



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.

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Technical corrections to proposed CAMT regulations released

On December 26, 2024, the US Department of the Treasury (“Treasury”) and the Internal Revenue Service (IRS) released technical corrections ([REG-112129-23](#)) to the proposed corporate alternative minimum tax (CAMT) regulations, released on September 13, 2024. The proposed regulations provide guidance on the application of the CAMT under [sections 55, 56A](#), and [59\(k\)](#) and [\(l\)](#).

IRS modifies procedural guidance for section 174 method changes

On December 17, 2024, the Treasury and the IRS issued [Rev. Proc. 2025-08](#), which modifies the automatic consent procedures for accounting method changes for Internal Revenue Code [section 174](#) specified research or experimental expenditures. Specifically, it expands

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the waiver of eligibility rules in [Rev. Proc. 2015-13](#) to include changes made for taxable years beginning in 2022, 2023, or 2024, and permits taxpayers to use the automatic consent procedures regardless of whether the taxpayer made a change for the same item for any other taxable year beginning in 2022, 2023, or 2024. This Revenue Procedure is effective for [Forms 3115, Application for Change in Accounting Method](#), filed on or after December 17, 2024.

For additional details, please refer to the Deloitte [tax@hand](#) article dated December 18, 2024.

Final section 48 regulations released

On December 12, 2024, the Treasury and the IRS published final regulations ([T.D. 10015](#); [89 F.R. 100598](#)) relating to investment tax credits (ITC) under [section 48](#). Although the final regulations retain the core framework of the proposed rules and guidance Treasury and the IRS issued in 2023, the final rules clarify general rules for the ITC and its definitions of property eligible for the energy credit.

Final and proposed section 987 regulations released

On December 11, 2024, the Treasury and IRS published final regulations and related rules ([T.D. 10016](#); [89 F.R. 100138](#)) under section 987. Section 987 applies to taxpayers with a “flow-through” qualified business unit (QBU) in the form of a disregarded entity, branch, division, permanent establishment, partnership, S corporation, dual resident corporation, trust, or estate, if the QBU has a functional currency that is different from the functional currency of its tax owner(s) (a “Section 987 QBU”). [Section 987](#) addresses foreign currency translation related to operations, assets, and liabilities of Section 987 QBUs, and provides rules for (i) computing taxable income (and associated earnings and profits) of the Section 987 QBU, (ii) recognizing currency gain or loss, and (iii) translating basis in property that is transferred to or from a Section 987 QBU.



IRS finalizes partnership regulations for recourse liabilities, including liabilities between related persons

On December 2, 2024, the Treasury and the IRS published final regulations ([T.D. 10014](#); [89 F.R. 95108](#)) under [section 752](#) that amend the partnership recourse liability rules as they apply to related persons and provide guidance as to when and to what extent a partner is treated as bearing the economic risk of loss (EROL) for a partnership liability when multiple partners bear the EROL for the same partnership liability (“overlapping EROL”), among other rules. The final regulations generally amend the recourse liability rules under [Treas. Reg. § 1.752-2](#) and the related party rules under [Treas. Reg. § 1.752-4](#).

The final regulations largely adopt the 2013 proposed regulations ([REG-136984-12](#)) and apply to liabilities incurred or assumed by a partnership on or after December 2, 2024, other than (1) liabilities incurred or assumed by a partnership pursuant to a written or binding contract in effect prior to that date and (2) refinanced debts to the

extent of the amount and duration of the pre-modification liability. A partnership may apply the final regulations to all of its liabilities incurred or assumed by the partnership provided the partnership consistently applies all of the rules of the final regulations to those liabilities.

Electing out of subchapter K: Final and proposed regulations

On March 11, 2024, the IRS issued proposed regulations ([REG-101552-24](#)) regarding the election out of subchapter K rules for certain unincorporated organizations (the “March 2024 proposed regulations”). On November 20, 2024, the IRS issued final regulations ([T.D. 10012](#)) that largely adopted the March 2024 proposed regulations with limited modifications, but expanded the scope of activities to which these regulations would potentially apply (the “final regulations”). The final regulations generally apply to taxable years ending on or after March 11, 2024.

Additionally, the IRS and Treasury issued proposed regulations ([REG-116017-24](#))



concurrently with the final regulations that provide administrative requirements for unincorporated organizations to comply with [section 6417](#) (the “November 2024 proposed regulations”). The November 2024 proposed regulations are generally proposed to apply to taxable years ending on or after November 20, 2024.

For additional details, please refer to the Deloitte [tax@hand](#) article dated December 5, 2024.

Rev. Rul. 2024-22 and Rev. Rul. 2024-23: IRS designates two foreign exchanges as section 1256 qualified boards or exchanges

In [Rev. Rul. 2024-22](#) and [Rev. Rul. 2024-23](#), the IRS ruled that foreign exchanges, Bourse de Montréal (the “Montréal Exchange”) and European Energy Exchange (the “EEE”), respectively, are qualified boards or exchanges (QBOEs) within the meaning of [section 1256\(g\)\(7\)\(C\)](#) as long as the Montréal Exchange and the EEE remain validly registered as foreign boards of trade with the Commodity Futures Trading Commission. The rulings are effective for certain futures contracts and options that are traded on or subject to the rules of the Montréal Exchange or the EEE, as applicable, entered into on or after November 1, 2024. Note also that Rev. Rul. 2024-22 obsoleted [Rev. Rul. 86-7](#).

Treasury and IRS release final regulations on the advanced manufacturing investment credit under section 48D and recapture rules under section 50

On October 23, 2024, the Treasury and the IRS published final regulations ([T.D. 10009; 89 FR 84732](#)) that implement the advanced manufacturing investment credit under [section 48D](#) ([Treas. Reg. §§ 1.48D-1, 1.48D-2, 1.48D-3, 1.48D-4, and 1.48D-5](#)) and [section 50](#) ([Treas. Reg. §§ 1.50-1 and 1.50-2](#)) ([T.D. 10009](#)). The final regulations are effective for property that is placed in service after December 31, 2022, and during a taxable year ending on or after December 23, 2024, and

adopt, with some modifications, proposed rules ([REG-120653-22](#)) on the advanced manufacturing investment credit issued in March 2023. Final regulations on direct payment under section 48D(d) were published in March 2024 ([T.D. 9989](#)).

Proposed corporate AMT regulations: AFSI adjustments for section 168 property

The proposed corporate alternative minimum tax (CAMT) regulations ([REG-112129-23](#)) (“proposed regulations”) provide guidance for computing the adjusted financial statement income (AFSI) depreciation adjustment. In general, the proposed regulations seek to mirror the regular tax treatment of [section 168](#) property as to timing and amount of basis recovery without regard to placed-in-service date, cost recognition for financial statement income (FSI) purposes, or whether gain or loss with respect to such property is recognized in FSI. Additionally, the proposed regulations generally preclude a result for section 168 property for CAMT purposes that is more favorable than the regular tax treatment.

For additional details, please refer to the Deloitte [tax@hand article](#) dated October 16, 2024.

Interest netting - the hunt for the definition of the same taxpayer

In [Bank of America Corp. v. United States](#), 656 F. Supp.3d 574, a district court ruled that Bank of America (BoA) was not entitled to interest netting under [section 6621\(d\)](#) for pre-merger underpayments and overpayments. BoA is appealing the decision, becoming the latest in a succession of cases addressing the interest netting “same taxpayer” requirement.

For additional details, please refer to the Deloitte [IRS Insights](#) November 2024 issue.

US Multistate

Arkansas:

Arkansas Supreme Court affirms that taxpayer's spin-off interest expenses are 100% allocable to in-state domicile

In a case involving a company's categorization of certain interest expenses related to a corporate spin-off, the Arkansas Supreme Court affirmed summary judgment for the taxpayer that it could amend its Arkansas corporate income tax returns for the years at issue and allocate 100% of such interest expenses to Arkansas, rather than apportion them among all the states where it conducts business.

For additional details, please refer to the December 20, 2024 edition of [State Tax Matters](#).

California:

California FTB to hold January 30 public hearing on proposed market-based sourcing rule changes

The California Franchise Tax Board (FTB) has scheduled a public hearing on January 30, 2025 which may be attended live or by telephone, to discuss modified proposed amendments to its market-based sourcing regulation for sales other than sales of tangible personal property under California Code of Regulations, Title 18, section 25136-2. Written comments on this modified proposal must be received by February 5, 2025.

For additional details, please refer to the January 10, 2025 edition of [State Tax Matters](#).

California FTB concedes out-of-state lender does not owe franchise tax on cardholders' credit card interest and fees

The California FTB recently conceded in a case that an out-of-state lender does not owe California franchise tax on credit card

interest and fees derived from California cardholders. The case centered around the application of California Corporations Code section 191(d), which exempts certain activities from the definition of "doing business" in California.

For additional details, please refer to the October 4, 2024 edition of [State Tax Matters](#).

Florida:

Florida DOR publishes annual guidance on updated state conformity to IRC

Referencing new law that updates corporate income tax statutory references in Florida to conform to the Internal Revenue Code (IRC) provisions as in effect on January 1, 2024, the Florida Department of Revenue (DOR) issued its annual guidance explaining that while Florida will follow the computation of federal taxable income, it continues to require several modifications.

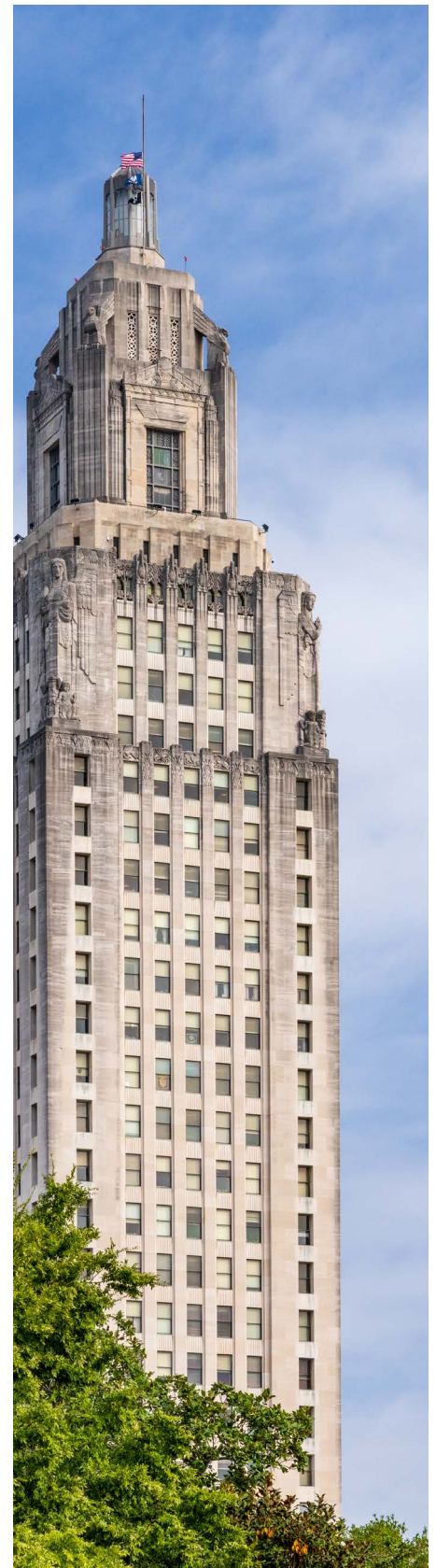
For additional details, please refer to the November 15, 2024 edition of [State Tax Matters](#).

Illinois:

Illinois DOR addresses sourcing sales of TPP and destination of products to third-party warehouses or distribution locations

Responding to a company's inquiry on sourcing its sales of tangible personal property (TPP) and the destination of products to a third-party warehouse or distribution location for Illinois corporate income tax purposes, the Illinois DOR concluded that based on the provided facts, products it delivered to third-party distributor locations or storerooms located within Illinois are considered sales that terminate in Illinois for sourcing purposes and therefore must be included in the numerator of the company's Illinois sales factor.

For additional details, please refer to the December 13 2024 edition of [State Tax Matters](#).



Illinois PLR says temporary in-state interruption of shipment from another state to ultimate out-of-state location does not impact sourcing or throwback

An Illinois DOR private letter ruling (PLR) held that a taxpayer's sales of products from an out-of-state location that temporarily passed through a third-party's in-state distribution center but that were destined for another state/country did not terminate in Illinois and thus such sales were not includible in the taxpayer's sales factor numerator.

For additional details, please refer to the November 8 2024 edition of [State Tax Matters](#).

Indiana

Indiana DOR proposes new rule on market-based sourcing with comments due by December 13

The Indiana DOR proposed a new rule reflecting legislation enacted in 2019 that retroactive to January 1, 2019, adopted market-based sourcing for apportionment of most receipts from services and intangibles.

For additional details, please refer to the November 22, 2024 edition of [State Tax Matters](#).

Iowa

Iowa DOR certifies that corporate income tax rate for tax years beginning in 2025 remains the same

The Iowa DOR signed an order certifying that Iowa corporate income tax rates for tax years beginning in 2025 will remain the same as corporate income tax rates for tax years beginning in 2024.

For additional details, please refer to the October 25, 2024 edition of [State Tax Matters](#).

Louisiana

Louisiana DOR summarizes new law providing flat 5.5% corporate tax rate and repealing corporate franchise tax

A Louisiana DOR summary of recently enacted legislation discusses bills that i) replace Louisiana's graduated corporate income tax (CIT) rates with a single flat CIT rate of 5.5% applicable to income tax periods beginning on or after January 1, 2025; and ii) repeal Louisiana's corporation franchise tax applicable to franchise tax periods beginning on or after January 1, 2026.

For additional details, please refer to the January 10, 2025 edition of [State Tax Matters](#).

Massachusetts

Massachusetts Life Sciences Center Tax Incentive Program is now open

The Massachusetts Life Sciences Center ("MLSC") announced the opening of the 2025 MLSC Tax Incentive Program ("MLSC Program"), with the application period running from December 16, 2024 to February 19, 2025. The MLSC is a quasi-governmental economic development agency dedicated to the support and growth of the life science industry in Massachusetts, including the administration of the MLSC Program. Several of the incentives offered under the MLSC Program are refundable and may be claimed on the applicant's 2024 Massachusetts Corporate Excise Tax return.

For additional details, please refer to the January 10, 2025 edition of [State Tax Matters](#).

New law revises apportionment provisions for companies without a sales factor

New law revises Mass. Gen. Laws. c. 63, § 38(g) related to Massachusetts' move to single sales factor apportionment for all business corporations and financial

institutions for tax years beginning on or after January 1, 2025, by removing older language pertaining to a missing factor(s) and providing newer language that uses a taxpayer's property and payroll when "the sales factor is inapplicable."

For additional details, please refer to the January 10, 2025 edition of [State Tax Matters](#).

Michigan

New bulletin reflects updated alternative apportionment procedures and standards in light of 2023 caselaw

A new Michigan Department of Treasury revenue administrative bulletin (RAB 2024-24) updates the description of procedures and standards governing the alternative apportionment relief provisions in Parts 1 and 2 of Michigan's Income Tax Act and in the Michigan Business Tax Act in response to a 2023 Michigan Supreme Court decision addressing the use of standard versus alternative apportionment.

For additional details, please refer to the December 20, 2024 edition of [State Tax Matters](#).

Parties' motions to dismiss denied in case on apportioning and taxing gain from foreign sale of intellectual property

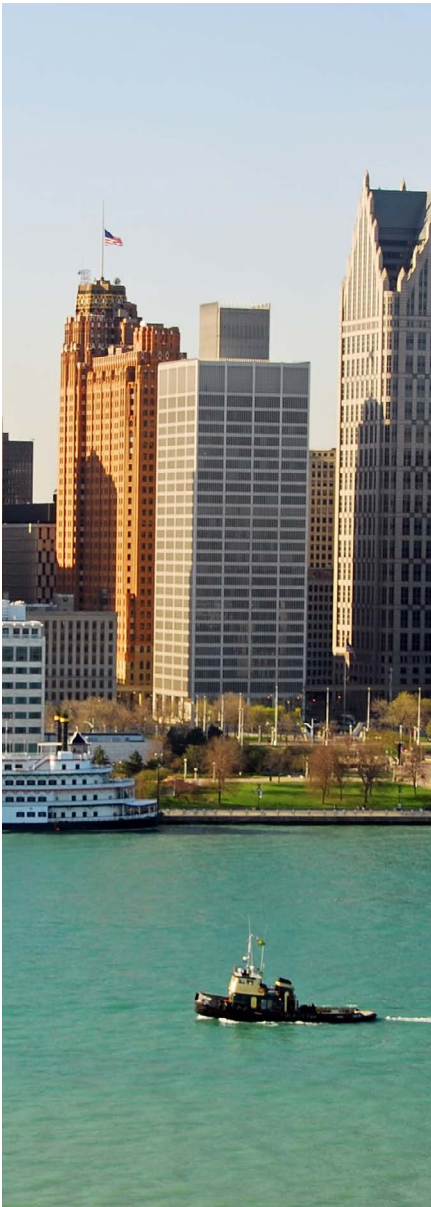
The Michigan Court of Claims rejected competing motions to dismiss in a case involving whether the gain from the sale of certain intellectual property from a parent's foreign subsidiary to a foreign entity may be attributed to its Michigan unitary business group, apportionable under Michigan's corporate income tax under either the standard or an alternative apportionment method, and constitutionally taxed by Michigan.

For additional details, please refer to the December 20, 2024 edition of [State Tax Matters](#).

Michigan Department of Treasury discusses case involving insurance affiliate and combined filing

A newsletter published by the Tax Policy Division of the Michigan Department of Treasury summarizes a recent Michigan Court of Appeals decision, which held that a unitary business group (UBG) of insurance companies could not file a combined return for calculation of premiums tax and related credits under Chapter 12 of the Income Tax Act.

For additional details, please refer to the December 20, 2024 edition of [State Tax Matters](#).



Michigan Department of Treasury Bulletin addresses NOLs and business loss computations under several scenarios

Using several illustrative examples, a Michigan Department of Treasury revenue administrative bulletin (RAB 2024-23) addresses how to compute federal taxable income, and the treatment of federal taxable income, a net operating loss (NOL) and a business loss (BL) for purposes of computing Michigan corporate income tax (CIT) liability under Chapter 11, Part 2 of the Michigan Income Tax Act (MITA). RAB 2024-23 also discusses the reporting of these amounts on the Michigan CIT return ("Form 4891") but is "limited to corporations reporting business income under Part 2 of the MITA and does not apply to insurance companies and financial institutions that are subject to different taxes under Chapters 12 and 13."

For additional details, please refer to the December 13, 2024 edition of [State Tax Matters](#).

Minnesota

Minnesota Tax Court holds sourcing of services under cascading rules is not limited to direct customers

In a market-based sourcing case involving a pharmacy benefit management company and its affiliates that filed a Minnesota combined corporate franchise tax return for the tax year at issue where the company, pursuant to an agreement, provided its health insurance affiliate with a wide range of services – including the administration of retail, mail order, and specialty drug pharmacy benefits for eligible members, as well as point-of-care, physician office communications, cost containment services, and other services it developed and implemented – the Minnesota Tax Court held that certain receipts from such services must be sourced to Minnesota based on the in-state location of the insurance affiliate's plan members rather than sourced together entirely out-of-state (in this case, entirely to Wisconsin) to its affiliate as a

"direct recipient" of the services. In doing so, the court reasoned that application of Minnesota's cascading rules in this case was "straightforward" and "the plain language of the statute does not limit receipt of services for attribution purposes to 'direct customers' of the taxpayer." The court explained that the determination of "who received services" is fact specific and concluded, in this case, the taxpayer failed to show its services related to prescription reimbursements were received outside Minnesota.

For additional details, please refer to the December 13, 2024 edition of [State Tax Matters](#).

Nebraska:

Nebraska Supreme Court upholds taxation of section 965 income

The Nebraska Supreme Court affirmed the order of the district court and concluded that income included under IRC [section 965](#) does not qualify as dividends deemed to be received for purposes of the Nebraska dividend received deduction under Neb. Rev. Stat. 77-2716(5).

For a summary of the Nebraska Supreme Court decision, please refer to [Tax Alert](#) dated October 22, 2024.

New York:

New York City Biotechnology Tax Credit applications due January 15, 2025

The New York City Biotechnology Tax Credit ("NYC Biotech Credit") provides a refundable New York City tax credit to eligible biotechnology companies. To be eligible for a tax credit for tax year 2024, an eligible biotechnology company must submit an application by January 15, 2025.

For additional details, please refer to the January 10, 2025 edition of [State Tax Matters](#).

New York court dismisses taxpayer’s challenge of certain Article 9-A Apportionment Rule Provisions

In a lawsuit brought forth by a payroll services provider challenging certain apportionment provisions within the New York State Department of Taxation and Finance’s Article 9-A Business Corporation Franchise Tax Regulations, a New York court granted the Department’s motion to dismiss the action in its entirety.

For additional details, please refer to the December 20, 2024 edition of [State Tax Matters](#).

Appellate court affirms that commission payments to federal “DISC” are nondeductible for UBT purposes

In a New York Supreme Court, Appellate Division, ruling involving a limited liability partnership (LLP) that paid commissions to a federally-recognized domestic international sales corporation with no employees and whose shareholders were all partners in the LLP, the payments were deemed made to the LLP’s partners for their services and thus were nondeductible for New York City unincorporated business tax (UBT) purposes.

For additional details, please refer to the December 13, 2024 edition of [State Tax Matters](#).

Receipts from certain buy/sell arrangements cannot be included in receipts factor

The New York Tax Appeals Tribunal rejected an oil and gas company’s attempt to include in its receipts factor for Article 9-A apportionment factor purposes gross amounts attributable to the sale side of certain buy/sell transactions to acquire inventory for the prior years at issue.

For additional details, please refer to the December 6, 2024 edition of [State Tax Matters](#).

Advisory opinion explains sourcing of receipts from sales and installation of lighting

A New York Department of Taxation and Finance advisory opinion involving a company selling and installing lighting fixtures concluded that where the company transfers possession of the fixtures to a purchaser within New York or the final destination of the property is a point in New York, the receipts for those fixture sales must be sourced to New York for Article 9-A corporation franchise tax purposes.

For additional details, please refer to the October 4, 2024 edition of [State Tax Matters](#).

Oregon:

US Supreme Court denies taxpayer’s petition to review whether its activities exceed P.L. 86-272 Protections

The US Supreme Court denied a manufacturer’s request to review whether its in-state activities conducted via independent contractors were protected

under P.L. 86-272 for Oregon corporate excise tax purposes in a case where the Oregon Supreme Court recently affirmed that the company’s pursuit of prebook orders by its in-state representatives went beyond the scope of solicitation of orders.

For additional details, please refer to the December 20, 2024 edition of [State Tax Matters](#).

Taxpayer petitions US Supreme Court to review whether its activities exceed P.L. 86-272 protections

A manufacturer is asking the US Supreme Court whether its in-state activities conducted via independent contractors were protected under P.L. 86-272 for Oregon corporate excise tax purposes in a case where the Oregon Supreme Court recently affirmed that the company’s pursuit of “prebook orders” by its in-state representatives went beyond the scope of “solicitation of orders.”



For additional details, please refer to the November 22, 2024 edition of [State Tax Matters](#).

Pennsylvania:

Pennsylvania DOR addresses nexus and voluntary compliance program for online retailers

Pennsylvania DOR guidance explains that a business with in-state inventory generally is subject to Pennsylvania taxes (such as state corporate net income and sales/uses taxes) – including online retailers with inventory stored at an in-state distribution or fulfillment center – and its special “Voluntary Compliance Program” potentially may offer some relief for those that are non-compliant.

For additional details, please refer to the January 10, 2025 edition of [State Tax Matters](#).

Pennsylvania Supreme Court reverses ruling on invalid NOL cap by rejecting retroactive refunds

In a case involving the statutory limitations for net loss carryover (NLC) deductions contained under Pennsylvania law for the 2014 tax year at issue following the Pennsylvania Supreme Court’s 2017 decision deeming the NLC deduction invalid, the Court recently held that its 2017 decision should be given prospective effect only, and that due process does not require Pennsylvania to refund the Pennsylvania corporate net income taxes that the taxpayer paid in 2014.

For additional details, please refer to the November 22, 2024 edition of [State Tax Matters](#).

Pennsylvania DOR addresses implementation of law changes involving intercompany intangible expense addback

Recently issued Pennsylvania DOR guidance addresses implementation of new law that adds an election under

Pennsylvania’s intercompany intangible expense addback statute, which allows certain corporate taxpayers to make an election to exclude specific types of income that were added back to a related entity’s Pennsylvania corporate net income tax base for the same tax year.

For additional details, please refer to the October 18, 2024 edition of [State Tax Matters](#).

South Carolina:

Information letter explains new law on alternative apportionment and forced combination

The South Carolina DOR issued an information letter summarizing recently enacted state tax legislation, including a bill that supplements the process for the Department and taxpayers to accurately determine net income when the standard allocation and apportionment provisions do not fairly represent the extent of the taxpayer’s business activity in South Carolina.

For additional details, please refer to the October 11, 2024 edition of [State Tax Matters](#).

Tennessee:

Updated manual reflects ruling on sourcing sales of TPP involving distributors and wholesalers

The Tennessee DOR updated its Tennessee franchise and excise tax manual to reflect a 2024 revenue ruling on whether certain receipts from the sale of tangible personal property to intermediaries (such as distributors or wholesalers) may be sourced to the ultimate end-users rather than the in-state location of the intermediaries.

For additional details, please refer to the January 10, 2025 edition of [State Tax Matters](#).

Tennessee letter ruling addresses NOL and credit utilization following IRC section 368(a)(1)(F) reorganization

A Tennessee DOR letter ruling addresses utilizing Tennessee net operating losses and tax credits against future Tennessee franchise and excise tax liabilities following a reorganization under IRC [section 368\(a\)\(1\)\(F\)](#), and concludes that based on the provided facts, the taxpayer at issue may be able to use the Tennessee attributes going forward pursuant to Tennessee’s “carryover exception.”

For additional details, please refer to the January 10, 2025 edition of [State Tax Matters](#).

Virginia:

Virginia appellate court affirms that DOR unconstitutionally tried to tax company’s income from non-unitary LLC

In a case involving income earned from a company’s minority ownership in a limited liability company (LLC) and the Virginia Department of Revenue’s attempt to combine the LLC’s apportionment factors with the company’s to determine the company’s income subject to Virginia corporate income tax, the Virginia Court of Appeals affirmed that such treatment was unconstitutional because the entities were not unitary.

For additional details, please refer to the November 22, 2024 edition of [State Tax Matters](#).

Virginia Department of Taxation issues ruling on exceptions to intangible expense addback statute

A Virginia Department of Taxation ruling addresses statutory exceptions to Virginia’s intercompany intangible expense addback statute concluding that a taxpayer must calculate the subject-to-tax exception on a post-apportionment basis, did not follow proper procedure to claim a valid business

purpose exception, and failed to show a Due Process or Commerce Clause violation. For additional details, please refer to the October 25, 2024 edition of [State Tax Matters](#).

Global Pillar Two Legislative Update Tracker

To see how Deloitte can provide you with support on Pillar Two and to receive updates on legislation being introduced to implement Pillar Two, please sign up for [Deloitte's Global Pillar Two Legislative Tracker](#) today!

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.

Australia

Changes to CbC reporting exemptions will create additional compliance obligations

On November 29, 2024, the Australian Taxation Office (ATO) [released changes](#) to its existing country-by-country (CbC) reporting exemptions. [Previously available exemptions](#) for the local file, master file, and CbC report have been reined in with exemptions now only available for the CbC report. A master file exemption is available only in limited circumstances and local file exemptions are all but gone. The revised guidance will apply to all exemption requests received by the ATO on or after 1 January 2025.

For additional details, please refer to the Deloitte [tax@hand article](#) dated December 3, 2024.

Belgium

Guidance on application of CFC rules published

On December 13, 2024, the Belgian tax authorities published the long-awaited administrative guidance regarding the application of the Belgian controlled foreign company (CFC) legislation which is effective for financial years ending on or after December 31, 2023. Circular 2024/C/82 (Dutch | French) provides welcome clarification in a number of areas, but many open questions remain.

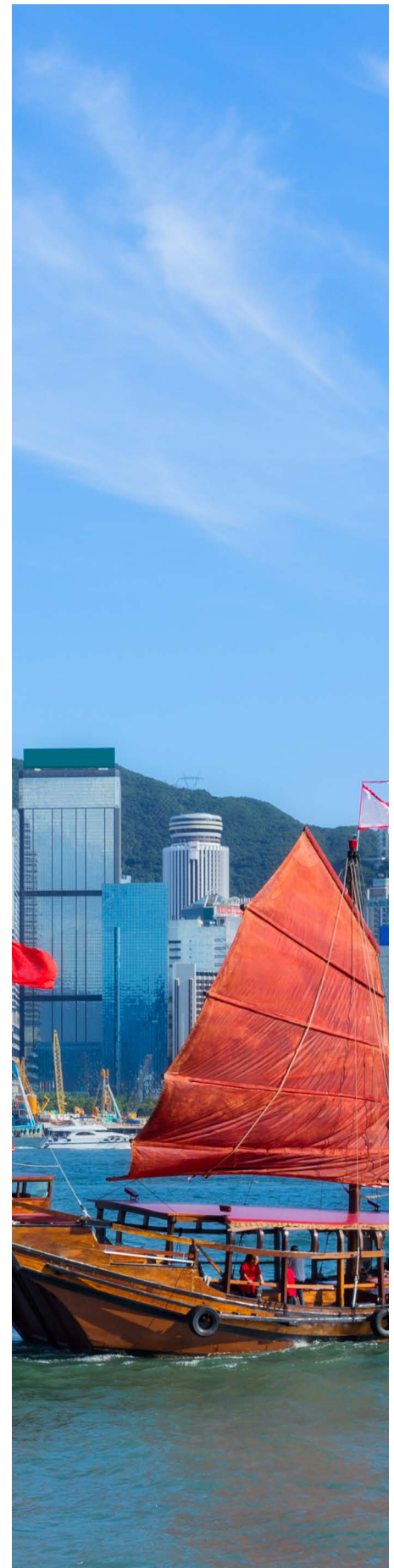
For additional details, please refer to the Deloitte [tax@hand article](#) dated December 17, 2024.

Bermuda

Corporate income tax update: New FAQs and information on administrative provisions

Corporate income tax (CIT) will apply to Bermuda constituent entity groups (comprising one or more Bermuda constituent entities (BCEs) of an in-scope multinational enterprise (MNE) group) with respect to fiscal years beginning on or after January 1, 2025. On November 27, 2024, the Bermuda Ministry of Finance issued a public communication that addresses certain proposed amendments to various corporate and partnership laws, to facilitate the introduction of administrative provisions relating to the Corporate Income Tax Act 2023 ("CIT Act"). In addition, on November 18, 2024, the government published version 6.0 of the Frequently Asked Questions for Guidance (FAQs), which supersedes the previous version 5.0. The FAQs are intended to provide guidance as to how certain provisions in the CIT Act are to be interpreted or are otherwise intended to operate.

For additional details, please refer to the Deloitte [tax@hand article](#) dated December 20, 2024.



Germany

MOF issues final decree on interpretation of anti-hybrid rules

On December 5, 2024, the German Ministry of Finance published a long-awaited final version of a decree on the interpretation of the German anti-hybrid rules, which are based on the EU anti-tax avoidance directive I and II ([ATAD I](#) and [ATAD II](#)) and were introduced on June 25, 2021 (with retroactive effect as from January 1, 2020). The final decree consists of 53 pages with 19 examples and provides the final view of the German tax authorities on the interpretation and application of the rules.

For additional details, please refer to the Deloitte [tax@hand article](#) dated December 12, 2024.

Upper house of parliament approves Annual Tax Act 2024

On November 22, 2024, the upper house of the German parliament approved the Annual Tax Act 2024 ("the Act"), following approval by the lower house of parliament on October 18, 2024. The Act became effective on December 6, 2024 after being signed by the president on December 2, 2024 and published in the federal gazette on December 5, 2024.

The approved law incorporates a variety of technical updates and amendments based on EU law developments and EU jurisprudence, as well as decisions from the federal tax court and the federal constitutional court. In addition, the Act includes several streamlining measures and technical corrections that are required as a result of previous tax law changes. The Act does not include any comprehensive tax reform measures or changes in tax rates.

For additional details, please refer to the Deloitte [tax@hand article](#) dated November 25, 2024.

Hong Kong

Enhancement measures for lease reinstatement costs and CBA/IBA claims enacted

On December 18, 2024 Hong Kong SAR's Legislative Council passed the Inland Revenue (Amendment) (Tax Deductions for Leased Premises Reinstatement and Allowances for Buildings and Structures) Bill 2024 that implements two enhancement measures for the deduction of expenses for profits tax purposes, as outlined in the 2024-25 Budget Speech.

For additional details, please refer to the Deloitte [tax@hand article](#) dated December 20, 2024.

Court of Appeal rules on taxability of upfront payment and source of royalties

On October 17, 2024, Hong Kong SAR's (HKSAR's) Court of Appeal (CA) issued its ruling in *Patrick Cox Asia Limited v. The Commissioner of Inland Revenue* (2024 HKCA 944), regarding the taxability of an upfront payment received under a business cooperation arrangement, and the royalties arising from a sublicensing arrangement. In its judgment, the CA held that the upfront payment received was not capital in nature and was sourced in HKSAR as the relevant agreements had been concluded there, and that consequently, the payment was subject to taxation in HKSAR. For the royalty income under the sublicensing arrangement, the CA rejected the Board of Review (BoR)'s decision that it arose entirely from onshore sources, on the grounds that the royalties were derived from activities both in and outside HKSAR. The CA remitted the issue back to the BoR for further consideration as to whether only a small part of the royalties would be onshore-sourced, based on an apportionment approach.

For additional details, please refer to the Deloitte [tax@hand article](#) dated October 29, 2024.

India

CBDT issues circular answering FAQs on direct tax resolution scheme

On October 15, 2024, India's Central Board of Direct Taxes (CBDT) issued [Circular No. 12 of 2024](#), providing guidance in the form of answers to FAQs in relation to the operation of the Direct Tax Vivad se Vishwas Scheme, 2024 ("the scheme"). The scheme was introduced by the Finance (No. 2) Act, 2024, and provides a means of dispute resolution in respect of pending income tax litigation for certain disputes unresolved as of July 22, 2024. Payment of the amount of the disputed taxes will result in a full waiver of interest and penalties in certain cases, provided the tax is paid by December 31, 2024.

For additional details, please refer to the Deloitte [tax@hand article](#) dated November 13, 2024.

Luxembourg

New tax measures for companies adopted by Chamber of Deputies

On December 11, 2024, the Luxembourg Chamber of Deputies adopted various tax laws that adjust current tax measures, provide clarifications, and increase legal certainty. The final legislative steps (such as the law's publication in the official journal) are expected by the end of the year.

Certain measure relevant to corporate taxpayer include a reduction in the corporate income tax rate. To bring the corporate income tax rate closer to the average in other OECD countries, the rate in Luxembourg will be reduced from 17% to 16% as from the 2025 tax year for companies with taxable income over EUR 200,000, and from 15% to 14% for companies with taxable income up to EUR 175,000. For an undertaking located in Luxembourg City whose taxable income exceeds EUR 200,000, the effective corporate income tax rate will be 23.87%

as from fiscal year 2025 (instead of 24.94%), including the unemployment fund contribution and the municipal business tax.

For additional details, please refer to the Deloitte [tax@hand article](#) dated December 17, 2024.

Netherlands

2025 Tax Plan package adopted by Senate

On December 17, 2024, the Senate agreed to the bills that are part of the 2025 Tax Plan package. The bill on the 2025 BES Tax Plan includes the adoption of an amending Act, as a result of which some of the measures included in this bill will still take effect from January 1, 2025, instead of at a later date. This reverses a previously adopted amendment that postponed the link between the tax-free allowance for wage and personal income tax purposes and the minimum wage. Several measures in other bills do enter into force at a later date, such as the Business Succession Tax Facilities Amendment Act 2025, most of whose measures will come into force on January 1, 2026. And termination of the electricity netting scheme is not planned to come into force until January 1, 2027.

For additional details, please refer to the Deloitte [Netherlands article](#) dated December 19, 2024.

United Kingdom

Treasury publishes regulations for the repayment of CFC state aid amounts collected

On December 9, 2024, HM Treasury formally made the [Controlled Foreign Companies \(Reversal of State Aid Recovery\) Regulations 2024](#) (SI 2024/1307). The regulations relate to the European Commission's state aid decision of 2019 that argued that the exemption for certain financing income within chapter 9 of the UK's controlled foreign company rules, as it stood between 2013 and 2018, resulted in selective tax advantages contrary to EU state aid rules. Notwithstanding that the decision was subject to appeal, the UK was required by EU law to collect amounts of alleged unlawful state aid in the interim,

which it did through the issue of charging notices to affected taxpayers under schedule 7ZA of the Taxation (International and Other Provisions) Act 2010.

The European Commission's 2019 decision was subsequently annulled by a final judgment of the Court of Justice of the European Union in September 2024, and these new regulations set out how HM Revenue & Customs (HMRC) will repay affected taxpayers. HMRC's [explanatory memorandum](#) states that it will issue appropriate guidance on the application of these regulations, directly to affected taxpayers, by the time they come into force (i.e., by December 31, 2024).

For additional details, please refer to the Deloitte [tax@hand article](#) dated December 13, 2024.

HMRC publishes guidance on patent box, employment allowance "connected entity" rules

On November 7, 2024, the UK tax authority, HMRC published two new sets of guidance documents as part of its series of [Guidelines for Compliance](#) (GfC). GfCs offer HMRC's views on complex, widely misunderstood, or novel risks that can occur across tax regimes.

For additional details, please refer to the Deloitte [tax@hand article](#) dated November 15, 2024.

Accounting Development

FASB proposes guidance on the accounting for government grants

On November 19, 2024, the FASB issued a [proposed ASU](#) that would add guidance to ASC 832 on the recognition, measurement, and presentation of government grants. In the absence of such guidance, many companies have analogized to other GAAP, including IAS 203 or ASC 958-605, when accounting for these grants. In developing the proposed ASU's recognition and measurement framework, the FASB largely leveraged the guidance in IAS 20. Comments on the proposal are due by March 31, 2025.

For additional details, please refer to the Deloitte [Heads Up, Volume 31, Issue 23](#) (November 26, 2024).

Up-C Structure Services

For Up-C structures, the Up-C Services group offers virtual webcasts from Deloitte specialists covering recent U.S. 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 jjwilde@deloitte.com (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 CPE credits, please visit [Dbriefs Webcasts](#).

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

Deloitte Tax Accounting Conference – May 5-9, 2025 | Live in Orlando, Florida

More details and registration coming soon!

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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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