



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 and Views](#).

Tax Alert: Overview of CAMT proposed regulations

On September 12, 2024, the Treasury Department (“Treasury”) and Internal Revenue Services (IRS) released proposed regulations ([REG-112129-23](#)) which provide guidance on the application of the corporate alternative minimum tax (CAMT) under [sections 55, 56A, 59\(k\)](#) and [\(l\)](#). The proposed regulations provide definitions and general rules for determining and identifying applicable financial statement income (AFSI). The proposed regulations also address adjustments to AFSI under section 56A and certain tax consolidated return issues. In general, the proposed regulations are proposed to apply to taxable years ending after September 13, 2024 (for example, 2024 tax year for calendar year taxpayers), with certain sections proposed to apply to taxable years ending after the date of publication of final regulations in the Federal Register.

The preamble to the proposed regulations provides that a taxpayer may rely on the interim guidance provided in sections 3 through 7 of [Notice 2023-7](#) (as modified and clarified by [Notice 2023-64](#)), sections 3 through 5 of [Notice 2023-20](#), and sections 3 through 14 of [Notice 2023-64](#), for taxable years ending on or before September 13, 2024.

In this edition:

[US Federal](#)

[US Multistate](#)

[International](#)

[Up-C Structure Services](#)

For a bullet-point discussion and special applicability dates, please refer to the Deloitte [tax@hand article](#) dated September 24, 2024.

Notice provides relief for underpayment of estimated income tax attributable to CAMT

On September 12, 2024, the IRS issued [Notice 2024-66](#), providing a limited waiver of addition to tax for any underpayment of estimated tax attributable to a corporation's CAMT for any installment with respect to a taxable year that begins after December 31, 2023 and before January 1, 2025.

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

IRS issues corrections to the repropoed section 954 and section 988 regulations

On September 3, 2024, the Treasury and IRS issued [corrections](#) to the repropoed section 954 and section 988 regulations released on August 19, 2024 ("New Proposed Regulations"), related to making and revoking elections under Treas. Reg. § 1.954-2(g) and Prop. Treas. Reg. § 1.988-7. The corrections clarify the circumstances in which taxpayers can still rely on the proposed section 954 and section 988 regulations that were issued in 2017 ("2017 Regulations") for purposes of making or revoking such elections.

Proposed Treas. Reg. § 1.988-7 MTM Election

The New Proposed Regulations will modify the procedure for making the mark-to-market (MTM) election for section 988 transactions under proposed Treas. Reg. § 1.988-7. Taxpayers wishing to make a MTM election for taxable years beginning on or before August 19, 2024 can still rely on the procedures described in the 2017 Regulations. For taxable years beginning after August 19, 2024, taxpayers wishing to make a MTM election must follow the procedures in the New Proposed Regulations as corrected. The

New Proposed Regulations will restrict the ability to revoke the MTM election under proposed Treas. Reg. § 1.988-7, including for taxpayers who have already made the election in reliance on the 2017 Regulations. The procedure for making the election no longer creates issues for US shareholders with mismatched tax-year CFCs or short-year CFCs.

Treas. Reg. § 1.954-2(g)(3) and -2(g)(4) Elections

The New Proposed Regulations will modify the procedure for making and revoking the Treas. Reg. § 1.954-2(g)(3) and -2(g)(4) elections. The procedure for making the election no longer creates issues for US shareholders with mismatched tax-year CFCs or short-year CFCs. The New Proposed Regulations will limit the ability to revoke the initial Treas. Reg. § 1.954-2(g)(3) and -(g)(4) elections including for taxpayers who have already made the election.

IRS modifies procedural guidance for section 174 method changes

On August 29, 2024, the Treasury and IRS released [Rev. Proc. 2024-34](#), which modifies the automatic consent procedures for accounting method changes for [section 174](#) specified research or experimental (SRE) expenditures.

Proposed regulations address certain issues under dual consolidated loss rules

On August 6, 2024, the Treasury and IRS issued proposed regulations ([REG-105128-23](#)) (the "proposed DCL regulations") addressing certain issues arising under the dual consolidated loss (DCL) rules. The proposed DCL regulations include intercompany transaction rules, revisions to the current DCL regulations, rules describing the interaction of the DCL rules and the [global anti-base erosion model rules](#) (the "GloBE model rules"), new rules regarding disregarded payments that give rise to foreign tax deductions, and a new anti-abuse rule. Proposed revisions to the intercompany transaction rules affect [Treas. Reg. § 1.1502-13](#). These rules are proposed to apply to taxable years for which the

original federal income tax return is due (without extensions) after the date final regulations are published in the Federal Register; however, taxpayers may choose to apply these provisions to earlier taxable years, subject to consistency requirements.

The proposed DCL regulations' revisions to provisions in the current DCL regulations generally are proposed to apply to taxable years ending on or after August 6, 2024. Subject to an anti-abuse rule, the proposed DCL regulations provide that the DCL rules apply without taking into account qualified domestic minimum top-up taxes (QDMTTs) or top-up taxes with respect to losses incurred in taxable years beginning before August 6, 2024. The new disregarded payment loss rules are proposed to be effective for taxable years ending on or after August 6, 2024 to entity classification elections filed on or after August 6, 2024 and, with respect to domestic owners of other eligible entities, on or after August 6, 2025. The new anti-abuse rule is proposed to be effective for taxable years ending on or after August 6, 2024.

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

IRS announces opening of 2025 CAP program

On August 15, 2024, the IRS announced in [IR-2024-211](#) the opening of the application period for the 2025 Compliance Assurance Process (CAP) program with expanded eligibility criteria. The application period runs from September 4, 2024 through October 31, 2024. The IRS will let applicants know if they are accepted into the program in February 2025.

For additional details, please refer to the Deloitte [tax@hand article](#) dated August 22, 2024.

Rev. Proc. 2024-30: Procedures to change method of accounting to the allowance charge-off method released

On July 2, 2024, the IRS released procedural guidance ([Rev. Proc. 2024-30](#)) for regulated financial companies and other members of

certain regulated financial groups that want to use the “allowance charge-off method” described in the proposed regulations ([REG-121010-17](#)) under [section 166](#).

Calculation of gain or loss on digital asset transactions: Summary of final rules

On June 28, 2024, the Treasury and IRS released final regulations ([I.D. 10000](#)) addressing the calculation of gain or loss in digital asset transactions under [sections 1001](#) and [1012](#). The final regulations will govern the determination of a taxpayer’s amount realized and adjusted basis in digital asset transactions and the allocation of digital asset transaction costs. These regulations accompanied final rules on digital asset broker reporting. The package of final regulations finalized proposed regulations published on August 29, 2023. In connection with the final regulations, the IRS released [Rev. Proc. 2024-28](#), which provides transition guidance to assist certain taxpayers in applying the final regulations to digital assets acquired prior to 2025.

For additional details, please refer to the Deloitte [tax@hand article](#) dated July 26, 2024.

Final digital asset broker reporting regulations released

On June 28, 2024, the Treasury and IRS released [final regulations](#) for digital asset broker reporting as well as two related notices—[Notice 2024-56](#) and [Notice 2024-57](#)—and a related revenue procedure—[Rev. Proc. 2024-28](#). This regulation package finalizes the proposed regulations (REG-122793-19) published on August 29, 2023. The IRS and Treasury received over 44,000 written comments on the proposed regulations. In response to these comments, the regulation publication includes an extensive “Summary of Comments and Explanation of Revisions” section.

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

US Multistate

California

California FTB proposes market-based sourcing rule changes with comments due by October 31

The California Franchise Tax Board (FTB) issued a notice of proposed rulemaking to amend California Code of Regulations, Title 18, section 25136-2, the market-based sourcing regulation.

For a summary of certain provisions of the proposed rule, please refer to [Tax Alert](#) dated September 24, 2024.

Taxpayer associations challenge validity of newly enacted apportionment legislation

In separate complaints, two taxpayer associations have challenged the validity of recently enacted California legislation that essentially provides for retroactive application of the California FTB’s Legal Ruling 2006-1 issued on April 28, 2006, with respect to the treatment of apportionment factors attributable to income exempt from California Corporation Tax Law.

For additional details, please refer to the August 23, 2024 edition of [State Tax Matters](#).

Connecticut

Summary of new law extending NOL carryforward period and modifying net deferred tax liability deduction

The Connecticut Department of Revenue Services summarized new law that extends the state corporation business tax NOL carryforward period from 20 to 30 income years for certain net operating losses (NOLs), and modifies Connecticut’s net deferred tax liability deduction that was enacted due to Connecticut’s shift from separate entity filing to mandatory combined unitary reporting.

For additional details, please refer to the August 2, 2024 edition of [State Tax Matters](#).

District of Columbia

Permanent legislation switches to Finnigan apportionment and repeals qualified hi-tech benefit

Newly enacted permanent legislation switches from the “Joyce” to “Finnigan” apportionment method for District of Columbia (DC) combined reporting purposes, as well as repeals the 3% tax on capital gain from the sale or exchange of a “Qualified High Technology Company” investment.

For additional details, please refer to the September 27, 2024 edition of [State Tax Matters](#).

DC Circuit addresses sale of partnership interest by nonresident alien

In a recent ruling, the US Court of Appeals for the DC Circuit applied an entity theory to the sale of a partnership interest by a nonresident alien at a time before the applicability of IRC [section 864\(c\)\(8\)](#), treating it as a disposition of the partnership interest, which is sourced to the seller’s residence, even when IRC [section 751\(a\)](#) applies to treat a portion of the gain as ordinary income.

For additional details, please refer to the August 2, 2024 edition of [State Tax Matters](#).



Florida

Florida DOR permits deconsolidated filing based on changed business circumstances with some conditions

The Florida Department of Revenue (DOR) granted a Florida taxpayer's request for permission to cease filing Florida consolidated tax returns so long as it meets a list of specified conditions, because the taxpayer successfully showed that since its initial election to file a Florida consolidated corporate income tax return, it had sufficient reasonable cause for the change based on significant business reorganization.

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

Illinois

Illinois DOR explains new law limiting NOL deduction to \$500k and resulting estimated payment implications

An Illinois DOR bulletin addresses new law that limits Illinois net loss deductions for some corporations providing information to help these taxpayers determine if they must start paying estimated payments or modify their estimated tax payments, as well as ways to minimize or avoid late-payment penalties.

For additional details, please refer to the August 2, 2024 edition of [State Tax Matters](#).

Illinois DOR denies alternative apportionment request to include royalties in sales factor

The Illinois DOR denied a consumer products company's request to include certain royalties in its sales factor because such income did not comprise more than 50% of its total gross receipts included in gross income as required by Illinois standard apportionment statutes, and it failed to show such exclusion was inherently distortive to necessitate an alternative apportionment method.

For additional details, please refer to the August 2, 2024 edition of [State Tax Matters](#).

Illinois fiscal year 2025 state tax incentive package

On June 26, 2024, [Illinois Public Act 103-0595](#) (the "Tax Incentive Package") was enacted. The Tax Incentive Package notably extends the Illinois research and development credit through 2031 in addition to making other changes related to certain credits and incentives in the state.

For a summary of certain provisions included in the Tax Incentive Package, please refer to [Tax Alert](#) dated July 11, 2024.

Kansas

Kansas DOR addresses newly enacted modified adjustments related to IRC section 163(j)

A new Kansas DOR notice addresses recently enacted legislation that clarifies some Kansas adjustments for disallowed business interest expense under IRC [section 163\(j\)](#), including calculating the subtraction modification for tax year 2021 and required documentation that must be attached for those taxpayers filing amended 2021 tax returns.

For additional details, please refer to the August 16, 2024 edition of [State Tax Matters](#).

Kansas DOR addresses newly reduced tax rates for some banks and financial institutions

A Kansas DOR notice addresses new state law that lowers Kansas' privilege tax rates for financial institutions clarifying that the normal tax rate for banks is reduced from 2.25% to 1.94%, and the normal tax rate for trust companies and savings and loan associations is reduced from 2.25% to 1.93%, while applicable surtaxes remain the same.

For additional details, please refer to the July 12, 2024 edition of [State Tax Matters](#).

Massachusetts

Amnesty Program offering potential 100% penalty waiver begins November 1

The Massachusetts DOR announced that pursuant to recently enacted legislation authorizing it to establish a tax amnesty program where qualifying participants potentially may receive a 100% waiver of underlying penalties, it will administer this program from November 1, 2024, through December 30, 2024.

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

Appellate Tax Board says financial institutions are eligible for research tax credits

Granting summary judgment for a bank filing combined Massachusetts financial institution excise tax returns and claiming Massachusetts research credits for its research credit tax years, the Massachusetts Appellate Tax Board concluded that state law does not limit eligibility for the Massachusetts research credit to business corporations taxed under the state corporate excise tax.

For additional details, please refer to the August 30, 2024 edition of [State Tax Matters](#).

Massachusetts DOR clarifies application of single sales factor apportionment for corporations and financial institutions

A Massachusetts DOR technical information release clarifies that Massachusetts' move to single sales factor apportionment for all business corporations and financial institutions, as well as the new sourcing rule for financial institutions, are effective for tax years beginning on or after January 1, 2025.

For additional details, please refer to the July 12, 2024 edition of [State Tax Matters](#).

Michigan

Michigan Department of Treasury discusses case involving investments in REMICs and business loss carryforwards

A newsletter published by the Tax Policy Division of the Michigan Department of Treasury discusses a Michigan Court of Appeals decision affirming that a taxpayer holding real estate mortgage investment conduits (REMICs) cannot exclude excess inclusion income from the federal taxable income amount used in computing its tax base under Michigan's corporate income tax noting that the taxpayer has appealed this decision to the Michigan Supreme Court.

For additional details, please refer to the August 30, 2024 edition of [State Tax Matters](#).



Minnesota

State high court affirms out-of-state company's in-state activities exceed P.L. 86-272 protections

The Minnesota Supreme Court affirmed that the in-state market research activities of an out-of-state company operating as a business-to-business catalog and web-based distributor of industrial and packaging products went beyond solicitation of sales under P.L. 86-272 were not de minimis and thus not immune from Minnesota corporate income or franchise taxation.

For additional details, please refer to the August 9, 2024 edition of [State Tax Matters](#).

Missouri

Missouri DOR adopts various rule updates involving NOL computation

The Missouri DOR adopted various revisions to its administrative rule on computing NOLs to, among other changes, update it to account for NOL-related law changes and administrative rulings since its last amendments – including new amendments addressing NOL carryovers, consolidated returns, and mergers.

For additional details, please refer to the August 9, 2024 edition of [State Tax Matters](#).

Nebraska

Nebraska DOR summarizes new law involving QIP and R&D deductions and mobile workforces

A Nebraska DOR 2024 legislative summary addresses enhanced deductions for some costs of qualifying business assets and research and development expenditures in response to now-expired provisions under the federal Tax Cuts and Jobs Act; income tax liability and withholding requirements for some nonresident individuals; and convenience of the employer rule revisions.

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

Nebraska Supreme Court affirms that section 965 income under one-time repatriation tax is not deductible

The Nebraska Supreme Court affirmed the denial of a taxpayer's claimed Nebraska corporate income tax deduction for income of its foreign subsidiaries that was deemed repatriated and included in the company's 2017 federal taxable income under IRC [section 965](#), basing its opinion on the US Supreme Court's recent characterization of such income and language of the Nebraska statute.

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

New Hampshire

Legislative summary highlights delayed implementation of reduced BPT and BET credit carryforward limits

A New Hampshire DOR Administration synopsis of 2024 enacted legislation includes a bill which delays the implementation of further reductions in the credit carryforward limits for New Hampshire business profits tax (BPT) and business enterprise tax (BET) of 250% of total tax liability and 100% of total tax liability from 2025 to 2029, and from 2027 to 2031, respectively.

For additional details, please refer to the September 27, 2024 edition of [State Tax Matters](#).

New Jersey

New Jersey enacts tax credits related to investments in artificial intelligence

New Jersey Senate Bill 3432 was signed into law revising various provisions under New Jersey's Economic Recovery Act of 2020, creating the "Next New Jersey

Program” and offering tax credits to artificial intelligence businesses that plan significant capital investments and job creation in the State.

For a summary of certain provisions of the new state law, please refer to [Tax Alert](#) dated September 24, 2024.

New York

New York City Department of Finance revises plans on rules implementing business corporation tax

As the New York City Department of Finance continues to develop regulations implementing the City Business Corporation Tax (BCT), which are expected to largely conform with New York State Department of Taxation and Finance regulations implementing its Article 9-A Business Corporation Franchise Tax, it recently announced that it will not move forward with its initially considered methodology that used the New York City Unincorporated Business Tax (UBT) sourcing rules to allocate partnership income earned by corporations.

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

Federally permitted redemption debt interest expense deductions deemed allowable for UBT purposes

In a ruling involving a limited liability company (LLC) and its ability to deduct for New York City UBT purposes interest expenses related to a debt-financed distribution that were deductible under federal law, an administrative law judge (ALJ) with the New York City Tax Appeals Tribunal held in the LLC’s favor that they were allowable deductions for UBT purposes, too.

For additional details, please refer to the July 19, 2024 edition of [State Tax Matters](#).

Oklahoma

Rule amendments incorporate new law involving election to expense qualified improvement property

The Oklahoma Tax Commission adopted rule changes reflecting previously enacted legislation providing that when an Oklahoma taxpayer elects to immediately and fully expense a qualified business expense on eligible qualified property or qualified improvement property, any depreciation claimed for state tax purposes may not duplicate the same amount reported on the taxpayer’s federal income tax return.

For additional details, please refer to the August 16, 2024 edition of [State Tax Matters](#).

Pennsylvania

Pennsylvania DOR summarizes law changes involving NOLs, intercompany intangible expense addback, and bank shares tax

A Pennsylvania DOR summary of recently signed legislation highlights new law that increases Pennsylvania’s 40% of taxable income percentage cap for net loss carryover deductions under the state corporate net income tax, adds an election under Pennsylvania’s intercompany intangible expense addback statute, and adds a goodwill deduction under Pennsylvania’s bank shares tax..

For additional details, please refer to the August 16, 2024 edition of [State Tax Matters](#).

New law phases in increased NOL carryover limits and amends intercompany intangible expense addback

New law gradually increases Pennsylvania’s 40% of taxable income percentage cap for net loss carryover deductions under the state corporate net income tax effectively phasing in an 80% cap for taxable years beginning after 2028, as well as adds an election under Pennsylvania’s intercompany intangible expense addback statute.

For additional details, please refer to the July 19, 2024 edition of [State Tax Matters](#).

Rhode Island

Rhode Island DOR summarizes newly extended NOL carryforward period and bank tax law changes

The Rhode Island DOR, Division of Taxation, summarized recently enacted tax legislation, including new law that extends the carryforward period for net operating loss deductions under Rhode Island’s corporate income tax and permits some banks to elect single sales factor apportionment for bank excise tax purposes, as well as authorizes a combined reporting study for banks.

For additional details, please refer to the August 2, 2024 edition of [State Tax Matters](#).

South Carolina

South Carolina ALJ says combined reporting corrects distortion resulting from intercompany transactions and east-west structure

The chief ALJ with the South Carolina Administrative Law Court concluded that separate reporting failed to correct resulting distortion from the taxpayer’s use of intercompany transfer pricing and a partnership with an east-west structure and that combined reporting constituted a reasonable and equitable alternative method to fairly capture its in-state business activity.

For additional details, please refer to the August 23, 2024 edition of [State Tax Matters](#).

South Carolina ALJ says bank’s various income streams must be sourced based on borrower location and gain from stock sale is not apportionable

An ALJ with the South Carolina Administrative Law Court concluded that applicable state law required a bank taxpayer to source certain loan interest, credit card interest and fees, and credit

card interchange fees to South Carolina based upon the location of the bank's South Carolina borrowers but treat the gain on sale of certain credit card company stock as non-apportionable income.

For additional details, please refer to the August 23, 2024 edition of [State Tax Matters](#).

South Carolina appellate court affirms that NOL carryforward deduction is not permitted for bank tax purposes

In a case involving a taxpayer filing South Carolina bank tax returns that attempted to claim net operating loss carryforward deductions that are permitted for federal corporate income tax purposes, the South Carolina Court of Appeals affirmed that a bank is not allowed to use the NOL carryforward when calculating its entire net income for South Carolina bank tax purposes.

For additional details, please refer to the August 2, 2024 edition of [State Tax Matters](#).

Tennessee

Tennessee letter ruling addresses whether receipts may be sourced to ultimate end-users

Rejecting the taxpayer's request, a Tennessee DOR ruling concluded that, based on the facts, an out-of-state taxpayer that sold and delivered its product from a third-party in-state facility to various wholesale distributors must source such sales for Tennessee franchise and excise tax purposes based on the location of the wholesale distributors, rather than the ultimate end-users of the product.

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

Texas

Texas letter ruling concludes certain subcontractor payments are excludable from franchise tax base

A letter ruling recently issued by the Tax Policy Division of the Texas Comptroller of Public Accounts held that a taxpayer may exclude from its Texas franchise tax base subcontracting payments related to certain on-site consulting and supervision services as the services were made in connection with the construction or repair of improvements on real property.

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

Federal law preempts taxing air carrier's gross receipts from baggage fees, passenger ticket sales, and freight transportation

In a case involving an air carrier, the Travis County Texas District Court held the

federal Anti-Head Tax Act preempts Texas's franchise tax as applied to the air carrier's baggage fees, passenger ticket sales, and air freight transportation for the report year at issue because such imposition would constitute an impermissible tax on gross receipts from air commerce or air transportation.

For additional details, please refer to the August 16, 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.

Bermuda

Corporate income tax administrative provisions: First public consultation launched

The government of Bermuda announced on August 8, 2024 the release of a [public consultation](#) paper that aims to provide Bermuda stakeholders with a preliminary, high-level summary of the proposed taxpayer compliance framework for the corporate income tax that will apply to in-scope multinational enterprise groups with respect to fiscal years beginning on or after January 1, 2025, and to gather public feedback on the proposals. Responses and comments regarding the consultation paper should be submitted via email to finance@gov.bm.

For additional details, please refer to the Deloitte [tax@hand article](#) dated August 28, 2024.

Brazil

PLR published on taxation of right to commercialize or distribute software

On June 24, 2024, the Brazilian federal tax authorities published a private letter ruling (PLR 177/2024) clarifying the application of withholding tax (IRRF), Contribution of Intervention in the Economic Domain tax (CIDE), and federal social contributions on the import of goods and services (PIS/COFINS–importation) on remittances abroad for the right to commercialize or distribute software licenses. The tax authorities ruled that such remittances should be treated as royalties and therefore subject to IRRF. CIDE did not apply since there is no technology transfer,

and PIS/COFINS–importation did not apply since the taxpayer did not make outbound payments for a license to use software. Furthermore, the tax authorities ruled that payments for the right to commercialize or distribute software licenses should not be subject to PIS/COFINS–importation because such contributions are only imposed on outbound payments for a license to use software (which is considered a service for PIS/COFINS–importation purposes and, in any event, is not the case here).

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

Germany

Lower tax court clarifies transfer of function rules for principal structures

On July 17, 2024, the tax court of Lower Saxony published a ruling on the transfer of functions, which already had been decided on August 3, 2023. This is the court's second judgment on this issue. The first ruling was published in March 2023 and is currently under review by the Federal Fiscal Court, which is the highest German tax court.

For additional details, please refer to the Deloitte [tax@hand article](#) dated July 19, 2024.

Ministry of Finance issues new administrative guidance on advance pricing agreements

On June 26, 2024, the German Ministry of Finance published new administrative guidance regarding advance pricing agreements (APAs). The new administrative guidance has been highly anticipated, as the legal basis for filing APA requests was introduced in 2021 under section 89a of the Fiscal Code (AO) and the former administrative guidance on APAs was published in 2006.

As transfer pricing rules in different jurisdictions are becoming more complex for multinationals to comply with and, as a consequence, tax controversy matters (including the resolution of double taxation) are on the rise, the APA is one of

the few instruments that aims to achieve legal certainty to proactively prevent double taxation.

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

Hong Kong

IRD publishes updated FAQs on FSIE regime

On July 5, 2024, Hong Kong SAR's (HKSAR's) Inland Revenue Department (IRD) updated its [website](#), to incorporate a number of [frequently asked questions](#) (FAQs) and [illustrative examples](#) reflecting the IRD's latest views on the application of the foreign-sourced income exemption (FSIE) regime.

Although the FSIE regime has been in place for more than one year, complications continue to arise and the IRD regularly provides updated guidelines.

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

Legislative Council passes patent box tax concession

On June 26, 2024, the HKSAR Legislative Council passed the draft legislation ([Inland Revenue \(Amendment\) \(Tax Concessions for Intellectual Property Income\) Bill 2024](#)) on the patent box tax incentive regime. The regime provides a concessionary tax rate of 5% for qualifying profits sourced in HKSAR from eligible intellectual property created through research and development (R&D) activities, and applies retroactively to years of assessment beginning on or after April 1, 2023.

As part of the legislative process, a bills committee reviewed the bill prior to its passage and made a minor amendment in relation to the period for applying the three-year average rolling basis for calculating the R&D fraction. This amendment is intended to cater to the different accounting year-end dates adopted by businesses.

For additional details, please refer to the Deloitte [tax@hand article](#) dated July 2, 2024.

Ireland

CJEU overturns General Court ruling in Irish state aid case

On September 10, 2024, the Court of Justice of the European Union (CJEU) overturned a previous ruling by the General Court in the Apple state aid case. The CJEU's [final judgment](#) mandates that Ireland recovers the state aid from Apple. As Apple placed the money in an escrow account, the recovery can be effectuated by releasing those proceeds.

The protracted state aid case revolves around contested tax rulings granted by Ireland in 1991 and 2007 to branches of Apple subsidiaries, ASI and AOI, neither of which were Irish tax residents. These rulings pertained to the allocation of ASI and AOI profits to their Irish branches.

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

Italy

Court rules loss-making companies could not be excluded from benchmark analyses

Through a decision (No. 19512) dated July 16, 2024, Italy's supreme tax court (the Court of Cassation) definitively rejected the Italian tax authorities' practice of excluding loss-making companies from transfer pricing benchmarking analyses, opining that the "automatic" and unjustified exclusion of such companies from the set of comparables is inconsistent with the [OECD transfer pricing guidelines](#).

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

Mexico

Qualified Maquiladora Approach for 2020-2024 Maquiladora APA Program renewed

During the first half of fiscal year (FY) 2024, Mexico's tax authority (Servicio de

Administración Tributaria or SAT) and the US IRS discussed open items relating to the transfer pricing framework—known as the Qualified Maquiladora Approach (QMA) or Fast Track Methodology—for Mexican taxpayers that entered into a unilateral advance pricing agreement (APA) with the SAT's Large Taxpayer Administration.

The purpose of the meetings between the SAT and IRS was to confirm the position of the competent authorities and renew the QMA framework—initially signed in 2016 and updated in 2020—for the 2020-2024 APA program.

The renewal agreement, published on the SAT website on July 23, 2024, maintains the core elements of the QMA framework applicable to FY 2019 and prior years, as the competent authorities of Mexico and the US determined that it continues to produce results in accordance with the arm's length principle.

For additional details, please refer to the Deloitte [tax@hand article](#) dated July 30, 2024.

Switzerland

Federal Supreme Court further clarifies application of safe harbor interest rates

On July 17, 2024, a five-judge panel of the Swiss Federal Supreme Court (Bundesgericht) considered the question of the types of taxes to which the annual circular on safe harbor interest rates annually issued by the Swiss Federal Tax Administration (SFTA) applies, and whether and to what extent the circular is binding on tax authorities ([9C_690/2022](#), available in German only). The court's decision provides further clarity for taxpayers on the application of the circular. For taxpayers, this ruling means that they will have to comply with the circular even more strictly in the future. If the interest rates are not complied with, the taxpayer will no longer be able to rely on the safe harbor rates during an audit or appeal.



For additional details, please refer to the Deloitte [tax@hand article](#) dated August 14, 2024.

United Kingdom

HMRC publishes transfer pricing guidelines for compliance

On September 10, 2024, the UK tax authority, HM Revenue & Customs (HMRC) released new [Guidelines for Compliance – Help with common risks in transfer pricing approaches – GfC7](#) (“Guidelines for Compliance”). HMRC’s aim is to provide UK businesses within the scope of UK transfer pricing rules with approaches to meet HMRC’s expectations for transfer pricing compliance in the UK, help businesses to manage their potential UK transfer pricing risk, and highlight common areas that require transfer pricing scrutiny.

The new Guidelines for Compliance include the following sections: “Managing compliance risk for UK businesses” (for those managing UK transfer pricing), “Common compliance risks,” and “Indicators of transfer pricing policy design risk” (designed for in-house transfer pricing specialists and advisors).

For additional details, please refer to the Deloitte [tax@hand article](#) dated September 11, 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 jwilde@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 – December 9-13, 2024 | Virtual

Join virtually, December 9-13, 2024 for the Deloitte Tax Accounting Conference. Now in its 19th year, the program will feature live presenters delivering content through a cutting-edge virtual platform. The sessions will equip tax, accounting, and finance professionals with insights and strategies to tackle the latest challenges in tax accounting, specifically those associated with ASC 740. For more details and to register, please click this [link](#).

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

More details and registration coming soon!

Learn More

Additional resources you may find helpful

- [Accounting for Income Taxes—Quarterly Hot Topics Archive](#)
- [TaxFirst Webcast Series](#)
- [Deloitte Tax Accounting & Provision Services Home Page](#)
- [Deloitte Tax Accounting & Provisions Dbriefs Webcasts Series](#)
- [Deloitte Heads Up Newsletter Archive](#)
- [Global Tax Developments Quarterly—Accounting for Income Taxes](#)
- [tax@hand](#)

As always, we are interested in your comments on our publications. Please take a moment to tell us what you think by sending us an [e-mail](#).

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

This publication contains general information only, and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication 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. Deloitte, its affiliates, and related entities shall not be responsible for any loss sustained by any person who relies on this publication.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the “Deloitte” name in the United States, and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.

Deloitte.com | [Legal](#) | [Privacy](#)

1633 Broadway
New York, NY 10019-6754
United States

Copyright © 2024 Deloitte Development LLC. All rights reserved.

 [Deloitte RSS feeds](#)