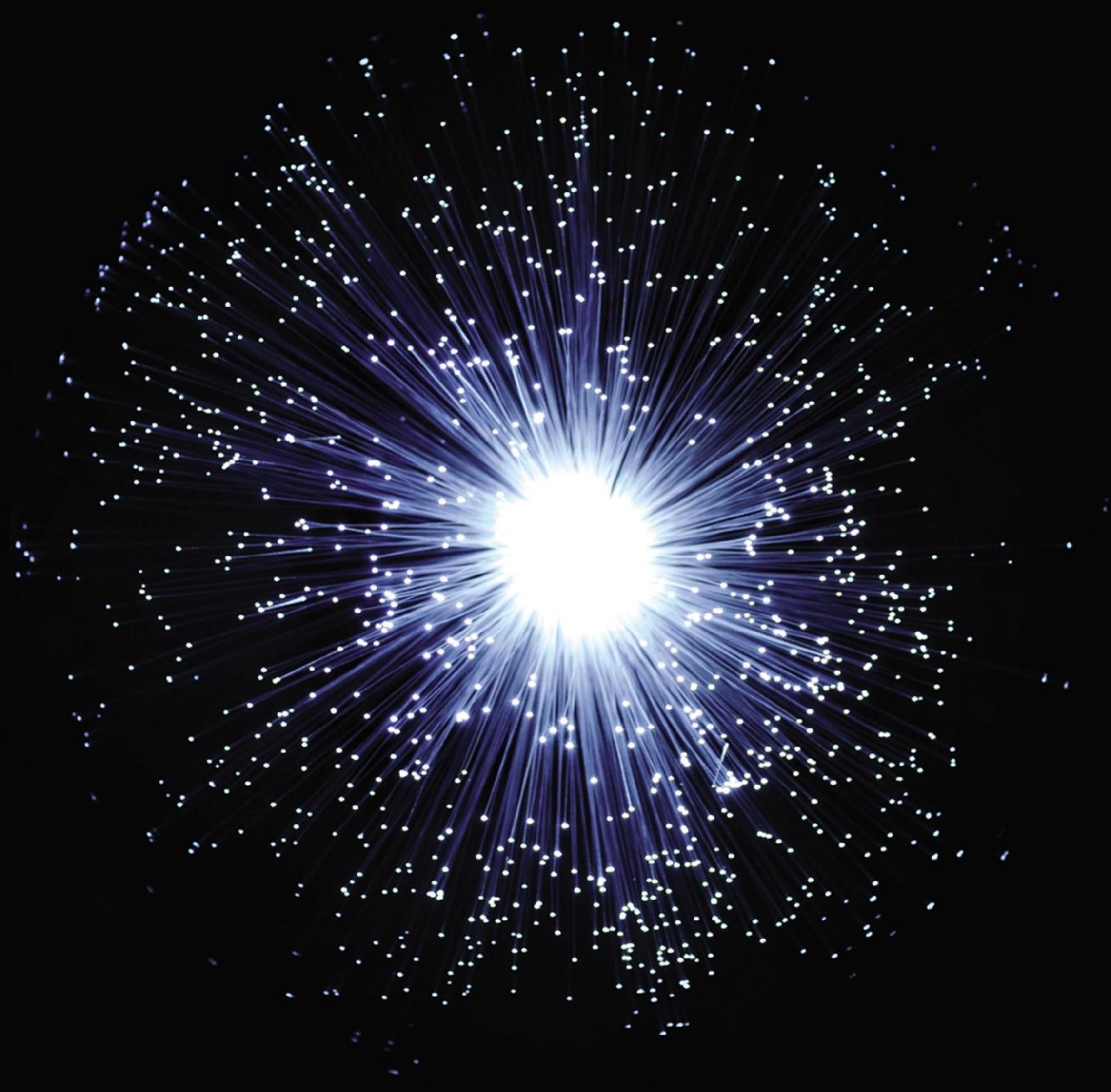
Deloitte.



# 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**

October 1, 2020 – December 31, 2020
January 28, 2021
Issue 2020-4

# Contents

# Introduction

This document contains general information only and Deloitte is not, by means of this document, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This document is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. The information contained in this document was not intended or written to be used, and cannot be used, for purposes of avoiding penalties or sanctions imposed by any government or other regulatory body. Deloitte shall not be responsible for any loss sustained by any person who relies on this document.

Unless otherwise indicated, the content in this document is based on information available as of January 1, 2021. 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: October 1, 2020 to December 31, 2020

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



## Australia

**Australian government adopted Treasury Laws Amendment (A Tax Plan for the COVID-19 Economic Recovery) Bill 2020, containing key budget measures including temporary full expensing of depreciating assets**

**Date of Enactment: October 14, 2020**
**Effective Date: October 6, 2020**

On October 6, 2020, the 2020-21 Australian federal budget was handed down. Among the key budget tax measures was the Temporary Full Expensing ("TFE") of depreciating assets. On October 14, 2020, legislation was enacted in respect of these key measures including the TFE measure. The TFE measure, as announced in the federal budget, allows for an immediate deduction for the full cost of an eligible depreciating asset in a year (the current year) up to June 30, 2022, where the taxpayer satisfies certain conditions, including an aggregated turnover condition of less than AUD 5 billion in the current year. On December 17, 2020 the government enacted legislation to further expand eligibility for the TFE of depreciating assets through a new alternative eligibility test. Under the alternative eligibility test, businesses with an aggregated turnover of more than AUD 5 billion due to the income of an overseas parent or associate (*i.e.*, connected entities and affiliates) for either the 2018-19 income year, or the 2019-20 income year ending on or before October 6, 2020 will be able to qualify for the TFE measure, where the business also meets certain prior year capex investment requirements. In addition, the amending legislation allows businesses to opt out of the TFE measure on an asset-by-asset basis, thereby providing businesses with more flexibility in respect of this measure.

See also tax@hand – October 27, 2020 and tax@hand – November 22, 2020

## Belgium

**Recovery reserve measure adopted by parliament**

**Date of Enactment: December 1, 2020**
**Effective Date: tax years 2022, 2023, and 2024**

A Law of November 19, 2020, which was published in the Belgian Official Gazette on December 1, 2020, has introduced new tax legislation intended to support economic recovery following the COVID-19 pandemic. The measure introduced is a tax-exempt "recovery reserve" by means of which Belgian companies may exempt profits from tax by allocating the profits to the recovery reserve. This should facilitate the restoration of pre-COVID-19 equity levels. The measure allows companies to set-up a recovery reserve for tax years 2022, 2023, and 2024 (i.e., companies may start establishing the reserve at the earliest with the results of the financial year ending December 31, 2021).

See also tax@hand – November 25, 2020

## Indonesia

**Date of Enactment: November 2, 2020**
**Effective Date: November 2, 2020**

**Promulgation of Omnibus Law for improvement of business climate**

On November 2, 2020, the Indonesian President signed Omnibus Law on Employment Creation. Some of the key provisions include changes to taxation of dividend income from a domestic source earned by an Indonesian corporate recipient, dividend income from an offshore non-listed company and permanent establishment's net profit after tax, and income from foreign active businesses without a permanent establishment.

See also tax@hand – October 28, 2020

# Enacted Tax Law Changes That Are Now Effective: October 1, 2020 to December 31, 2020

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

Per a review of jurisdictions that are generally monitored in this publication, there were no major international income tax law changes enacted before October 1, 2020 and made first effective for the period from October 1, 2020 to December 31, 2020.

# Enacted Tax Law Changes That Are Effective Beginning January 1, 2021

The following section includes a summary of major international income tax law changes enacted before October 1, 2020, but effective beginning January 1, 2021.

**Czech Republic**
**France**
**Luxembourg**
**Malaysia**
**Portugal**
**United Kingdom**

## Czech Republic

**Expected and unexpected changes made to proposed tax amendments**

**Date of Enactment: December 22, 2021**
**Effective Date: January 1, 2021**

At its meeting on November 19, 2020, the Czech Chamber of Deputies passed several motions to revise the proposed amendments to the Income Taxes Act (ITA) for 2021 (Parliamentary Document No. 910), which could have a significant impact on corporate and personal income tax. Among the proposed amendments are the increase the threshold amount for an asset to be classified as a tangible asset or a technical improvement to a tangible asset that is subject to depreciation, from the current amount of a cost of CZK 40,000 to CZK 80,000, abolition of special amortization of intangible assets for tax purposes; and introduction of extraordinary depreciation for the first and second depreciation groups. The amendment reforms the system of personal income tax by abolition of the super-gross salary and introduction of progressive taxation with 15% and 23% rates. Even though President Miloš Zeman refused to sign the amendment, the amendment was published in the Collection of Laws under 609/2020 Coll., and came into effect on January 1, 2021. However, the effectiveness of the Act could be affected by a dispute whether the President vetoed the Act by refusing to sign it. This could potentially lead to a constitutional complaint being lodged with the Constitutional Court.

See also tax@hand – November 30, 2020

## France

**2021 Finance Bill adopted by the French parliament and published**

**Date of Enactment: December 30, 2020**
**Effective Date: January 1, 2021**

On September 28, 2020, the French government released its 2021 draft finance bill. National Assembly adopted the law on December 17, 2020. The law was published in the Official Journal of December 30, 2020 and, except for a few minor articles rejected by the French Constitutional Council, is very close to the law adopted by the Parliament. Most of the provisions would likely have an impact in 2021 or later, depending on the provision. However, the provision related to the contribution on the added value of enterprises (CVAE) would have to be taken into account in consolidated financial statements for the fiscal year ended on December 31, 2020 since the expected rate reduction (from 1.5% to 0.75%) would trigger an adjustment in the deferred tax booked for CVAE (optional under IFRS but mandatory under US GAAP).

See also tax@hand - December 23, 2020

## Luxembourg

**2021 budget law adopted and published**

**Date of Enactment: December 23 2020**
**Effective Date: January 1, 2021**

On December 19, 2020, Luxembourg's 2021 budget law was adopted by the Chamber of Deputies and was published in the Official Journal on December 23, 2020. Due to the COVID-19 pandemic, the minister announced that the main focus of the measures is to contain the economic effects of the virus; therefore, there will not be a general tax reform for the 2021 budget year. Some of the corporate income tax measures include an amendment to the fiscal unity regime to change from a vertical to a horizontal consolidation regime; a modification of the accelerated depreciation rules; and certain measures regarding the ownership of real estate located in Luxembourg by some Luxembourg investment vehicles. The budget law enters into force on January 1, 2021 and applies as from that date, except for certain tax measures.

See also tax@hand – December 23, 2020

## Malaysia

**Highlights of Budget 2021**

**Date of Enactment: December 31 2020**
**Effective Date: January 1, 2021**

On November 6, 2020 Malaysia's Finance Minister unveiled Budget 2021. The budget includes a number of tax incentive measures, including measures that aim to attract investors to set-up operations and make investments in Malaysia. Although the government's revenue has been affected by the coronavirus (COVID-19), the budget does not propose introducing any form of new taxes, as taxpayers are still grappling with the impact of COVID-19. On December 31, 2020, several of the Budget proposals along with numerous additional tax-related measures have been enacted via the gazette of Finance Act 2020, which came into operation on January 1, 2021. Other tax-related measures announced in Budget 2021 will be legislated via subsidiary legislation. Some of the enacted provisions that relate to the corporate income tax include clarification regarding restrictions on the deductibility of payments by a Malaysian resident to a Labuan company; introduction of a definition of "plant" for the purposes of claiming capital allowances, effective as from YA 2021; and provisions related to eligibility of certain activities for an approved incentive scheme where the tax rate will not be more than 20%.

See also tax@hand – November 13, 2020 and tax@hand – November 25, 2020

## Portugal

**Draft budget law for 2021 proposes amendments to permanent establishment rules**

**Date of Enactment: December 31, 2020**
**Effective Date: January 1, 2021**

The Portuguese draft budget law for 2021 presented to parliament on October 12, 2020 includes several amendments to the concept of permanent establishment ("PE") in line with the proposals in OECD BEPS action 7, and in some areas would go beyond the OECD's recommendations. The amendments widen the definition of PE and clarify the attribution of profits to a PE. The new PE legislation was approved by the Portuguese budget law, which was published in the official journal on December 31, 2020. The new PE legislation entered into force on January 1, 2021, with no updates to the draft legislation published in October 2020.

See also tax@hand – November 23, 2020

## United Kingdom

**The Trade and Cooperation Agreement is signed between the UK and the EU**

**Date of Enactment: December 31, 2020**
**Effective Date: January 1, 2021 (pending formal ratification)**

On December 24, 2020, the UK and the EU agreed on a Brexit deal: The Trade and Cooperation Agreement ("TCA"). The full 1,246-page text was published on December 26, 2020, received parliamentary approval on December 30 and became law via the passing of the European Union (Future Relationship) Act 2020 on December 31. The EU has agreed for provisional application from January 1, 2021, pending formal ratification before the end of February. The TCA governs the relationship between the EU and the UK following Brexit.

See also Deloitte UK Blog – December 31, 2020

# On the Horizon

The following developments had not yet been enacted as of December 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.



## Ireland

**Finance Minister announces Budget 2021**

On October 13, 2020, Ireland's Finance Minister, Paschal Donohoe, presented Budget 2021 to the government. The Minister reaffirmed the longstanding commitment to the 12.5% corporate tax rate, along with announcing a proposed update of Ireland's corporation tax roadmap that will include the introduction of interest limitation rules and anti-hybrid rules, as well as guidance from recently published reports of the OECD BEPS inclusive framework on the tax challenges of digitalization. The Minister also announced that, as from October 13, 2020, sales of IP will be subject to a balancing adjustment, which essentially claws back any relief previously claimed where the proceeds received from the sale exceed the tax basis in the intellectual property. Additionally, the knowledge development box, which is the first OECD compliant intellectual property regime supporting businesses in retaining and exploiting qualifying assets, has been extended for a further two years, through December 31, 2022. Finally, the energy efficient accelerated capital allowances scheme will be extended for a further three years, through December 31, 2023. The energy efficient criteria for the scheme will be reassessed over the coming year.

See also tax@hand – October 16, 2020

## Japan

**2021 tax reform proposals announced**

On December 10, 2020, proposals for the 2021 tax reform were announced by the Liberal Democratic Party (LDP) and the New Komeito Party and were posted on the LDP's website. With the background of economic recovery from COVID-19, this year's proposals, among others, include the establishment of tax incentives for investments in digital and green technologies, both areas of focus which the Japanese government has identified going forward.

See also Japan Tax & Legal Inbound Newsletter December 25, 2020

# Did you know



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

## Belgium

**AG opines that Belgian excess profit rulings can be examined as an aid scheme**

On December 3, 2020, Advocate General (AG) Kokott of the Court of Justice of the European Union (CJEU) delivered her opinion in Commission v Belgium and Magnetrol International (C-337/19 P) on the appeal lodged by the Commission against the February 14, 2019 judgement of the General Court of the European Union (General Court) in the joined cases of Belgium v Commission (T-131/16) and Magnetrol International v Commission (T-263/16). The AG opined that the Commission was right to consider that the various Belgian tax rulings that have allowed certain entities forming part of multinational groups to make downward adjustments to profits (referred to as excess profit rulings (EPR)) can, procedurally, be examined as an 'aid scheme' (namely 'as a package'). The question whether, substantively, the EPR 'scheme' constitutes a grant of (prohibited) State aid was not examined by the AG.

See also tax@hand – December 7, 2020

## Cyprus

**Tax residence and permanent establishment rules clarified**

On October 27, 2020, the Cyprus Tax Department (CTD) issued an implementing guideline (IG 4/2020) to clarify the application of Article 2 of the Income Tax Law (ITL) relating to tax residence and permanent establishment (PE). The purpose of IG 4/2020 is to relax certain rules for taxpayers affected by the global measures taken to prevent the spread of COVID-19 (i.e., travel restrictions, home self-isolation, working from home arrangements, suspension of contracts of employment, etc.).

See also tax@hand – November 11, 2020

## Hong Kong

**IRD updates guidance in light of new accounting standard on revenue recognition**

On September 18, 2020, Hong Kong's Inland Revenue Department (IRD) released updated Departmental Interpretation and Practice Notes No. 1 (Revised DIPN 1) that replaces the previous version issued in July 2006. Having considered the judgements in some recent court cases and the implementation of Hong Kong Financial Reporting Standard (HKFRS) 15, the IRD has substantially rewritten the DIPN to explain in more detail the tax principles in relation to (i) computation of assessable profits, (ii) recognition of revenue from contracts with customers where HKFRS 15 (Revenue from Contracts with Customers) applies, and (iii) measurement of inventories or stock on a cessation of business, or a change of intention in holding the asset.

See also tax@hand - October 23, 2020

## India

### Company may depreciate revalued intangible assets of predecessor partnership firm

On October 5, 2020, India's Karnataka High Court issued its decision that the taxpayer on conversion from a partnership firm to a company is eligible to claim depreciation on intangible assets on the amount at which they were revalued by the partnership firm prior to incorporation.

See also tax@hand – October 26, 2020

### CBDT issues rules for claiming depreciation under concessional tax regimes

On October 1, 2020, India's Central Board of Direct Taxes (CBDT) issued a notification specifying the rules for claiming depreciation under the concessional tax regime, and the corresponding amendments to the tax audit report, transfer pricing report, and income tax return Form ITR-6.

See also tax@hand – October 27, 2020

## Oman

### Amendments to income tax law announced

On September 20, 2020, the Oman government issued Royal Decree 118/2020 amending certain provisions of the income tax law. Among the provisions is the introduction of a tax residency concept for legal entities. Prior to the amendments, the income tax law did not contain the concept of tax residency. Following the amendments, a legal entity is tax resident in Oman if such entity has been established under Omani law or if the entity is headquartered in Oman. The amendments generally take effect as from September 21, 2020.

See also tax@hand – October 6, 2020

## Peru

### Guidance issued on depreciation or amortization of assets under a concession

Guidance (Report No. 073-2020-SUNAT) issued by the Peruvian tax authorities (SUNAT) on October 15, 2020 provides clarification regarding the depreciation or amortization that must be applied to assets under concessions (*i.e.*, assets benefitting from a tax incentive regime) when the concession period is extended.

See also tax@hand – November 2, 2020

## Taiwan

### Eligibility for deemed profit treatment clarified

Taiwan's National Taxation Bureau of the Central Area and National Taxation Bureau of the Northern Area each issued a separate press release in September 2020 explaining that, in certain circumstances, the deemed profit method of article 25, paragraph 1 of the Income Tax Act (ITA) may not be applicable.

See also tax@hand – November 11, 2020

## United States

**Final, proposed PFIC guidance released**

On December 4, 2020, the US Treasury Department and Internal Revenue Service released final regulations regarding the determination of whether a foreign corporation is treated as a passive foreign investment company (PFIC) for purposes of the Internal Revenue Code (IRC), and the application and scope of certain rules that determine whether a US person that indirectly holds stock in a PFIC is treated as a shareholder of the PFIC. The regulations affect US persons with direct or indirect ownership interests in certain foreign corporations.

See also tax@hand – December 4, 2020

**Final section 245A/951A regulations released**

On November 20, 2020, the US Treasury Department and the Internal Revenue Service released final regulations under sections 245A and 951A of the Internal Revenue Code coordinating the extraordinary disposition rule with the disqualified basis and disqualified payment rules. The final regulations finalize the proposed regulations that were released on August 21, 2020 with one revision (as discussed in part II of the Explanation of Revisions) and are effective on January 12, 2021.

See also tax@hand - November 20, 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.<br><br>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 rates applicable for FYs opened as of Jan 1, 2021). | 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.<br><br>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.<br>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.<br>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.<br><br>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 of taxable income) 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.

Click to subscribe to receive Accounting for Income Taxes Hot Topics directly via email.

Deloitte tax@hand—An app that delivers focused news and tax information.

Download Deloitte Tax@hand for iOS (App Store), Android (Google play) or BlackBerry (BlackBerry World) or visit the Tax@hand website, www.taxathand.

World Tax Advisor—Biweekly bulletin of international tax developments written by professionals of the member firms of Deloitte. The newsletter focuses on analysis of cross-border tax developments that reflect the dynamic business environment faced by multinationals.

Click to subscribe to receive *World Tax Advisor* directly via email.

Transfer Pricing Alerts — The latest updates in transfer pricing from around the world.

Click to subscribe to receive an email when a new Transfer Pricing Alert is issued.

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.

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

# Contact Us

**Robert Tache**

Partner, Deloitte Tax LLP

Phone: +1 305 372 3230

E-mail: rtache@deloitte.com

**Ana Lam**

Senior Manager, Deloitte Tax LLP

Phone: +1 305 808 2336

E-mail: walam@deloitte.com