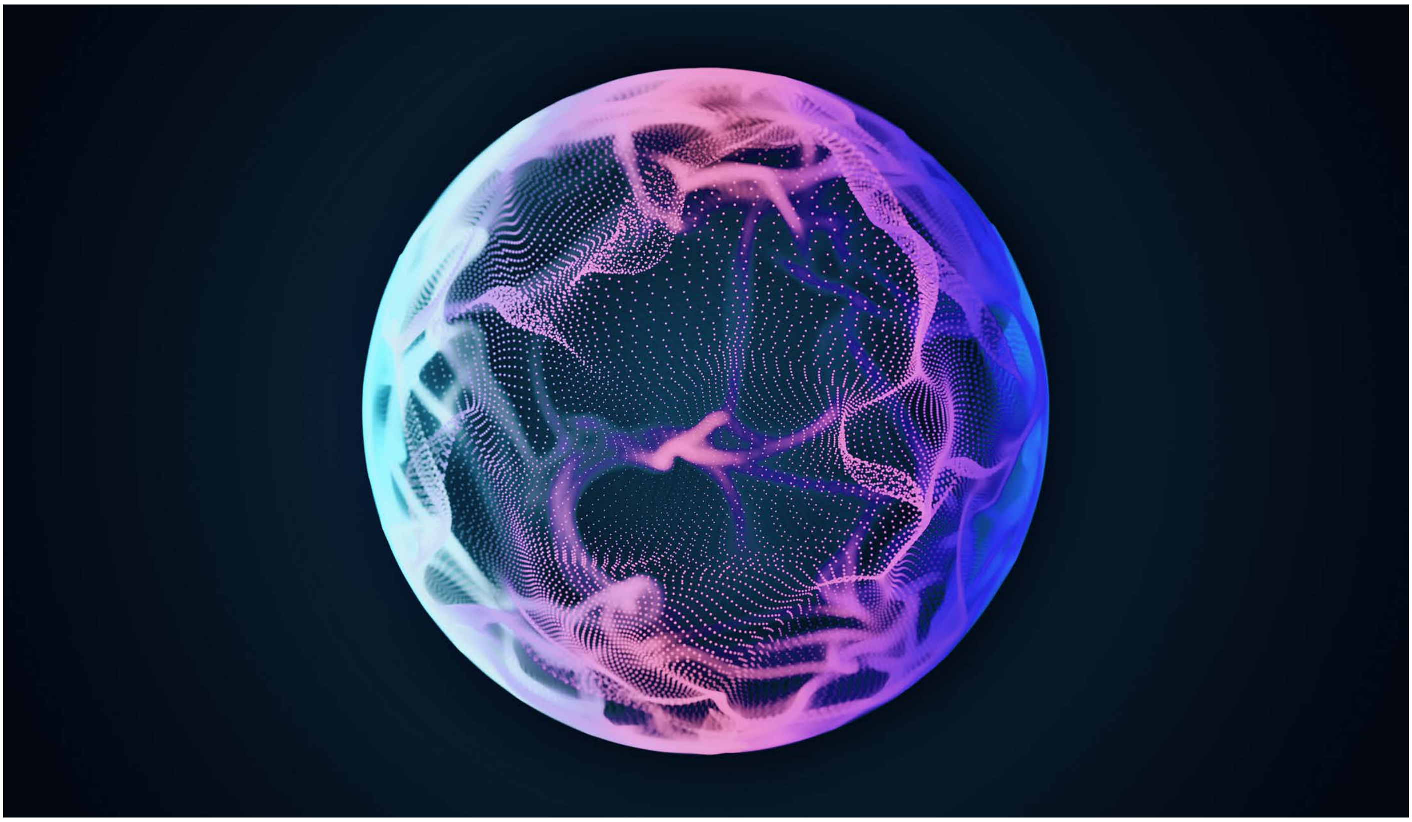


Accounting for Income Taxes | Quarterly Hot Topics

US Federal

Tax News & Views, published by the Deloitte Tax LLP Tax Policy Group in Washington, DC, provides a compact, reader-friendly perspective on the latest tax developments coming out of Congress affecting businesses and high-wealth individuals.

For updates and perspective on the latest tax developments coming out of Congress, please subscribe to Tax News & Views.

White House releases FY 2024 budget proposal, 'Green Book'

On March 9, 2023, President Biden released a fiscal year 2024 budget blueprint, which, as he promised in his State of the Union message and other recent speeches, calls for significant tax increases—many drawn from previous budget plans—targeted at large corporations and high-income individuals. Along with the budget blueprint, the White House also released what is known as the "Green Book," which provides more granular details from the Treasury Department on the administration's tax and revenue proposals and their projected impact on federal receipts.

For additional details, please refer to the Deloitte tax@hand article dated March 9, 2023.

In this edition:

Treasury, IRS issue final regs under section 1502

On February 22, 2023, the Treasury and IRS issued final regulations (T.D. 9973) under section 1502 that adopt, without change, the proposed regulations that were published on December 14, 2022. Note that T.D. 9973 was published in the Federal Register on February 23, 2023. Taking into account the publication date of T.D. 9973, and as contemplated by the proposed regulations, Treas. Reg. § 1.1502-80(W) is applicable "to taxable years for which the original consolidated Federal income tax return is due (without extensions) after February 23, 2023" (Treas. Reg. § 1.1502-80(j)(3)). Accordingly, consistent with section 1503(a), the final regulation generally is contemplated to be applicable for purposes of determining a consolidated group's tax liability for the 2022 taxable year.

Treasury, IRS release additional corporate AMT guidance focused on insurance industry

On February 17, 2023, the Treasury and IRS released additional interim guidance in the form of Notice 2023-20 (the "Notice") to help avoid substantial unintended adverse consequences to the insurance industry from the application of the corporate alternative minimum tax (CAMT). The Notice addresses certain issues related to the treatment under the CAMT of life insurance company separate account assets that are marked to market for financial statement purposes, the treatment of certain items reported in other comprehensive income (OCI), and the treatment of embedded derivatives arising from certain reinsurance contracts. Specifically, sections 3 through 5 of the Notice provide interim guidance that covers time-sensitive issues concerning application of the CAMT.

For additional details, please refer to the Deloitte tax@hand article dated February 22, 2023.

IRS announces new CAP phase: Bridge Plus

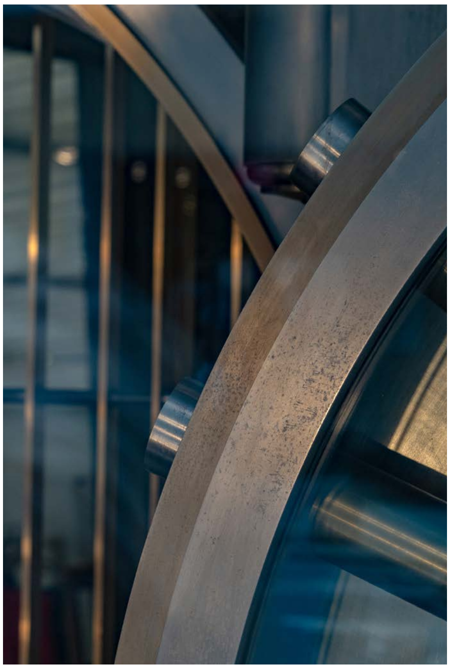
On February 13, 2023, the IRS announced in IR-2023-25 changes to the Bridge phase of the Compliance Assurance Process (CAP) program by adding a new pilot phase, Bridge Plus. The CAP program is a cooperative pre-filing program for large corporate taxpayers. The program began in 2005 with the objective of reducing taxpayer burden and uncertainty while assuring the IRS of the accuracy of tax returns before filing, thereby reducing or eliminating the need for post-filing examinations. The Bridge Phase began in 2019; however, during this phase, taxpayers stay in the program but do not receive a full acceptance letter. In the Bridge Plus pilot phase, on the other hand, taxpayers can receive a full acceptance letter.

To be eligible for Bridge Plus, taxpayers must provide book-to-tax reconciliations, credit utilization, and other supporting documentation shortly after their audited financial statement is finalized. Taxpayers accepted into the Bridge Plus pilot phase will be required to submit a draft return 30 days before filing. If the draft return is consistent with the prior submission, the taxpayer will be instructed to file a return, and the taxpayer will be issued a full acceptance letter. The new Bridge Plus pilot phase will be offered only to CAP participants that were in the Bridge phase for 2022 and have been recommended to participate in the Bridge phase again in 2023. Acceptance into the program will be based on input from multiple IRS LB&I practice areas as well as the outcome of the risk assessment performed after the filing of the taxpayer's audited financial statements and requested information.

For additional details, please refer to the March 2023 issue of IRS Insights.

IRS establishes qualifying advanced energy project credit allocation program

On February 13, 2023, the IRS issued Notice 2023-18, establishing the program under section 48C(e) to allocate tax credits totaling up to $10 billion ($4 billion of which may be allocated only to projects located in certain energy communities) for qualified investments in eligible qualifying advanced energy projects.



IRS issues new procedural guidance for real estate developers to use alternative cost method

On January 27, 2023, the IRS issued Rev. Proc. 2023-9, which obsoletes Rev. Proc. 92-29 and provides new rules and conditions for real estate developers to use the alternative cost method of accounting for common improvement costs. Rev. Proc. 2023-9 also provides guidance on the application of the alternative cost method to contracts accounted for under section 460 and the Treasury Regulations thereunder. The revenue procedure is effective for tax years beginning after December 31, 2022. A developer that obtained consent to use the alternative cost method under Rev. Proc. 92-29 is required to request automatic consent to continue to use the method assuming the developer satisfies the rules and conditions of Rev. Proc. 2023-9.

For additional details, please refer to the Deloitte tax@hand article dated February 16, 2023.

IRS replaces penalty protection previously offered by Rev. Proc. 94-69

On November 16, 2022, the IRS issued Rev. Proc. 2022-39, which obsoletes and replaces Rev. Proc. 94-69. The new revenue procedure still offers some penalty protection to certain large taxpayers but with new eligibility rules. Under the new revenue procedure, "eligible taxpayers" can show additional tax due or make adequate disclosure with respect to an item or a position on a previously filed return to avoid imposition of the accuracy-related penalties in sections 6662(b)(1) and 6662(b)(2). In a change from prior guidance, the IRS says the new procedures also apply to large partnerships. Generally, taxpayers are "eligible taxpayers" if the IRS has selected for audit four of the five tax returns preceding the year at issue.

To receive the penalty protection afforded in Rev. Proc. 2022-39, eligible taxpayers must file Form 15307, *Post-Filing Disclosure for Specified Large Business*. If an eligible taxpayer properly completes Form 15307, it is treated as a qualified amended return with respect to a particular taxable year of an eligible taxpayer. The new procedures apply to any examinations that began after November 16, 2022 (the date the revenue procedure was released). As a transition rule, Rev. Proc. 94-69 continues to apply to the taxpayers eligible for such relief with respect to examinations of taxable year 2020 and earlier years.

For additional details, please refer to the March 2023 issue of IRS Insights.

Treasury and IRS issue guidance on alternative fuel credit claims, including new sustainable aviation fuel credit

On September 13, 2022, the IRS issued Notice 2022-39, which provides guidance that taxpayers must follow in claiming the alternative fuel tax credit under section 6426(d) and the alternative fuel mixture credit under section 6426(e) for the 2022 claim period. Subsequently, on December 19, 2022, the IRS issued Notice 2023-06, which provides guidance on the new sustainable aviation fuel credits under sections 40B and 6426(k).

For additional details, please refer to Tax Alert for Notice 2022-39 and Tax Alert for Notice 2023-06, both dated January 20, 2023

US multistate

Arizona: New law updates state conformity to Internal Revenue Code

New law updates the definition of the federal Internal Revenue Code (IRC) for Arizona tax purposes to the IRC as in effect on January 1, 2023, including those provisions that became effective during 2022 with the specific adoption of all federal retroactive effective dates, but excluding any change to the IRC enacted after January 1, 2023. For purposes of computing state corporate and personal income taxes for tax years beginning from and after December 31, 2021, through December 31, 2022, the legislation provides that the definition of the IRC for Arizona tax purposes generally is the IRC as in effect on January 1, 2022, including those provisions that became effective during 2021 with the specific adoption of all federal retroactive effective dates, and including provisions of the federal CHIPs and Science Act of 2022 (i.e., P.L. 117-167), Inflation Reduction Act of 2022 (i.e., P.L. 117-169), and Consolidated Appropriations Act of 2023 (i.e., P.L. 117-328) that are retroactively effective during taxable years beginning from and after December 31, 2021, through December 31, 2022

For additional details, please refer to the March 10, 2023, edition of State Tax Matters.

California: Proposed rule changes on alternative apportionment move forward with comments due March 7

The California Office of Administrative Law issued its California Regulatory Notice Register, which contains notice from the California Franchise Tax Board (FTB) of its intention to amend the rule relating to alternative apportionment method petition procedures. According to the notice, the proposed amendments will provide clear rules, conditions, and deadlines for filing such petitions with the FTB; clarify the briefing process and specify procedures related to hearings on such petitions; and address application of the "ex parte communication" rule to collectively "streamline the petition process and ensure consistent application of procedures." Written comments on this proposal are due by March 7, 2023.

For additional details, please refer to the January 27, 2023, edition of State Tax Matters.

Florida:
Service providers must source receipts based on costs of performance sourcing methodology

In a case involving out-of-state service providers, a Florida circuit court held that Florida's corporate income tax administrative rule on sourcing receipts from services requires application of a cost of performance sourcing methodology rather than the Florida Department of Revenue's attempt to impose a market-based sourcing methodology on the taxpayers pursuant to a corporate income tax audit.

For additional details, please refer to the March 17, 2023, edition of State Tax Matters.

DOR reminds taxpayers about corporate income tax rate changes and fluctuations

Florida corporate income and franchise taxpayers are reminded that the tax rate reverts to 5.5%—reduced from 5.5% to 4.458% for taxable years beginning on or after January 1, 2019, but before January 1, 2021; and was further reduced to 3.535% for taxable years beginning on or after January 1, 2021, but before January 1, 2022.

For additional details, please refer to the January 13, 2023, edition of State Tax Matters.

Idaho:
New law revises effective date on corporate and individual income tax rate reductions

Effective retroactively to January 1, 2023, new law revises legislation enacted last year that lowers Idaho's corporate income tax rate from 6% to 5.8% by changing the effective date from on and after January 3, 2023, to on and after January 1, 2023. Similarly, effective on and after January 1,

2023 (rather than January 3, 2023), Idaho now implements a flat individual income tax rate of 5.8%.

For additional details, please refer to the March 31, 2023 edition of State Tax Matters.

New law updates state conformity to IRC

New law updates select corporate and personal income tax statutory references in Idaho to conform to federal IRC provisions as in effect on January 1, 2023.

For additional details, please refer to the February 24, 2023, edition of State Tax Matters.

Illinois: Tax Tribunal affirms penalties in 80/20 company scenario deemed a sham transaction

Following its 2021 ruling that a taxpayer's affiliate must be included in its combined Illinois tax return because the affiliate failed to qualify as an "80/20 company" given that its ownership in a single-member limited liability company was deemed to lack economic substance, the Illinois Independent Tax Tribunal now holds in the same case that the underlying late penalties must not be abated.

For additional details, please refer to the March 31, 2023 edition of State Tax Matters.

Kentucky: New law updates state conformity to IRC and creates elective pass-through entity level tax

Applicable to tax years beginning on or after January 1, 2023, new law generally updates Kentucky statutory corporate and personal income tax references to the federal IRC as in effect on December 31, 2022. The legislation also permits some pass-through entities to make an annual election to pay an entity level state income tax for taxable years beginning on and after January 1, 2022.

For additional details, please refer to the March 31, 2023 edition of State Tax Matters.

Michigan:
Insurance affiliates qualifying as UBG cannot file a combined return

In a case involving affiliated insurance companies that met Michigan's corporate income tax statutory requirements for a unitary business group (UBG), the Michigan Tax Tribunal held that pursuant to other applicable state statutes, the affiliates cannot file as a UBG for Michigan premiums and retaliatory taxes and thus may not claim certain Michigan insurance-related tax credits on a combined tax return.

For additional details, please refer to the February 10, 2023, edition of State Tax Matters.

Taxpayer electing to file under MBT base cannot claim MBT loss carryforwards on CIT return

The Michigan Court of Appeals affirmed summary judgment for the Michigan Department of Treasury, agreeing that a corporate taxpayer cannot deduct business losses on its first Michigan corporate income tax (CIT) return that were generated when it elected to file under the Michigan Business Tax Act (MBTA) pursuant to Michigan's transitional provisions in moving from the MBTA to the CIT Act.

For additional details, please refer to the January 27, 2023, edition of State Tax Matters.

Minnesota: New charts reflect updated state conformity to and decoupling from IRC

The Minnesota Department of Revenue posted two charts reflecting new law that updates Minnesota's definition of the Internal Revenue Code for state corporate income/franchise tax purposes. One chart lists Minnesota's conformity to and required modifications for certain provisions under federal law such as the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act (i.e., P.L. 116-136), American Rescue Plan Act (i.e., P.L. 117-2), Infrastructure Investment and Jobs Act (i.e., P.L. 117-58), and Inflation Reduction Act of 2022 (i.e., P.L. 117-169). Another chart briefly summarizes how the newly signed legislation affects specific Minnesota tax forms and schedules, including the line numbers of the forms that have been changed along with the affected tax years.

For additional details, please refer to the February 10, 2023, edition of State Tax Matters and Tax Alert dated January 31, 2023.

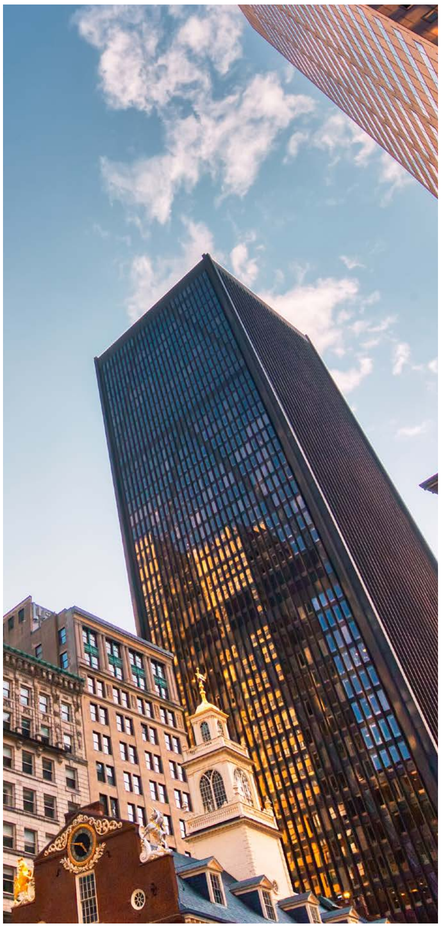
Mississippi: New Law Revises Depreciation and Expensing for Some Qualifying Expenditures and Property

Applicable from and after January 1, 2023, new law revises methods of Mississippi corporate and individual income tax depreciation and expensing that may be used for certain qualifying expenditures and property, including some elective options for 100% full and immediate expensing, bonus depreciation, and adherence to provisions under IRC sections 174, 168, and 179.

For additional details, please refer to the March 31, 2023 edition of State Tax Matters.

Montana: New law adopts single-sales factor for tax years beginning after December 31, 2024

New law revises Montana's corporate income tax apportionment formula by moving from a three-factor formula consisting of payroll, property, and double-weighted receipts to a single-receipts factor apportionment formula. For additional details, please refer to the March 17, 2023, edition of State Tax Matters.



New Hampshire: Adopted rule Reflects NOL changes under business profits tax

The New Hampshire Department of Revenue Administration adopted rule amendments reflecting new law that modifies calculation of the net operating loss (NOL) carryover deduction under New Hampshire's business profits tax (BPT) for tax years ending on or after December 31, 2022, by permitting the apportioned NOL carryover to be utilized as a deduction against the apportioned taxable income of the taxpayer.

For additional details, please refer to the February 17, 2023, edition of State Tax Matters.

New York: Combined group fails to establish that it qualified for reduced corporate income tax rate

In a case involving affiliates filing Article 9-A New York combined returns for the prior tax years at issue and reporting tax due on the entire net income base, an administrative law judge held that the combined group was not a qualified New York manufacturer or a qualified emerging technology company (QETC), and therefore could not utilize the applicable reduced corporate income tax rate.

For additional details, please refer to the March 31, 2023 edition of State Tax Matters.

Introduced budget extends expiring business income tax rate and increases MCTMT rate

New York Governor Kathy Hochul introduced her FY 2024 Executive Budget incorporating some tax-related proposals such as extending for another three years certain expiring Article 9-A tax rates, increasing the top Metropolitan Commuter Transportation Mobility Tax (MCTMT) rate, and making several technical changes to the New York State and New York City PTE taxes.

New York's governor released the 2023–2024 New York Executive Budget containing provisions proposing to extend certain higher business income tax rates and amending the MCTMT to provide specific limited partner exclusion.

For additional details, please refer to the February 10, 2023, edition of State Tax Matters and Tax Alert dated February 15, 2023.

Tax Tribunal overturns administrative law judge to hold 100% refund on investment tax credit carryovers allowed

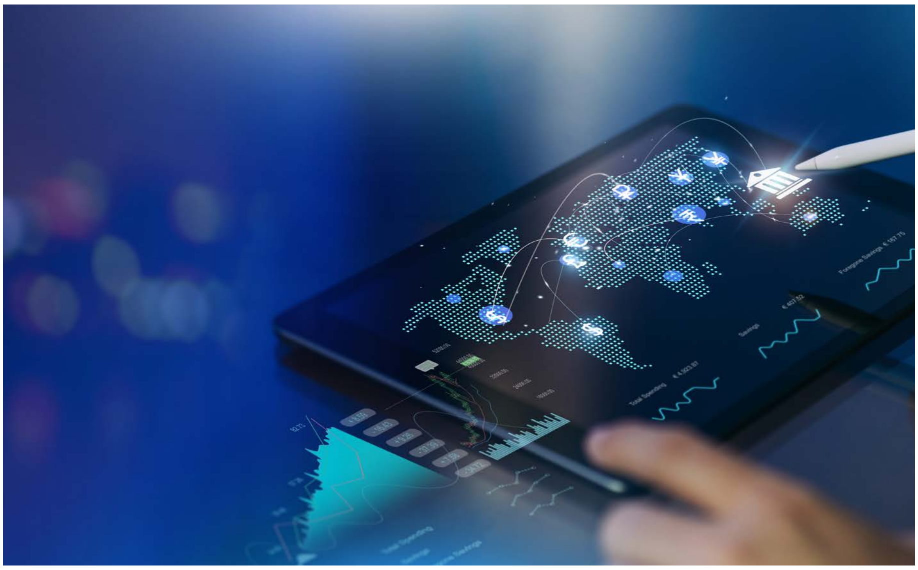
The New York Tax Tribunal held that New York State Tax Law § 210-B (3)(d)1, which allows any taxpayer that is a new business to elect to receive a refund of 50% of its Empire Zone investment tax credit (EZ-ITC) carryover and any taxpayer that is the owner of a qualified investment project (QUIP) or significant investment project (SCIP) to elect to receive a refund of 50% of its EZ-ITC carryover, permits a taxpayer that is eligible for both to receive both such refunds in a single year.

For additional details, please refer to the February 3, 2023, edition of State Tax Matters.

Ohio: New law generally updates state conformity to IRC

New law incorporates into Ohio's corporate and individual income tax laws those IRC changes made since February 17, 2022 and permits a taxpayer whose taxable year ends after that date, but before the effective date of these incorporated changes to elect to apply the IRC as it existed for that taxable year.

For additional details, please refer to the March 24, 2023 edition of State Tax Matters.



Pennsylvania: Supreme Court affirms refunds and sourcing revenue under 'benefits-received' policy

The Pennsylvania Supreme Court affirmed that a Pennsylvania-based taxpayer may claim state corporate net income tax (CNIT) refunds for the pre-2014 tax year at issue by sourcing certain service revenue outside of Pennsylvania based on the Pennsylvania Department of Revenue's policy of interpreting costs of performance sourcing provisions using a "benefits-received method" in calculating the sales factor. Under the Department's established sourcing method policy, an income-producing activity for purposes of the CNIT "costs of performance" statutory provisions generally is deemed to occur at the location where the customer received the benefit of the service.

For additional details, please refer to the March 3, 2023, edition of State Tax Matters.

South Dakota: New law updates state conformity to IRC for bank tax purposes

New law updates statutory references to the IRC as it existed from January 1, 2022, to January 1, 2023, for state financial institution/bank franchise tax purposes.

For additional details, please refer to the February 10, 2023, edition of State Tax Matters.

Tennessee: Updated tax manual reflects treatment of TCJA changes involving FDII and IRC section 174

The Tennessee Department of Revenue updated its franchise and excise tax manual to incorporate certain state tax law changes and clarifications, some of which address the state treatment of foreign-derived intangible income (FDII) and Tennessee's decoupling from IRC section 174 relating to research and development expenditures under the 2017 Federal Tax Cuts and Jobs Act (TCJA).

For additional details, please refer to the March 17, 2023, edition of State Tax Matters and Tax Alert dated March 3, 2023.

Texas:
Texas Comptroller adopts revised franchise tax apportionment regulation

The Texas Comptroller of Public Accounts adopted various amendments to its Texas franchise tax apportionment regulation, including revisions responsive to a recent Texas Supreme Court decision addressing the sourcing methodology for receipts derived from satellite radio subscriptions.

For additional details, please refer to the March 17, 2023, edition of State Tax Matters.

Tax policy memo addresses impact of federal regulations on Texas R&D rules

The Texas Comptroller of Public Accounts, Tax Policy Division, issued a memo summarizing the various federal statutes and regulations relating to "Internal Use Software" that the Comptroller recognizes as incorporated-by-reference into Texas law, as described in the August 2022 amendments to the Comptroller's rules on the Texas franchise tax research and development (R&D) activities credit and the sales/use tax R&D exemption.

For additional details, please refer to the February 10, 2023, edition of State Tax Matters.

Supreme Court denies review of taxpayer favorable case involving reduced rate and COGS deduction

The Texas Supreme Court denied review of a 2021 Texas Court of Appeals opinion, which held that a company engaged in selling business equipment using certain sales-type leases qualified for the reduced Texas franchise tax rate applicable to entities primarily engaged in retail or wholesale trade and may include costs related to the sales-type leases in its Texas cost of goods sold (COGS) deduction.

For additional details, please refer to the February 3, 2023, edition of State Tax Matters.

Utah:
New law revises corporate income tax NOL carryforward provisions

New law permits a taxpayer for Utah corporate income tax purposes to carry forward a Utah net loss from a taxable year beginning on or after January 1, 2008, to a future taxable year until the Utah net loss is exhausted – with some limitations imposed for Utah net losses carried forward to a taxable year beginning on or after January 1, 2023.

For additional details, please refer to the March 31, 2023 edition of State Tax Matters.

New law includes corporate and individual income tax rate reductions

Recently enacted legislation incorporates some tax law changes, including lowering Utah's corporate and individual income tax rates from 4.85% to 4.65%.

For additional details, please refer to the March 24, 2023 edition of State Tax Matters.

Virginia:
New law revises PTE tax and rules for an affiliated group to change its filing status

New law retroactively amends certain provisions pertaining to Virginia's elective pass-through entity(PTE) tax, including making the election available to pass-through entities with owners that are corporations or pass-through entities. Another recently signed bill amends the requirements for a qualifying affiliated group to elect to change its Virginia corporate income tax filing method status.

For additional details, please refer to the March 31, 2023 edition of State Tax Matters.

New law permits certain retail company affiliates to use single sales factor apportionment

New law permits certain affiliated corporations that file on a consolidated basis in Virginia and which derive 80% or more of their sales after consolidation and eliminations from activities of a retail company to elect to apportion the taxable income of all members of such affiliated group using a single sales factor.

For additional details, please refer to the March 24, 2023 edition of State Tax Matters.

New law updates state conformity to IRC

New law updates state corporate and individual income tax statutory references to federal income tax law as it existed on December 31, 2022. Under the new law, Virginia continues to decouple from some provisions of federal tax law such as (1) bonus depreciation allowed for certain assets under federal income taxation; (2) the five-year carryback of certain net operating losses (NOLs) generated in taxable years 2008 and 2009; (3) certain tax exclusions related to cancellation of debt income; and (4) certain provisions of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act (i.e., P.L. 116-136). A subsequently issued administrative bulletin explains the adjustments that may be necessary on taxable year 2022 income tax returns to address conformity and the Virginia tax law changes affecting businesses.

For additional details, please refer to the March 3, 2023, edition of State Tax Matters
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West Virginia: New law generally updates state conformity to IRC

New law adopts all amendments made to federal law after December 31, 2021, for West Virginia corporation net income and personal income tax purposes to the same extent those changes are allowed for federal income tax purposes, whether the changes are retroactive or prospective.

For additional details, please refer to the February 17, 2023, edition of State Tax Matters.

Wisconsin: DOR summarizes state benefits of investments in federal qualified opportunity zones

In an updated guidance, the Wisconsin Department of Revenue summarizes the potential resulting federal and state income tax benefits for qualifying investments in a Wisconsin qualified opportunity fund and/or federal opportunity zone as prescribed under the Federal Tax Cuts and Jobs Act of 2017, including underlying capital gain exclusions/deferrals and basis adjustments.

For additional details, please refer to the February 17, 2023, edition of State Tax Matters.

International

This compilation is intended to be an overview of major international tax developments during the quarter that may have ASC 740 implications. For more summaries of other current international income tax news and developments for the current quarter, please refer to the additional publications listed at the end of this section.

Multiple jurisdictions

Organisation for Economic Co-operation Development (OECD)

OECD releases Pillar Two administrative guidance

On February 2, 2023, the OECD/G20 Inclusive Framework on BEPS ("inclusive framework") released a package of technical and administrative guidance ("administrative guidance") related to the 15% global minimum tax on multinational corporations known as Pillar Two (or the global anti-base erosion [GloBE] rules). The administrative guidance covers more than two dozen topics, addressing those issues that members of the inclusive framework identified as most pressing. The guidance includes topics relating to the scope of companies that will be subject to the GloBE rules, the method for allocating global intangible low-taxed income (GILTI) among the subsidiaries of a US multinational enterprise for purposes of determining their effective rates under the GloBE rules, transition rules that will apply in the years before the global minimum tax applies, and guidance on qualified domestic minimum top-up taxes that countries may choose to adopt.

For additional details, please refer to the Deloitte tax@hand article dated February 7, 2023.

Germany

Federal tax court treats cryptocurrency gains as taxable income

In a long-awaited decision dated February 14, 2023, which was published on February 28, 2023, Germany's federal tax court (BFH) ruled that capital gains from the sale of cryptocurrencies are taxable as "other income" under section 23(1) no. 2 of the income tax code. The BFH's decision upheld the tax authority's view, as well as the decisions of the lower tax court of Cologne dated November 25, 2021, and the lower tax court of Baden-Württemberg dated June 11, 2021. The decision also is in line with the Ministry of Finance's final decree dated May 11, 2022, on the tax treatment of virtual currencies and tokens.

For additional details, please refer to the Deloitte tax@hand article dated March 2, 2023.

Hong Kong

Financial Secretary delivers 2023–24 budget speech

On February 22, 2023, Financial Secretary of Hong Kong SAR, Paul Chan Mo-po delivered the 2023–24 budget speech. This is the first budget the Financial Secretary has prepared for the current-term government led by John Lee Ka-chiu, the Hong Kong SAR Chief Executive. Some of the key tax proposals affecting businesses include the introduction of a patent box regime, clarification on the treatment of certain onshore capital gains, enhancement of the aircraft leasing preferential tax regime, implementation of the global minimum tax regime, and the introduction of a mechanism to facilitate companies to re-domicile to Hong Kong SAR.

For additional details, please refer to the Deloitte tax@hand article dated March 1, 2023.

India

Tax highlights of Union Budget 2023 for foreign investors

On February 1, 2023, India's Minister of Finance Nirmala Sitharaman presented the Union Budget 2023. The budget is intended to build on the foundations laid in the previous budget and the blueprint drawn for India@100. The focus is on seven priorities: (1) inclusive development; (2) reaching the last mile; (3) infrastructure and investment; (4) unleashing the potential; (5) green growth; (6) youth power; and (7) financial sector. The finance bill will now be discussed in parliament and must be approved by both the upper and lower houses before being sent to India's President Droupadi Murmu for her assent. Once signed by the president, the bill will become law.

For additional details, please refer to the Deloitte tax@hand article dated February 7, 2023.

Japan

2023 tax reform proposals announced

On December 16, 2022, Japan's ruling party announced the 2023 tax reform proposals, which aim to increase investment in markets, industries, and people, and implement tax and other policies to redistribute wealth so that as many people as possible can enjoy the benefits of growth. To this end, the proposals include amendments to tax incentives for promoting open innovation to allow mergers and acquisitions that involve existing shares to be eligible for the incentives, and revisions to the research and development (R&D) tax credits that add costs for highly skilled researchers to the scope of eligible R&D costs in order to incentivize businesses to spend more for R&D.

For additional details, please refer to the Deloitte tax@hand article dated January 10, 2023.

Mexico

Mexico deposits MLI ratification instrument

On March 15, 2023, Mexico deposited the Instrument of Ratification of the Multilateral Convention to Implement Tax Treaty Related Measures (MLI), which had been published in the Official Gazette of the Federation in November 2022. The ratification of the MLI materializes Mexico's interest in adopting the anti-erosion measures promoted by the OECD. With the ratification of the MLI before the General Secretariat of the OECD, it will enter into force as of July 1, 2023, and will take effect in the application of the Bilateral Agreements on Tax Matters entered into by Mexico as of January 1, 2024.

For additional details, please refer to the Deloitte tax@hand article dated March 16, 2023.

United Kingdom

Finance Act 2023 receives royal assent

The United Kingdom's "Autumn Finance Bill 2022," the brief finance bill introduced in November 2022 to enact a small number of key tax changes announced in November's Autumn Statement, received royal assent on January 10, 2023, and has become "Finance Act 2023." The act comprises 12 sections in total and includes changes to the energy profits levy as from January 1, 2023, changes to corporation tax research and development relief rates as from April 1, 2023, and the reduction of the income tax additional rate threshold as from April 6, 2023.

For additional details, please refer to the Deloitte tax@hand article dated January 13, 2023.

Accounting developments

2023-02 - Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method

On March 29, 2023, the Financial Accounting Standards Board ("FASB") released Accounting Standard Update ("ASU") 2023-02 that allows for reporting entities to account for investments made primarily for the purpose of receiving income tax credits and other tax benefits consistently.

ASU 2023-02 addresses expanding the allowance of the proportional amortization method to be used for other investment tax credits outside of low-income housing tax credit (LIHTC) investments that meet the criteria in ASC 323-740-25-1. The ASU also clarifies criterion (aa) and criterion (aaa) in ASC 323-740-25-1 that an investment tax credit must meet in order to apply the proportional amortization method instead of the equity method.

For additional details, please refer to the released ASU.

FASB issues proposed ASU—Targeted Improvements to Income Tax Disclosures

On March 15, 2023, the FASB released a proposed ASU related to the FASB's Targeted Improvements to Income Tax Disclosures project. Comments on the proposal are due by May 30, 2023. The proposed ASU establishes new disclosure requirements related to further disaggregation of income taxes paid and the rate reconciliation as well as modifies and eliminates certain disclosure requirements that were generally supported in the FASB's March 2019 proposed ASU. While the proposed amendments would apply to all entities that are subject to income taxes, certain changes would only pertain to public business entities.

For additional details, please refer to the Heads Up | Volume 30, Issue 2 released on March 22, 2023, and the proposed ASU.

FASB inquiry—OECD Pillar Two rules accounting treatment

The OECD published the "Pillar Two" rules in December 2021 and issued additional commentary clarifying several aspects of the rules in March 2022. The Pillar Two rules are intended to ensure that large multinational enterprise groups pay a minimum level of tax on the income arising in each of the jurisdictions in which they operate. The rules do so by imposing a top-up tax on profits arising in a jurisdiction whenever the effective tax rate, determined on a jurisdictional basis, is below the 15% minimum rate.

At the FASB's February 1, 2023, meeting, the FASB staff announced that the global minimum tax imposed under the Pillar Two rules, as published by the OECD, is an alternative minimum tax and that deferred taxes would not be recognized or adjusted for the effect of global minimum taxes that conform to such Pillar Two rules. Accordingly, the incremental effects of such taxes would be accounted for as a period cost (i.e., the increase in tax payable would only be reflected in an entity's financial statements after a law is actually effective).

Please note that the FASB staff addressed the Pillar Two rules issued by the OECD. As jurisdictions enact laws in response to the Pillar Two rules, each jurisdiction's enacted law will ultimately need to be separately evaluated for consistency with the framework.

For additional details, please refer to the Financial Reporting Alert 23-1 released on February 1, 2023.

Up-C structure services

For Up-C structures, the Up-C Services group offers virtual webcasts from Deloitte specialists covering recent US federal income tax and ASC 740 developments relevant to these businesses organized as Up-Cs. Please visit us at Up-C Structure Services or contact Jill Wilde at jiwilde@deloitte.com (+1 904 665 1433) to be added to our virtual webcast distribution list.

Other

For upcoming webcasts that give you valuable insights on important developments affecting your business and feature practical knowledge from Deloitte specialists and offer CPE credits, please visit our Dbriefs webcasts.

For other information regarding newly issued accounting standards, exposure drafts, and other key developments, refer to our Quarterly Accounting Roundup.

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Learn more

Additional resources you may find helpful

- Accounting for Income Taxes—Quarterly Hot Topics Archive
- Tax News & Views Webcast
- Deloitte Tax Accounting & Provision Services Homepage
- Deloitte Tax Accounting & ProvisionsDbriefs Webcast Series
- Deloitte Heads Up Newsletter Archive
- Global Tax Developments Quarterly—Accounting for Income Taxes
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Talk to us

If you have any questions or comments about the ASC 740 implications described above or other content of Accounting for Income Taxes—Quarterly Hot Topics, contact the Deloitte Washington National Tax Accounting for Income Taxes Group at: USNationalWNTActIncomeTaxesGrp@deloitte.com

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