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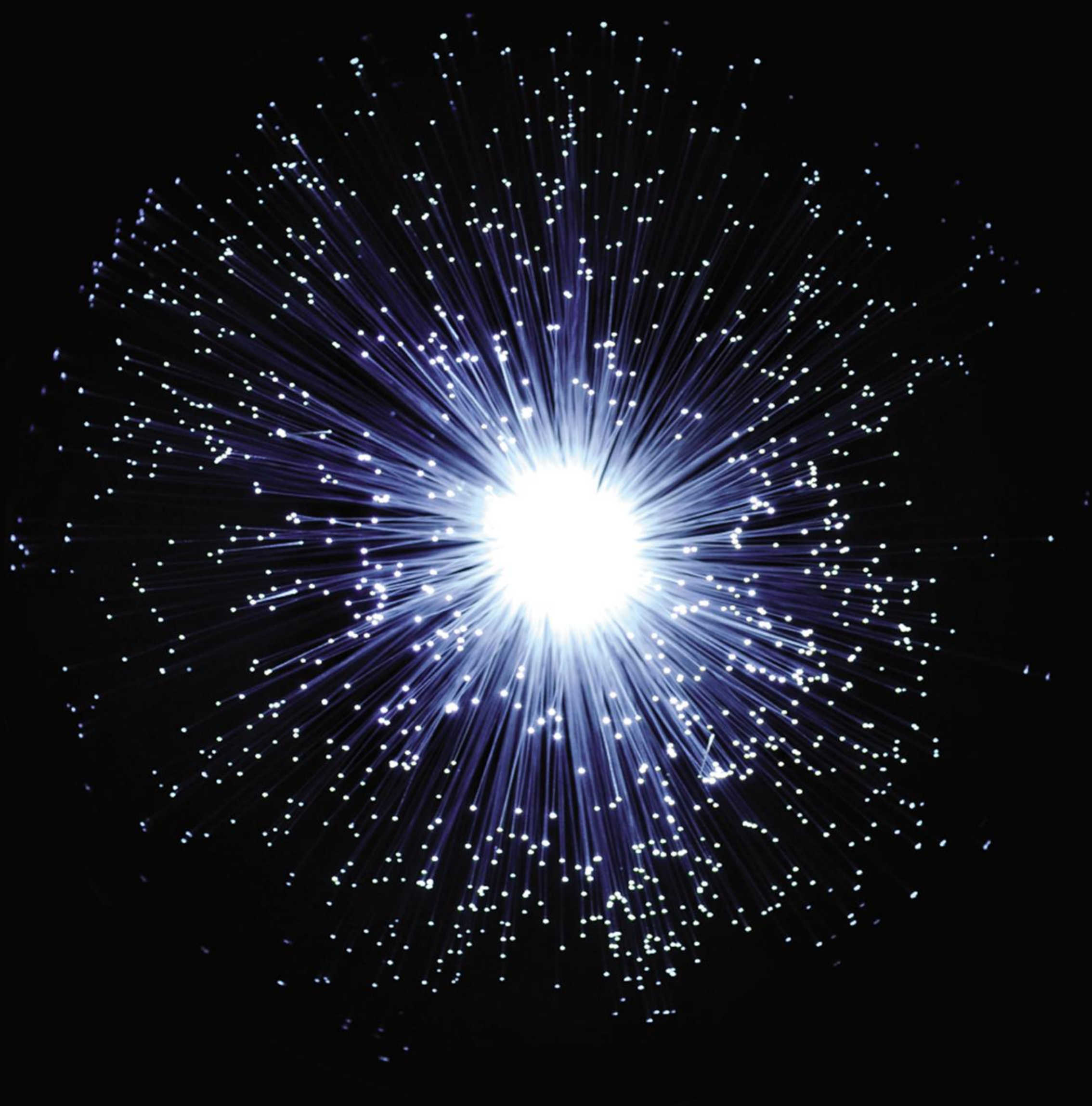

Global Tax Developments Quarterly
Accounting for Income Taxes

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

July 1, 2020 – September 30, 2020
October 20, 2020
Issue 2020-3

Contents

Introduction

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Unless otherwise indicated, the content in this document is based on information available as of October 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: July 1, 2020 to September 30, 2020

Australia

Austria

Cyprus

United Kingdom

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

Australia

Parliament extends the JobKeeper wage subsidy until March 2021 ('JobKeeper 2')

Date of Enactment: September 1, 2020
Effective Date: September 28, 2020

The COVID-19 wage subsidy previously intended to cease on September 27, 2020 ('JobKeeper 1') has been extended for a second phase for the period from September 28, 2020 to March 28, 2020 ('JobKeeper 2'). The enactment of JobKeeper 2 also introduced alternative tests that can be used to determine if the decline in turnover test is satisfied, as well as two tier subsidies to accord with the number of hours worked by employees (i.e. part time or full time).

See also tax@hand – September 15, 2020

Austria

COVID-19 tax stimulus package enacted

Date of Enactment: July 25, 2020
Effective Date: July 1, 2020 and other

On July 24, 2020, an extensive package of tax legislation with a focus on encouraging investment was published in the federal gazette. The measures include a temporary loss carryback, a temporary cash payment incentive (premium) for certain fixed-asset investments, and declining-balance depreciation of up to 30%.

See also tax@hand – July 8, 2020

Cyprus

Parliament passes amendments to tax treatment of intangible assets

Date of Enactment: July 17, 2020
Effective Date: January 1, 2020

On July 17, 2020, an amending income tax law was voted by the Cyprus parliament with respect to the tax treatment of intangible assets. The amendment aims to simplify the relevant legislation and provide increased flexibility to taxpayers benefiting from these provisions. One of the provisions deals with the capital allowances and specifies that capital allowances that have not been claimed in a year are claimed over the remaining useful life of the asset. Additionally, the obligation to prepare a balancing statement on the disposal of an intangible asset is abolished. As such, no balancing addition or balancing deduction is included in the taxpayer's taxable income in the year of disposal.

See also tax@hand – August 11, 2020

United Kingdom

UK corporation tax rate of 19% receives Royal Assent

Date of Enactment: July 22, 2020
Effective Date: July 22, 2020 (for US GAAP purposes)

The UK corporation tax rate, which was due to reduce to 17% on April 1, 2020, remains unchanged at 19% following enactment by Royal Assent on July 22, 2020.

See also UK Budget

Enacted Tax Law Changes That Are Now Effective: July 1, 2020 to September 30, 2020

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

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, 2020, and made first effective for the period from July 1, 2020 to September 30, 2020.

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

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

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, 2020, but that are effective beginning October 1, 2020.

On the Horizon

The following developments had not yet been enacted as of September 30, 2020, but may, in certain cases, be enacted and become effective in the near future. Please follow up with your U.S. or local country tax advisor for more information.

Per a review of jurisdictions that are generally monitored in this publication, there were no major international income tax law changes in this section.

Did you know

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

Bermuda

Amended economic substance guidance released

On July 7, 2020, the Bermuda Minister of Finance released an updated version of the Economic Substance Requirements General Principles Guidance Notes ("Revised Guidance Notes"). The Guidance Notes, which were originally released on December 24, 2019, are intended to assist with the interpretation of the Economic Substance Act 2018 and Economic Substance Regulations 2018 (as amended), which have been effective since January 1, 2019.

Importantly, the Revised Guidance Notes clarify that the Registrar will consider that a relevant activity is being carried on as a business where the entity earns any gross "revenue" in respect of such activity during the relevant financial period (as opposed to gross "income" as stated in the previous version of the guidance, which has led to some confusion).

See also tax@hand – July 14, 2020

Cayman Islands

Economic substance guidance version 3.0 released

On July 13, 2020, the Cayman Islands Department of International Tax Cooperation (DITC) issued the much-anticipated economic substance guidance notes version 3.0 (revised guidance), replacing the previous version of the guidance notes (Version 2.0) published in April 2019. The guidance notes are intended to assist with the interpretation of the country's International Tax Co-operation (Economic Substance) Law, which has been effective since January 1, 2019. The revised guidance reflects feedback received from stakeholders during private sector consultations, as well as feedback from the Secretariat to the OECD Forum on Harmful Tax Practices (FHTP) and the EU Commission.

See also tax@hand – August 7, 2020

China

Guidance issued on tax measures for development of the Hainan Free Trade Port

On June 23, 2020, China's Ministry of Finance and State Taxation Administration issued guidance (Circulars 31 and 32) implementing several tax measures to support the development of the Hainan Free Trade Port (HFTP), which measures were announced by the State Council on June 1, 2020. The measures are effective retroactively beginning January 1, 2020 and will expire on December 31, 2024.

Some of the measure include a 15% enterprise income tax (EIT) rate (reduced from the statutory 25% rate) for taxpayers engaged in "encouraged" business activities in the HFTP; tax exemption for certain foreign-source income from newly formed foreign branches and new foreign direct investment of taxpayers established in the HFTP in the sectors of tourism, modern services, and high and new technologies; as well as accelerated tax deductions for eligible capital expenditures by taxpayers established in the HFTP.

See also tax@hand – August 3, 2020

Colombia

Finance Ministry issues regulations on incentives for certain energy investments

Colombia's Finance Ministry issued Decree 829 on June 10, 2020, which is effective as from the same date and modifies the regulations relating to the incentives available to qualifying companies for investments in research, development, and the generation and use of energy from nonconventional energy sources (FNCE) and/or the management of energy efficiency. Some modifications affect the scope of the incentives, while others affect the procedures taxpayers must follow to benefit from the incentives.

See also tax@hand – July 2, 2020

France

The French Finance Bill for 2021 presented

On September 28, 2020, the French Finance Bill for 2021 was presented by the government as part of the Recovery Plan to restore the French economy following the COVID-19 pandemic. Some of the tax provisions include a 50% reduction in the contribution on value added or CVAE tax (Cotisation sur la Valeur Ajoutée des Entreprises), the CVAE being considered an income tax under ASC 740; a neutralization of the tax consequences triggered by revaluations of fixed assets, which would apply to the first revaluation realized in fiscal years ending on or after December 31, 2020 and no later than December 31, 2022; as well as a provision allowing to spread the taxation of a capital gain derived from the sale of a building within a sale-leaseback arrangement, which would only be available for sales agreed to, between September 28, 2020 and December 31, 2022.

See also tax@hand – October 3, 2020

Greece

COVID-19: Clarification of the tax residence status legal entities

On July 22, 2020, the Greek Independent Authority for Public Revenue (IAPR) issued Circular No. E 2113/2020 to clarify the application of the tax residency and permanent establishment (PE) rules within Greece's income tax code (GITC) and tax treaties in light of the COVID-19 pandemic. The circular also explains the treatment of cross-border employees under the provisions of relevant treaties. The issuance of the circular is intended to resolve concerns relating to the potential effect of the COVID-19 situation on the tax residency status of legal entities, as well as the potential creation of PEs for businesses. The circular is in line with the OECD's guidance and recommendations related to potential cross-border issues for employers and employees resulting from COVID-19 published on April 3, 2020.

See also tax@hand – August 5, 2020

Hong Kong

IRD updates guidance on IP taxation and deductions

On August 11, 2020, Hong Kong's Inland Revenue Department (IRD) released the following revised Department Interpretation and Practice Notes (DIPNs) No. 22 on the taxation of royalties and other income from intellectual property (IP); and No. 49 on the profits tax deduction of capital expenditure on patent rights, rights to know-how, and specified IP rights (SIPRs). The DIPNs are revised mainly to reflect the legislative changes made in 2018, which expanded the scope of the profits tax deduction for capital expenditure incurred for the purchase of IP rights. They replace the previous versions issued in January 2005 and July 2012, respectively.

See also tax@hand – August 11, 2020

Tax concession for carried interest: long-awaited proposal released

In August 2020, the Hong Kong government released a consultation paper on a proposed tax concession regime for carried interest issued by private equity funds operating in Hong Kong. The proposal had been announced by Paul Chan, the Financial Secretary, in his 2020-21 budget speech on February 26, 2020.

See also tax@hand - August 23, 2020

IRD issues guidance on unified tax exemption regime for funds

On June 30, 2020, Hong Kong's Inland Revenue Department (IRD) issued Departmental Interpretation and Practice Notes No. 61 (DIPN 61) to clarify the provisions of the Inland Revenue (Profits Tax Exemption for Funds) (Amendment) Ordinance 2019 (unified regime). The unified regime came into effect as from April 1, 2019 and extends the profits tax exemption to all funds, whether or not the fund's central management and control is exercised in Hong Kong, provided certain conditions are satisfied.

See also tax@hand - Jul 2, 2020

India

ITAT rules on deductions for diminution in value of securities and bad debts

On July 17, 2020, the Pune Bench of India's Income-tax Appellate Tribunal (ITAT) issued its decision that the diminution in value of "Held till Maturity" government securities held by a bank is deductible for corporate income tax purposes, but that a deduction for bad and doubtful debts under section 36(1)(viia) of the Income-tax Act, 1961 (ITA) in respect of advances made by rural branches is allowable only to the extent of the provision made.

See also tax@hand – August 10, 2020

Procedure for foreign pension funds to obtain income tax exemption announced

On August 17, 2020, India's Central Board of Direct Taxes (CBDT) issued Notification 67 of 2020, setting out additional conditions and the relevant procedure for foreign pension funds to obtain the exemption from income tax on certain income from qualifying investments in an Indian infrastructure enterprise, which is available as from financial year 2020-21 (corresponding to assessment year 2021-22).

See also tax@hand – September 1, 2020

Indonesia

Regulation provides rules for listed companies to benefit from reduced CIT rate

On June 19, 2020, the Indonesian government issued Regulation Number 30 (PP-30), which sets forth the requirements for publicly listed corporate taxpayers to be able to benefit from the 3% corporate income tax (CIT) reduction provided under Government Regulation in Lieu of Law Number 1 (PERPU-1). (PERPU-1 was issued on March 31, 2020 and enacted as Law Number 2 of 2020 on 18 May 2020.) PP-30 applies beginning June 19, 2020, and revokes Government Regulation Number 77 of 2013 as most recently amended by Government Regulation Number 56 of 2015 (PP-77).

See also tax@hand – July 1, 2020

Netherlands

Netherlands government publishes 2021 Tax Plans

On September 15, 2020, the Dutch Ministry of Finance published the government's tax plans for 2021. A bill includes the following legislative proposals, among others: (i) a reversal of the headline corporate income tax rate decrease that was previously adopted; (ii) measures permitting the creation of a "Corona reserve" in relation to losses for corporate income tax purposes; (iv) a change to anti-base erosion rules; (v) measures relating to the interaction between the anti-hybrid rules and the earnings stripping rule; and (vi) adjustments to the minimum capital rule for banks and insurers and the bank tax. The bill will be discussed by parliament, but it is expected to be finalized by the end of 2020, taking effect as from 2021.

A separate proposal was issued to amend the liquidation loss and cessation loss rules, and several other measures also were announced. Also, previously announced and adopted increased substance requirements in relation to automatic exchange of information for conduit licensing or financing companies will come into effect per 2021.

See also tax@hand – September 16, 2020

Qatar

GTA clarifies tax exemption rules

On August 20, 2020, Qatar's General Tax Authority (GTA) issued a circular clarifying aspects of the ownership requirements to claim the income tax exemption on profits attributable to resident legal entities owned by Qatari (or GCC) nationals. The circular states that beneficial ownership is required and the taxpayer must substantiate such ownership in order to claim an exemption.

See also tax@hand – August 24, 2020

Singapore

Tax framework for variable capital companies published

On August 28, 2020, the Inland Revenue Authority of Singapore (IRAS) published guidance on the tax treatment of Singapore variable capital companies (VCCs) in the form of an IRAS e-Tax Guide, Tax Framework for Variable Capital Companies. The VCC is a new form of legal entity for investment funds available under Singapore law with effect from January 14, 2020. It provides for the operation of multiple, segregated collective investment schemes (each a sub-fund) within a single legal entity. A VCC may be established as a single fund, or as an umbrella fund comprising two or more sub-funds. Whilst VCCs have been available since the beginning of 2020, only high-level guidance regarding the tax treatment of such entities previously had been made available. The new guidance provides the first detailed explanation of the tax treatment of VCCs and individual sub-funds in Singapore.

See also tax@hand – September 22, 2020

United States

Final base erosion and anti-abuse tax guidance released

On September 1, 2020, the US Treasury Department and Internal Revenue Service released final regulations under section 59A of the Internal Revenue Code (IRC), which was added to the IRC by the Tax Cuts and Jobs Act (P.L. 115-97) enacted in December 2017. The final regulations provide guidance regarding the base erosion and anti-abuse tax (BEAT) imposed on certain large corporate taxpayers with respect to certain payments made to foreign related parties.

See also tax@hand – September 1, 2020

Final and proposed foreign dividend guidance under section 245A released

On August 21, 2020, the US Treasury Department and Internal Revenue Service released final regulations under sections 245A and 954 of the Internal Revenue Code (IRC) that limit the deduction for certain dividends received by US persons from foreign corporations under IRC section 245A and the exception to subpart F income under IRC section 954(c)(6) for certain dividends received by controlled foreign corporations.

See also tax@hand – August 21, 2020

Business interest expense deduction limitation regs, other guidance released

On July 28, 2020, the US Treasury Department and the Internal Revenue Service (IRS) released final regulations and proposed regulations under section 163(j) of the Internal Revenue Code (IRC), which limits the deduction for business interest expense. The final regulations, which are effective 60 days after publication in the federal register, provide guidance to taxpayers on how to calculate the limitation, what constitutes interest for purposes of the limitation, which taxpayers and trades or businesses are subject to the limitation, and how the limitation applies in consolidated group, partnership, international, and other contexts.

See also tax@hand – July 28, 2020

Deduction for FDII and GILTI: Final regulations released

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

See also tax@hand – July 10, 2020

Income subject to high rate of foreign tax: Final and proposed regulations released

On July 20, 2020, the US Treasury Department and the Internal Revenue Service (IRS) released final regulations under the global intangible low taxed income (GILTI) and subpart F income provisions of the Internal Revenue Code regarding the treatment of income that is subject to a high rate of foreign tax. The final regulations allow taxpayers to exclude certain high-taxed income of a controlled foreign corporation from their GILTI computation on an elective basis.

See also tax@hand – July 20, 2020

Final and proposed foreign tax credit regulations

On September 29, 2020, the US Treasury Department and the Internal Revenue Service (IRS) released guidance that finalizes the foreign tax credit and expense allocation regulations proposed in 2019. The final regulations provide guidance relating to the allocation and apportionment of deductions and creditable foreign taxes, the definition of financial services income, foreign tax redeterminations, availability of foreign tax credits under the transition tax, the application of the foreign tax credit limitation to consolidated groups, adjustments to hybrid deduction accounts to take into account certain inclusions in income by a US shareholder, conduit financing arrangements involving hybrid instruments, and the treatment of certain payments under the global intangible low-taxed income (GILTI) provisions.

In addition, Treasury and the IRS issued new proposed regulations that include guidance on the disallowance of a credit or deduction for foreign income taxes with respect to dividends eligible for a dividends-received deduction; the allocation and apportionment of interest expense, foreign income tax expense, and certain deductions of life insurance companies; the definition of a foreign income tax and a tax in lieu of an income tax; transition rules relating to the impact on loss accounts of net operating loss carrybacks allowed by reason of the Coronavirus Aid, Relief, and Economic Security (CARES) Act; the definition of foreign branch category and financial services income; and the time at which foreign taxes accrue and can be claimed as a credit. The document also contains proposed regulations clarifying rules relating to foreign derived intangible income.

See also tax@hand – October 2, 2020

Final sourcing regulations under sections 863 - 865

On September 29, 2020, the US Internal Revenue Service (IRS) and the Treasury Department issued final regulations under sections 863 through 865 of the Internal Revenue Code (IRC) addressing rules for determining the source of income from sales of inventory produced outside the US and sold within the US or vice versa. The regulations generally apply to taxable years ending on or after December 23, 2019.

See also tax@hand – September 29, 2020

Example Disclosures

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

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

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

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

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

Quick Reference Guide for Income Tax Rates

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

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

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

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.)		Date the combined national/local rate enacted	Notes
	2019	2020	National and Local	
Indonesia	25%	22%	N/A	Rate reduced from 25% for fiscal year 2020; 19% rate applies for publicly listed corporations meeting certain criteria with minimum of 40% "free float" shares. Resident corporate taxpayers with gross revenue of up to IDR 50 billion received 50% reduction of corporate income tax rate imposed on taxable income for first IDR 4.8 billion of gross revenue. Taxpayers that fulfill certain criteria with gross revenue not exceeding IDR 4.8 billion in tax year subject to final income tax at rate of 0.5% of gross revenue. PEs also subject to 20% branch profits tax, applied on PE's net profit after tax.
Netherlands	25%	25%	N/A	The corporate tax rates for 2020 are 16.5% on the first EUR 200,000 of taxable profits (reduced from 19% as from January 1, 2020) and 25% on taxable profits exceeding EUR 200,000. It was announced that the reduction of the headline rate to 21.7% for 2021 will be reversed, leaving the rate at 25%. It was further announced that a reduction of the rate for the first EUR 200,000 of taxable profits to 15% will still take place, whereby the first bracket will be extended to a taxable amount of EUR 245,000 (2021) and EUR 395,000 (2022).
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% and was enacted by Royal Assent for US GAAP purposes on July 22, 2020.

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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Tax Accounting & Provisions Dbriefs Webcasts—A collection of live and archived Dbrief webcasts that give you valuable insights on important developments impacting financial reporting for taxes.

Tax Publications—Various tax publications issued by Deloitte to help clients stay informed on tax legislation and regulations and the potential impact on their businesses.

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

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

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