible employees. It is assumed that for the payments under the scheme to be made in early May 2020, the legislation will need to be passed and receive Royal Assent in April 2020.

See also tax@hand – March 31, 2020

Hong Kong

2020/21 budget contains limited tax measures

Hong Kong's 2020/21 budget delivered on February 26, 2020 includes a few tax measures to stimulate the economy, such as a 100% rebate of profits tax payable for the year of assessment 2019/20, subject to a ceiling of HKD 20,000 and enhancement of the small and medium-sized enterprise Financing Guarantee Scheme to provide a maximum loan of HKD 2 million, to be repaid over a maximum period of three years, with the option to make interest-only payments for the first six months.

See also tax@hand – March 2, 2020

Italy

Urgent tax measures adopted in response to COVID-19

A law decree approved on March 16, 2020 and published in Italy's official gazette on March 17, 2020 (and effective as from the date of publication) includes urgent measures aimed at helping businesses and sustaining the economic stability of the country in light of the coronavirus situation. The decree includes an option to convert deferred tax assets into tax credits. Although the decree is in force, it must be converted into law by the parliament within 60 days of its publication to avoid being retroactively null and void, and there could be changes to its provisions.

See also tax@hand – March 18, 2020

Korea

Tax measures in response to COVID-19 announced

The Korean Ministry of Economy and Finance, the tax authorities, and the customs authorities in February and March 2020 announced a series of initiatives, including tax measures, to mitigate the financial and economic effect of COVID-19. The key tax administrative measures implemented target particular sectors of the economy. Some of the measures that impact income tax include (i) a corporate income tax deduction for landlords in financial year (FY) 2020 for 50% of rent discounts voluntarily granted to qualifying small businesses for the period January-June 2020;(ii) a tax exemption for small and medium-sized companies operating in designated "special disaster areas" declared as the result of the spread of COVID-19 (mainly the Daegu area); (iii) an income tax exemption (subject to certain limitations) for income derived from the expansion of domestic business facilities arising from the closure of business operations overseas; and (iv) a general increase in the limit of tax-deductible entertainment expenses for FY 2020 (subject to some exceptions).

See also tax@hand – March 24, 2020

Singapore

Budget 2020 extends a number of tax incentives

Singapore's 2020 budget announced on February 18, 2020 was presented against the backdrop of a slowing global economy, in which economic uncertainty has been exacerbated by the COVID-19 situation. Some of the key tax measures are the extension of the double tax deduction for the internationalization scheme through December 31, 2025 and the extension of the finance and treasury centre scheme and the Global Trader Programme through December 31, 2026.

See also tax@hand – March 6, 2020

United Kingdom

Key measures from Spring Budget 2020 for non-UK owned groups

The first budget of the new parliament was delivered by the Chancellor of the Exchequer on March 11, 2020 against a backdrop of rising global economic uncertainty and a shifting economic landscape. Two notable measures are:

- The UK corporation tax rate, which was due to have dropped to 17% on April 1, 2020, will remain unchanged at 19%. Enactment of the 19% rate will not take place until the finance bill receives Royal Assent, which is not expected to take place until the summer.
- The regime for the taxation of intangible fixed assets acquired from related parties will be revised. Currently, the regime is split between assets created or acquired prior to- and post- April 1, 2002. Assets created or acquired after April 1, 2002 typically give rise to a tax deduction for amortization in line with the accounting amortization, or a fixed rate 4% writing-down allowance. However, intangible fixed assets created or acquired before that date may not. The budget proposal would revise the rules that prevent companies from obtaining relief for intellectual property rights created before April 1, 2002 when they were transferred between related parties. When enacted, this change would apply for intangible fixed assets acquired from related parties after July 1, 2020.

See also tax@hand – March 11, 2020

Did you know

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

Argentina

Implementation of measures to promote knowledge economy suspended

Legislation introducing tax incentives to promote the "knowledge economy" in Argentina due to apply from January 1, 2020 through December 31, 2029 has been suspended. Resolution 30/2020, issued by the Production Development Ministry and published in the official gazette on January 20, 2020, revokes the two earlier resolutions, effectively suspending the regime as from January 21, 2020.

See also tax@hand – February 6, 2020

Barbados

Highlights of economic substance guidelines

Following the enactment of new economic substance legislation in Barbados on November 29, 2019 (Companies (Economic Substance) Act, 2019-43 (ESA)) that repealed and replaced the former legislation, the Director of the International Business Unit issued economic substance guidelines on December 4, 2019.

See also tax@hand – January 14, 2020

Belgium

Dividends received deduction continues to apply for Swiss dividends

In a November 14, 2019 reply to an October 24, 2019 parliamentary question, the Belgian finance minister confirmed that Swiss dividends will continue to benefit from Belgium's dividends received deduction despite the recent Swiss corporate tax reform.

See also tax@hand – January 20, 2020

Amendments to interest deduction limitation rule enacted

A royal decree of December 20, 2019, published in Belgium's official journal on December 27, 2019, makes changes to the interest deduction limitation rule in the Income Tax Code, i.e., the "30% EBITDA rule" that applies from tax year 2020, i.e., for financial years commencing on or after January 1, 2019. The royal decree includes a list of costs and revenue that are "economically equivalent" to interest, methods to exclude loans from the calculation of excess borrowing costs, adjustments required to EBITDA in a Belgian group context, and procedures for a proportional allocation of the EUR 3 million safe harbor threshold.

See also tax@hand – January 21, 2020

Bermuda

Amended legislation and final guidance on economic substance released

On December 24, 2019, the Bermuda Minister of Finance released substantive changes to the economic substance laws and related guidance, including the Economic Substance Amendment (No. 2) Act 2019 ("Amended ESA"), the Economic Substance Amendment (No. 3) Regulations 2019 ("Amended Regulations"), and the final version of the General Principles Guidance Notes ("Guidance Notes"). The Amended ESA and Amended Regulations update certain core definitions, while the Guidance Notes are intended to assist with the interpretation of the "ES Laws" (i.e. the

Economic Substance Act 2018 and Economic Substance Regulations 2018, as amended), which have applied since January 1, 2019. The changes were made following discussions and consultation with the EU's code of conduct group and the OECD.

See also tax@hand – January 16, 2020

Colombia

Amended tax reform legislation enacted

On December 27, 2019, the Colombian president signed Law 2010 of 2019 (Economic Growth Law), following approval by Congress. The legislation—which is effective as from that date—contains many of the provisions originally contained in the 2018 tax reform law that was held to be unconstitutional by the Constitutional Court on October 16, 2019.

See also tax@hand – January 14, 2020

Finland

Tax authorities issue guidance on new rules for investment funds' tax-exempt status

New legislation applicable in Finland as from January 1, 2020 sets out the conditions for domestic and foreign investment funds to qualify for an exemption from corporate income tax. The tax authorities subsequently have issued guidance on their interpretation of the rules. The rules provide a more detailed definition of a tax-exempt investment fund in the Income Tax Act, which includes only contractual-form investment funds; it does not cover any legal forms, such as limited companies. The tax exemption should be available on equal terms to domestic and foreign investment funds that are contractual-based, and that meet certain other criteria.

See also tax@hand – January 8, 2020

India

High Court rules on tax treatment of front-end fee, unrealized foreign exchange gain

In a decision published in January 2020, the Calcutta High Court held that a "front-end fee" paid on a loan is deductible as interest over the period of the loan, and unrealized foreign exchange gains as at the year-end represent taxable income, since the taxpayer follows the mercantile system of accounting, under which transactions are recognized and recorded on an accruals basis.

See also tax@hand – January 17, 2020

Legislation introducing reduced concessional tax rates and other reliefs enacted

India's Taxation Laws (Amendment) Bill, 2019, enacted on December 12, 2019, gives permanent legislative effect to the provisions of the Taxation Law (Amendment) Ordinance, 2019 promulgated by the president on September 20, 2019, subject to certain amendments. The ordinance provides for a reduction in the corporate income tax rates for domestic companies, along with other tax reliefs to promote growth and investments. The measures generally are applicable as from September 20, 2019.

See also tax@hand – January 7, 2020

Jersey

Guidance on COVID-19 and economic substance issued

In the week beginning March 9, 2020, the Jersey Comptroller of Revenue issued reassurances to local companies that where normal operating practices have to be adjusted to compensate for the COVID-19 outbreak this will not, in and of itself, lead to a determination that a company has failed to satisfy the economic substance tests set out in the Taxation (Companies – Economic Substance) (Jersey) Law 2019.

See also tax@hand – March 12, 2020

Malta

Hybrid mismatch provisions in ATAD 2 implemented into domestic law

On December 24, 2019, Malta implemented regulations transposing the hybrid mismatch provisions in the ATAD 2 into domestic law. The regulations generally are effective as from January 1, 2020, although the rules on reverse hybrid mismatches will not apply until January 1, 2022.

See also tax@hand – January 17, 2020

Mexico

2020 Omnibus Tax Resolution incorporates recently enacted cross-border tax rules

Mexico's 2020 Omnibus Tax Resolution (RMF), published in the official gazette on December 28, 2019, applies as from January 1, 2020 and generally will remain in effect until December 31, 2020 (although some rules become effective on a different date). The 2020 RMF includes most of the rules in the 2019 RMF, as well as some of the tax reform rules enacted on January 1, 2020 (omnibus rules are administrative rules that supplement and/or explain provisions in new legislation and have the force of law). Among other things, the resolution includes clarification on how a Mexican residents and nonresidents with a permanent establishment in Mexico should calculate the deduction of expenses and investments made through foreign flow-through entities.

See also tax@hand – January 3, 2020

Peru

Catalog of "aggressive tax planning schemes" published

In the first version of the catalog of "aggressive tax planning schemes," published on February 5, 2020, the Peruvian tax authorities provide a list of high-risk tax planning schemes that may indicate a potential breach of the tax laws and, in some cases, may warrant the application of the general anti-avoidance rule (GAAR). The GAAR gives the tax authorities the power to disregard certain transactions that are artificially constructed, solely driven by tax reasons, and/or result in tax savings or advantages that otherwise would not have been available, and to assess and collect related tax debts.

See also tax@hand – February 17, 2020

Taiwan

Liquidating distributions may be treated as overseas investment income

A ruling issued by Taiwan's Ministry of Finance on December 23, 2019 clarifies that, when a Taiwan profit-seeking enterprise receives a distribution of residual assets from its liquidating foreign subsidiary that is in excess of the original capital contribution of the Taiwan parent company, the income may be treated as offshore investment income and the parent may apply for the income to be subject to tax under the Repatriated Offshore Funds Act.

See also tax@hand – January 1, 2020

Final regulations released on deduction of undistributed earnings

On January 9, 2020, Taiwan's Ministry of Finance released final regulations on the deduction of undistributed earnings and the application for a tax refund for "substantive" investments made by a profit-seeking enterprise or limited partnership. The regulations are effective from the date of issuance and apply to tax filings in respect of 2018 undistributed earnings required in May 2020. However, the filing deadline for the 2019 income tax return (including the 2018 undistributed earnings tax return) is extended to June 30, 2020 for taxpayers affected by COVID-19.

See also tax@hand – January 13, 2020

United Arab Emirates

Guidance issued on free zone economic substance regulations

On December 17, 2019 and February 4, 2020, the Dubai International Financial Centre and the United Arab Emirates Abu Dhabi Global Market, respectively, issued guidance on the implementation of the economic substance regulations in their free zones with respect to certain reporting requirements.

See also tax@hand – February 13, 2020

United States

No plans to delay TCJA corporate revenue raisers

The US Treasury Secretary stated the week of March 2, 2020 that the Trump administration currently has no plans to call for postponing the imposition of corporate revenue raisers in the 2017 tax code overhaul (known informally as the Tax Cuts and Jobs Act or TCJA) that are set to take effect in the next few years.

See also tax@hand – March 6, 2020

Proposed regulations on meals, entertainment, and fringe benefits released

On February 26, 2020, the US Internal Revenue Service published proposed regulations regarding amendments to Internal Revenue Code (IRC) section 274 made by the 2017 Tax Act (P.L. 115-97, commonly known as the Tax Cuts and Jobs Act of 2017 or TCJA). The proposed regulations update existing regulations under IRC section 274.

See also tax@hand – February 26, 2020

Regulations address property transfer to partnerships with related foreign partners

On January 17, 2020, the US Treasury Department and the Internal Revenue Service released final regulations under section 721(c) of the IRC that address transfers of appreciated property by US persons to partnership with foreign partners related to the transferor. In such cases, the regulations override the general nonrecognition rule unless the partnership adopts the remedial allocation method and certain other requirement are satisfied.

See also tax@hand – January 17, 2020

Example Disclosures

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

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

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

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

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

Quick Reference Guide for Income Tax Rates

The following section includes a summary of combined tax rates applicable in jurisdictions with rate changes in 2020, the related dates of enactment, for US GAAP purposes, of certain income tax rate changes, and supplemental information with respect to certain jurisdictions.

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

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

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.)		Date the combined national/local rate enacted	Notes
	2019	2020	National and Local	
Netherlands	25%	25%	N/A	The corporate tax rates for 2020 are 16.5% on the first EUR 200,000 of taxable profits (reduced from 19% as from January 1, 2020) and 25% on taxable profits exceeding EUR 200,000. Further rate reductions will take place for 2021, a 15% rate will apply to the first EUR 200,000 and a 21.7% top rate for income exceeding that amount.
Switzerland	11.5%–24.5%	11.9%–19.7%	N/A	Tax is imposed at both the federal and cantonal/communal levels. The federal tax rate is 8.5% levied on net income, with an effective rate of 7.8%; the rate at the cantonal/communal level depends on the canton/municipality in which the company is located. Taking into account the federal and the cantonal/communal income tax, the combined effective income tax rate typically is between 11.9% and 19.7% for companies subject to ordinary taxation, depending on the place of residence. Cantonal tax rate reductions will result in a combined ETR of approximately 11.9% to 19.7% as from January 1, 2020 (with the relevant ETR and enactment date depending on the canton. As of January 1, 2020, 16 of the 26 cantons had finalized the cantonal legislative process and enacted cantonal law, four cantons have legislation that will be subject to a popular vote during 2020, and six cantons have not yet concluded their internal approval procedures.
United Kingdom	19%	19%	Nov 18, 2015	Based on legislation enacted in 2016, the corporation tax rate was due to drop to 17% on April 1, 2020. However, as announced in the UK Budget announced on March 11, 2020, the rate will be maintained at 19%. Relevant legislation has not yet been enacted.

Note 1:

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

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

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

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

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

Note 2:

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

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

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

Additional Resources

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

Accounting for Income Taxes—Global Tax Developments archive

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

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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 that was originally scheduled for May 18-22 in Orlando, Florida, has been canceled due to the COVID-19 situation.

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

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