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Global Tax Developments Quarterly

Accounting for Income Taxes

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

October 1, 2024 – December 15, 2024
December 15, 2024
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Contents

Introduction

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Unless otherwise indicated, the content in this document is based on information available as of December 15, 2024. Accordingly, certain aspects of this document may be updated as new information becomes available. Financial statement preparers and other users of this document should take actions to remain abreast of and carefully evaluate additional events that may be relevant to accounting for income taxes matters.

Applicable US GAAP guidance

Under US GAAP, the effects of new legislation are recognized upon enactment. More specifically, the effect of a change in tax laws or rates on a deferred tax liability or asset is recognized as a discrete item in the interim period that includes the enactment date. The tax effects of a change in tax laws or rates on taxes currently payable or refundable for the current year are reflected in the computation of the annual effective tax rate after the effective dates prescribed in the statutes, beginning no earlier than the first interim period that includes the enactment date of the new legislation. However, any effect of tax law or rate changes on taxes payable or refundable for a prior year, such as when the change has retroactive effects, is recognized upon enactment as a discrete item of tax expense or benefit for the current year. While there is no specific guidance as to what constitutes "enactment" under US GAAP, it is commonly accepted that enactment takes place on the date the last step in the legislative process required to promulgate the law is complete (e.g., a law is published in an official gazette, signed by a president, or receives Royal Assent).

Enacted Tax Law Changes: October 1, 2024 to December 15, 2024

The following section includes a summary of major international income tax law changes enacted during the period October 1, 2024 to December 15, 2024.

Guatemala

Date of Enactment: December 9, 2024
Effective Date: March 3, 2025

Simplified tax regimes proposed for producers of handicrafts and agricultural sectors

On November 19, 2024, the Guatemalan Congress passed Decree 31-2024 containing the Law for the Integration of the Primary and Agricultural Productive Sectors, which would introduce two new simplified special tax regimes for Guatemalan producers of goods for sale on the domestic market or export. The primary regime would apply to the agricultural and handicrafts sectors, and the livestock and hydrobiological (defined as products derived from the farming of fish, crustaceans, or mollusks) regime would apply to the livestock, hydrobiological, and beekeeping sectors. The legislation will take effect four months following its publication in the official gazette. Regulations for the implementation of the legislation will be published by the Ministry of Public Finance prior to the effective date.

See also tax@hand - November 28, 2024

Enacted Tax Law Changes That Are Now Effective: October 1, 2024 to December 15, 2024

The following section includes a summary of major international income tax law changes enacted before October 1, 2024, but are first effective in the period October 1, 2024, to December 15, 2024.

Per a review of jurisdictions that are generally monitored in this publication, there were no major international income tax law changes enacted before October 1, 2024, but are first effective in the period October 1, 2024, to December 15, 2024.

Enacted Tax Law Changes That Are Effective After December 15, 2024

The following section includes a summary of major international income tax law changes enacted before October 1, 2024, but effective after December 15, 2024

Per a review of jurisdictions that are generally monitored in this publication, there were no major international income tax law changes enacted before enacted before October 1, 2024, but effective after December 15, 2024.

On the Horizon

The following developments had not yet been enacted as of December 15, 2024, but may, in certain cases, be enacted and become effective in the near future. Please follow up with your U.S. or local country/jurisdiction tax advisor for more information.

Australia

New tax bill introduces hydrogen production and critical minerals incentives

In a significant move to bolster Australia's renewable energy sector and critical minerals industry, on November 25, 2024, the federal government introduced the Future Made in Australia (Production Tax Credits and Other Measures) Bill 2024 ("the bill") to the House of Representatives. The bill proposes to establish two pivotal tax offsets: the hydrogen production tax incentive (HPTI) and the critical minerals production tax incentive (CMPTI).

This article provides an overview of the key requirements and eligibility criteria underlying the two incentives.

See also tax@hand - November 27, 2024

Austria

Pillar Two filing deadline approaching for certain constituent entities

A filing deadline of December 31, 2024 is approaching for certain Austrian constituent entities that are liable for top-up tax under the Pillar Two rules implemented in Austria pursuant to the Minimum Taxation Act (“MinBestG”).

See also tax@hand - November 29, 2024

Germany

Upper house of parliament approves Annual Tax Act 2024

The upper house of the German parliament on November 22, 2024, approved the Annual Tax Act 2024 (“the Act”), following approval by the lower house of parliament on October 18, 2024. The Act will enter into force after being signed by the president and published in the federal gazette, both of which are mere formalities and are expected to take place in late November/early December 2024. The Act likely is the last tax legislative measure of the current government before the planned snap elections on February 23, 2025. All pending legislative proposals are automatically terminated when a new parliament is elected.

See also tax@hand - November 25, 2024

Hong Kong SAR

Update on introduction of Pillar Two global minimum tax, domestic minimum top-up tax

On October 30, 2024, the Hong Kong SAR (HKSAR) government published the *Outcome of the Consultation on the Implementation of Global Minimum Tax and Hong Kong Minimum Top-up Tax*, following the consultation exercise launched in December 2023. The government has made various changes to the draft implementing legislation, reflecting feedback from the consultation, and is finalizing the necessary amendments to the Inland Revenue Ordinance (IRO). The government plans to introduce the amendment bill into the Legislative Council by January 2025.

See also tax@hand - November 4, 2024

India

CBDT issues circular answering FAQs on direct tax resolution scheme

India's Central Board of Direct Taxes (CBDT) issued Circular No. 12 of 2024 ("the circular") on October 15, 2024, providing guidance in the form of answers to frequently asked questions (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 at July 22, 2024 ("the specified date"). 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.

See also tax@hand - November 13, 2024

Isle of Man

Parliament approves legislation to implement OECD Pillar Two framework

On November 19, 2024, the Guatemalan Congress passed Decree 31-2024 containing the Law for the Integration of the Primary and Agricultural Productive Sectors, which would introduce two new simplified special tax regimes for Guatemalan producers of goods for sale on the domestic market or export. The primary regime would apply to the agricultural and handicrafts sectors, and the livestock and hydrobiological (defined as products derived from the farming of fish, crustaceans, or mollusks) regime would apply to the livestock, hydrobiological, and beekeeping sectors. The legislation will take effect four months following its publication in the official gazette. Regulations for the implementation of the legislation will be published by the Ministry of Public Finance prior to the effective date.

See also tax@hand - November 27, 2024

Malaysia

Podcast: Recent changes to the consumption tax rules affecting foreign companies

Budget 2025, unveiled on October 18, 2024, is the largest budget in Malaysia's history at MYR 421 billion and continues the government's focus on broadening the tax base, driving economic growth, strengthening governance, and protecting the well-being of Malaysians. The measures to broaden the tax base would particularly affect higher-income taxpayers and include the imposition of sales tax on the importation of premium goods; the introduction of a 2% tax on certain annual dividend income exceeding MYR 100,000 received by individuals; the expansion of the scope of the sales tax and service tax in a progressive manner; the introduction of carbon tax for the iron, steel, and energy industries; and the introduction of a self-assessment system for stamp duty. On the other hand, individuals should be pleased that the income tax exemption for foreign-source dividend income received by individuals in Malaysia would be extended through 2036 (the exemption currently is set to end on December 31, 2026). In addition, the budget includes some incentive measures that aim to attract investment, including the introduction of a new investment incentive framework focusing on high-value activities.

See also tax@hand - November 8, 2024

Mexico

2025 economic package submitted to Chamber of Deputies

Mexico's federal executive branch submitted the 2025 Economic Package (in Spanish only) for review to the Chamber of Deputies on November 15, 2024.

The package comprises the General Economic Policy Criteria, the Federal Revenue Law (LIF), the Federal Expenditure Budget, and the Fees Law. There will be no change to the Income Tax Law, Value-Added Tax Law, Excise Tax Law, or Federal Tax Code (CFF), and certain tax surcharges, incentives, and exemptions will remain in effect, as further discussed below.

See also tax@hand - November 20, 2024

Singapore

Overview of updates to fund tax incentive schemes

On October 1, 2024, the Monetary Authority of Singapore (MAS) published Circular FDD Cir 10/2024 ("the circular"), which details the revised conditions applicable to each of the incentive schemes as from January 1, 2025 (unless otherwise stated). The circular also summarizes the application and conditions of the new section 13OA incentive (referred to as 13OA), that effectively extends the 13O incentive to funds constituted as limited partnerships (LPs) and will be legislated through the forthcoming Income Tax (Amendment) Act 2024.

See also tax@hand - October 6, 2024

Overview of regulations to implement Pillar Two safe harbor and transition rules

From October 4 to 18, 2024, the Inland Revenue Authority of Singapore (IRAS) held a public consultation on the proposed subsidiary legislation that would provide details on the calculation of Singapore's "domestic top-up tax" (DTT) and "multinational enterprise top-up tax" (MTT) in accordance with the implementation of the global anti-base erosion (GloBE or "Pillar Two") rules. The proposed subsidiary legislation consists of the Multinational Enterprise (Minimum Tax) (GloBE Safe Harbours) Regulations and the Multinational Enterprise (Minimum Tax) (Transition Rules) Regulations.

See also tax@hand - November 6, 2024

Spain

Congress of Deputies approves draft bill to implement EU Pillar Two directive

On November 21, 2024, the plenary of the Spanish Congress of Deputies (the lower house of parliament) approved a draft bill to implement the transposition into domestic law of Council Directive (EU) 2022/2523 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the EU ("Pillar Two directive"). The draft bill also contains other tax measures, including measures relating to a tax on interest income and commission fee income of certain financial institutions and a new tax on liquids used for electronic cigarettes and on certain other products related to tobacco. The draft bill approved by the Congress of Deputies reflects some revisions to the original text of the bill and has been sent to the Senate to continue its parliamentary approval process.

See also tax@hand - November 21, 2024

Switzerland

Updated Minimum Taxation Ordinance published

On November 20, 2024, Switzerland's Federal Council amended (French|German) the Swiss Minimum Taxation Ordinance (French|German). Although the council had already decided on September 4, 2024, that Switzerland would introduce the international top-up tax under the income inclusion rule (IIR) as from January 1, 2025, the legislation had not yet been amended.

See also tax@hand - November 20, 2024

Switzerland

Updated Minimum Taxation Ordinance published

On November 20, 2024, Switzerland's Federal Council amended (French|German) the Swiss Minimum Taxation Ordinance (French|German). Although the council had already decided on September 4, 2024, that Switzerland would introduce the international top-up tax under the income inclusion rule (IIR) as from January 1, 2025, the legislation had not yet been amended.

See alsotax@hand - November 20, 2024

Taiwan

MOEA pre-announces draft amendments to Statute for Industrial Innovation

On October 4, 2024, the Ministry of Economic Affairs of Taiwan (China) pre-announced draft amendments (in Chinese only) to certain articles of the Statute for Industrial Innovation (SII). Under the current rules, the tax credit for investment under article 10-1 of the SII will expire on December 31, 2024. The amendments aim to help industries respond to trends in artificial intelligence (AI) and global net-zero emissions, promote investment in startups, and strengthen foreign investment while protecting key technologies.

See also tax@hand - October 9, 2024

United Kingdom

Key measures for foreign owned groups in Autumn Budget 2024

The UK Chancellor of the Exchequer, Rachel Reeves, on October 30, 2024 delivered the Autumn Budget 2024, outlining the incoming government's tax and spending plans.

This budget was the first by a Labor government for nearly 15 years following their victory in July's general election. As well as delivering key manifesto pledges, the announcements saw striking tax rises more than offset by public spending increases designed to boost growth, in the biggest tax-raising budget by a new government since 1993. Businesses will bear more than half the burden of tax rises that will exceed GBP 40 billion, with a 1.2% increase in employer national insurance contributions (NIC) being the largest contributor.

See also tax@hand - October 28, 2024

National insurance bill published

On November 13, 2024, the National Insurance Contributions (Secondary Class 1 Contributions) Bill 2024- 25 was introduced by the UK government and had its first reading in the House of Commons. The text of the bill has been published on parliament's website together with the accompanying explanatory notes. The bill will implement, with effect from April 6, 2025, several national insurance contribution (NIC) announcements in the Autumn Budget 2024

See also tax@hand - November 15, 2024

United States

Webcast replay: The post-election tax policy landscape

On an November 8, 2024 webcast, available on demand, Deloitte US tax experts discussed what changes may be ahead in the coming debate on corporate, individual, and international tax policy.

See also tax@hand - November 8, 2024

Scaling the cliff: Tax policy implications of a Donald Trump presidency

More than a week after the US cast its votes in the 2024 presidential and congressional elections, we now have a complete picture of how power will be allocated on both ends of Pennsylvania Avenue in January 2025.

Former President Donald Trump will serve a second, nonconsecutive term in the Oval Office, as reported by the Associated Press (AP) and multiple other news outlets on November 6, 2024.

See also tax@hand - November 6, 2024,tax@hand - November 9, 2024, tax@hand - November 15, 2024

Ways and Means Republicans seek comments on IRA's biofuel producer tax credits

Six Republican members of the US House Ways and Means Committee released a letter on November 18, 2024, requesting comments from stakeholders by December 13, on how the biofuel tax credits enacted in the Inflation Reduction Act of 2022 (P.L. 117-169) could be improved to support domestic energy production and rural economic development.

See also tax@hand - November 22, 2024

Still no decisions on government funding as December 20, 2024, deadline looms

The US Congress closed out the week of November 18, 2024 with no real signs that Republican and Democrat leaders are closer to reaching an agreement on a full package to fund federal departments and agencies for fiscal year 2025; meanwhile, the outgoing chairman of the Senate Finance Committee suggested that lawmakers may be able to clinch a deal on a disaster relief tax package before the end of 2024.

See also tax@hand - November 23, 2024

Republican congressional leaders eye 2025 tax agenda

In the week of November 18, 2024, Republicans on Capitol Hill directed their attention to 2025 when they will hold a trifecta of power in Washington and have full control of the US tax policy agenda.

See also tax@hand - November 23, 2024

Vietnam

Navigating location-based tax incentives in a changing policy landscape

Vietnam's latest draft law on corporate income tax is expected to significantly reform existing tax incentive schemes. The draft law, proposed to be effective as from January 1, 2026, would limit the traditional location-based incentives currently granted to industrial, economic, and high-tech zones, and focus on improving areas classified as "difficult," potentially affecting a wide range of businesses with existing investment plans in these areas.

See also tax@hand - November 5, 2024

Did you know

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

European Union

Dutch refusal to grant dividend tax refund to UK insurance company contrary to EU law

On November 7, 2024, the Court of Justice of the European Union (CJEU) issued its judgment in case C-782/22 (not yet available in English) regarding the interpretation of the free movement of capital (article 63, paragraph 1, of the Treaty on the Functioning of the European Union (TFEU)). The CJEU ruled that the free movement of capital prohibits national legislation that allows only resident companies to deduct the costs associated with their obligations to clients under unit-linked insurance contracts from their taxable income regarding dividends, resulting in the possibility to fully offset the dividend tax against corporate income tax. According to the CJEU, this results in discriminatory tax treatment of nonresident companies compared to resident companies, constituting an unjustified restriction on the free movement of capital under EU law.

See also tax@hand - November 11, 2024

Germany

MOF issues final decree on interpretation of anti-hybrid rules

On December 5, 2024, the German Ministry of Finance (MOF) 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.

See also tax@hand - December 12, 2024

Singapore

IRAS publishes advance ruling on tax treatment of sale of partnership business

On August 28, 2024, the Inland Revenue Authority of Singapore (IRAS) published Advance Ruling Summary No. 01/2024 addressing whether any profits derived by a partnership (Partnership A) from the proposed sale of the partnership's business to a company (Company B) are capital in nature and not subject to income tax under section 10(1) of the Income Tax Act (ITA), except for the transfer of inventory (where the provisions of section 32 of the ITA will apply, where appropriate), and the computation of balancing charges under section 20 of the ITA where capital allowances were claimed previously.

See also tax@hand - October 10, 2024

United Kingdom

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

On November 7 2024, the UK tax authority, HM Revenue & Customs (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.

See also tax@hand - November 15, 2024

Tribunal dismisses taxpayer's appeal on loan relationships "unallowable purpose" rule

The UK First-tier Tribunal has dismissed a taxpayer's appeal in the corporation tax case Syngenta Holdings Limited v HMRC concerning the loan relationships "unallowable purpose" rule (sections 441 and 442 Corporation Tax Act 2009).

The taxpayer, a UK-resident group company, claimed tax deductions between 2011 and 2016 for interest expense arising on a new intragroup loan from an overseas group treasury company. The loan had partly funded an intragroup acquisition in 2011 under which the taxpayer acquired 100% of the shares in another UK company from its non-UK parent company. HM Revenue & Customs (HMRC) considered that the main purpose for which the taxpayer was a party to the loan was an unallowable purpose—i.e., the obtaining of the UK tax deductions for the interest.

After reviewing the evidence in detail, including documentary evidence from the time the transaction was implemented, and applying recent case law on the unallowable purpose rule, the First-tier Tribunal made a finding of fact that the only reason the loan was entered into was to secure the tax advantage. Accordingly, the tribunal agreed with HMRC that all the interest debits were disallowed under the rule.

See also tax@hand - November 11, 2024

Example Disclosures

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

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

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

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

See Roadmap to Accounting for Income Tax and Deloitte Financial Reporting Alerts

Quick Reference Guide for Income Tax Rates

The following section includes a summary of combined tax rates applicable in jurisdictions with rate changes in 2024, and supplemental information with respect to certain jurisdictions.

For other jurisdictions see 2024 Global Tax Rates as well as a comparative table of 2020-2024 Global Tax Rates.

Jurisdiction	2023	2024	Notes
Austria	24%	23%	The corporate income tax rate is 24% in 2023. The rate will be 23% as from January 1, 2024. See tax@hand - February 28, 2023
Barbados	1% - 5.5%	9%	A new corporate income tax rate of 9% has been established, effective as from January 1, 2024. The rate is subject to some exceptions, which are discussed further in the article. See tax@hand - May 31, 2024
Czech Republic	19%	21%	The corporate income tax rate is increased from 19% to 21%, and the increase will apply to all taxable periods beginning on or after the date of entry into force of the amendments, i.e., as from January 1, 2024. See tax@hand - January 25, 2024
South Africa	27/28%	27%	The corporate income tax rate was reduced from 28% to 27% for years of assessment ending on or after March 31, 2023. See South Africa Highlights 2024 (deloitte.com)
South Sudan	25%	30%	Business profit tax is charged at a flat rate of 30% on the taxable profit or net profit of any organization that generates income for profit. The rate applies to fiscal year 2023/24, which runs from July 1, 2023 to June 30, 2024. See South Sudan Highlights 2024 (deloitte.com)
United Arab Emirates	0/9%	9%	9% rate applies for financial years starting on or after June 1, 2023. See UAE Highlights 2024 (deloitte.com)
United Kingdom	19/25%	25%	The main rate of UK corporation tax increased from 19% to 25% as from April 1, 2023. See United Kingdom Highlights 2024 (deloitte.com)

Additional Resources

A Roadmap to Accounting for Income Taxes—This Roadmap includes all of Deloitte's interpretive guidance on the accounting for income taxes, combining the income tax accounting rules and implementation guidance from ASC 740 with Deloitte's interpretations.

Accounting for Income Taxes—Global Tax Developments archive

Accounting for Income Taxes Hot Topics archive—A quarterly publication that highlights certain recent tax and accounting developments that may have accounting for income taxes (ASC 740) implications.

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Deloitte International Tax Source (DITS)—An online database featuring corporate, withholding and tax treaty rates and information for 66 jurisdictions worldwide.

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

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

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

Contact Us

Ana Lam
Managing Director, Deloitte Tax LLP
Phone: +1 305 808 2336
E-mail: walam@deloitte.com

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