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Accounting for Income Taxes

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

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Introduction

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Unless otherwise indicated, the content in this document is based on information available as of 30 September 2013. 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 U.S. GAAP guidance

Under U.S. 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 rule as to what constitutes “enactment” under U.S. 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 — 1 July to 30 September 2013

The following section includes a brief summary of major international income tax law changes enacted during the period 1 July to 30 September 2013, unless specified otherwise.

Argentina
Belgium
Greece
Israel
Luxembourg
Portugal
Puerto Rico
Ukraine
United Kingdom

Argentina

New Tax on Dividends and Capital Gains Introduced

Date of enactment: 23 September 2013
Effective date: 23 September 2013

On 23 September 2013, a new law published in the Official Bulletin introduced a tax on the payment of dividends and profit distributions by Argentine entities and on gains derived from the sale of shares, bonds and securities under certain circumstances. According to the new law, a 10% income tax applies to dividend and other profit distributions made by Argentine companies, trusts and certain mutual funds organized in Argentina and on profit remittances made by permanent establishments and branches of nonresidents to resident individuals and nonresident individuals and corporations. In addition, the exemption for gains derived from the sale of shares, bonds and other securities by nonresidents is abolished and such gains are taxed at a rate of 15%. The new rules are applicable as from 23 September 2013.

See also **World Tax Advisor — 13 September 2013**.

Belgium

Fairness Tax Introduced

Date of enactment: 30 July 2013
Effective date: 30 July 2013

As from tax year 2014 (i.e. financial years closing as from 31 December 2013), a minimum tax applies in Belgium to companies distributing dividends but not paying corporate income tax because of tax losses carried forward or the notional interest deduction (NID). The fairness tax is levied at a rate of 5.15% and also applies to branches of foreign companies. Specific rules apply to determine the taxable base.

Greece

New Tax Code Strengthens Thin Cap Rules, Introduces CFC Rules

Date of enactment: 23 July 2013
Effective date: 1 January 2014

The Greek parliament approved a tax bill on 23 July 2013 that will replace the existing income tax code. The new law makes a number of notable changes to the tax rules affecting companies and includes measures designed to combat tax avoidance and evasion. These include the introduction of the "place of effective management" concept for the determination of tax residency, a revised approach with respect to the thin capitalization rules, the introduction of controlled foreign company rules and several changes to withholding taxes. The new tax laws will generally be applicable as from 1 January 2014.

See also **World Tax Advisor — 27 September 2013**.

Israel

Corporate Income Tax Rate Increase Enacted

Date of enactment: 30 July 2013
Effective date: 1 January 2014

On 30 July 2013, the Israeli parliament (Knesset) approved the 2013 budget, portions of which have a significant impact on Israeli corporate income tax law. Included in the budget is an increase to the "headline" corporate income tax rate from 25% to 26.5%, an increase from 12.5% to 16% to the beneficial rate granted under the Law for the Encouragement of Capital Investment ("Encouragement Law"), for industrial companies located in the middle of Israel, and an increase from 7% to 9% to the beneficial rate granted to industrial companies located in Zone A (assuming all required conditions are satisfied). Dividends distributed to individuals and foreign residents, out of income which was subject to the reduced tax rates in accordance with the Encouragement Law, will be subject to a 20% tax rate (instead of 15% for FY 2013). The increased 26.5% corporate income tax rate will be applicable as from 1 January 2014.

Luxembourg

New Legal and Tax Rules for Partnerships

Date of enactment: 12 July 2013
Effective date: 15 July 2013

In the context of the transposition of the EU Alternative Investment Fund Managers Directive into domestic law, the Luxembourg parliament approved new rules for partnerships ("New Partnership Rules") that apply as from 15 July 2013. The New Partnership Rules introduce a flexible regime for common limited partnerships (*sociétés en commandite simple* or SCSs) and a new special limited partnership vehicle (*société en commandite spéciale* or SCSp). Although most of the provisions applicable to these entities are similar, the main difference between the SCS and the SCSp is that the SCSp does not have legal personality (i.e. it is a transparent entity). Under both types of entity, however, it will be possible to:

- Keep the identity of the limited partners confidential;
- Appoint a manager that (provided it is not a general partner) will be liable only for the execution of its mandate and any misconduct in the management and that can delegate power to a representative that, in turn, will be liable only for the execution of its mandate;

- Allow the limited partners to perform some internal management (as opposed to external management) functions, such as advisory or supervisory functions and the granting of loans or guarantees to the SCS/SCSp or its affiliates;
- Derogate from the “one share, one vote” principle;
- Exclude a partner from sharing in the profits and/or losses of the entity; and
- Preclude the clawback of distributions to partners.

The New Partnership Rules provide for full tax transparency of the SCS/SCSp for corporate income tax, municipal business tax and net wealth tax purposes, provided certain conditions are satisfied. In addition, dividends distributed by a SCS/SCSp will not be subject to Luxembourg withholding tax.

In addition to the new partnership rules, the law transposing the directive into Luxembourg law introduces measures on the tax treatment of carried interest (e.g. the tax rate applicable to carried interest is temporarily decreased by 75% for 10 years).

See also **World Tax Advisor — 26 July 2013**.

Portugal

Introduction of Temporary Extraordinary Tax Credit

Date of enactment: 16 July 2013
Effective date: 17 July 2013

Portugal has introduced a temporary extraordinary tax credit regime aimed at promoting investment. The new regime, which applies as from 17 July 2013, allows a tax credit of up to 20% of qualifying investment (e.g. investment in new property, plant and equipment) up to a maximum investment of EUR 5 million. The credit may be used to offset taxable income for the 2013 tax year, but may not exceed 70% of the company’s tax liability; any excess tax credit may be carried forward to the following five years. The credit is available for investments made between 1 June and 31 December 2013, but cannot be used simultaneously with other incentives of a similar nature.

Puerto Rico

Changes to Alternative Minimum Tax Regime Enacted

Date of enactment: 30 June 2013
Effective date: Applicable to taxable years beginning after 31 December 2012

On 30 June 2013, the governor of Puerto Rico enacted Act 40 of 2013, known as the Tax Burden Redistribution and Adjustment Act. Act 40 was enacted as part of the Puerto Rico budget for fiscal year 2013-2014 and, among other items, makes significant changes to the alternative minimum tax (AMT) regime. Act 40 introduces an additional tax on gross income (ATGI) as part of the AMT regime that applies to corporations, partnerships, special partnerships and corporations owned by individuals engaged in a trade or business in Puerto Rico. In addition, the new law makes changes to the rules governing the calculation of the AMT, the most significant of which is the new ATGI, and introduces a new tax on related party transactions.

See also **World Tax Advisor — 27 September 2013** and see **Accounting for Income Taxes Quarterly Hot Topics: September 2013** for a discussion of the related accounting for income taxes implications.

Ukraine

Transfer Pricing Rules Amended

Date of enactment: 31 July 2013
Effective date: 1 September 2013

On 31 July 2013, the Ukrainian president signed into law amendments to the transfer pricing rules that were approved by parliament on 4 July 2013. The amended law includes the following changes to the transfer pricing regime:

- A qualifying Ukraine taxpayer will be required to submit a report by 1 May on its controlled transactions for the previous calendar year. The tax authorities can request transfer pricing documentation (special documentation that demonstrates that transactions were carried out in compliance with the transfer pricing rules), although such documentation need not be submitted with the controlled transactions report.
- A transaction will be deemed to be a controlled transaction for purposes of applying the transfer pricing rules if the volume of the transaction exceeds UAH 50 million for the revevant calendar year and transaction is concluded with one of the following:
  - A resident related party that (i) declared tax losses for the previous reporting year; (ii) benefited from a special tax regime at the beginning of the current reporting year; (iii) was subject to a non-standard income tax or VAT rate at the beginning of current reporting year; or (iv) was not a corporate income tax or VAT payer at the beginning of current reporting year;
  - A nonresident related party; or
  - A nonresident entity resident in a country where the income/corporate tax rate is at least 5% lower than the rate applicable in Ukraine (the current rate in Ukraine is 19%).
- Large taxpayers (i.e. companies that have reported UAH 500 million in income or paid more than UAH 12 million in tax during the past four quarters) will be able to enter into advance pricing agreements with the tax authorities in respect of the pricing of their controlled transactions.
- Increased penalties will apply for noncompliance with the transfer pricing rules. A penalty of up to 50% of underpaid tax liabilities will apply where the tax authorities make an adjustment and a penalty of 5% of the controlled transaction amount will apply for failure to submit the transfer pricing report.
- Optional transition rules may be applied until 1 January 2018 to determine conventional export/import prices on certain commodities in the agriculture, metallurgy, chemical and oil and gas industries, and special rules will apply to forward contracts.

The amended rules are effective as from 1 September 2013.

See also **World Tax Advisor — 26 July 2013** and **Arm's Length Standard — August/September 2013**.

United Kingdom

New Tax Rules Included in UK Finance Act 2013

Date of enactment: 17 July 2013
Effective date: Various

On 17 July 2013, the UK Finance Act 2013 received Royal Assent, passing into law a number of tax measures announced in the UK Budget 2013. Key measures included in this legislation are the

continued phased-in reduction of the corporate income tax rate and a research and development (R&D) expenditure credit for large companies, both described below.

Corporate Income Tax Reduction

Pursuant to the newly enacted legislation, the corporate income tax rate will be reduced to 21% effective 1 April 2014 and to 20% effective 1 April 2015, in place of the previously reduced 23% tax rate. Because the reduced tax rate is effective from 1 April, companies that do not have a 31 March year-end may be subject to a blended tax rate on income earned in the reporting period that includes the effective date of the tax rate change. For example:

- Company X is organized and operating under UK law and has an accounting period ending 31 December 2014.
- With the enactment of the 21% tax rate effective as from 1 April 2014, Company X's 2014 blended tax rate will decrease to 21.5%, where the 23% tax rate will be applicable from January 2014 through March 2014 and the 21% tax rate will be applicable from April 2014 through December 2014.

Research & Development Expenditure Credits

The R&D expenditure credits for large companies were previously announced by Her Majesty's Treasury in the UK's 2011 Autumn Statement. Companies will have to elect to apply the new R&D expenditure credits regime, as it will operate alongside the existing 30% super-deduction for qualifying research expenditure until the R&D expenditure credits become mandatory in April 2016. The R&D expenditure credits are designed to make R&D incentives more accessible and visible than the R&D super-deduction and to provide earlier relief to companies with no corporate tax liability, such as companies with losses. The new R&D expenditure credit regime is applicable for expenditures incurred on or after 1 April 2013 and is administered through corporate income tax filings.

See also **Accounting for Income Taxes Quarterly Hot Topics: September 2013** for a discussion of the R&D expenditure credits and the related accounting for income taxes implications.

Enacted tax law changes that are now effective — 1 July to 30 September 2013

The following section includes a brief summary of major international income tax law changes enacted before 1 July 2013, but are first effective in the period 1 July to 30 September 2013.

Gibraltar

Tax Treatment of Intercompany Interest Amended

The Gibraltar government approved changes to the taxation of intercompany interest on 6 June 2013 in response to the conclusion of the EU Code of Conduct Group in November 2012 that the domestic tax treatment of intercompany interest was not in line with EU requirements. Under existing law, Gibraltar does not levy tax on interest. The amendments result in interest received on intercompany loans falling within the scope of taxation in Gibraltar where the interest is in excess of £100,000 and deemed to accrue in or derive from Gibraltar. As a result, any interest receivable that is subject to taxation will be taxed at a rate of 10% (20% in the case of utilities companies or companies abusing a dominant position). The amendments apply as from 1 July 2013.

See also **Gibraltar Tax Alert — 11 June 2013**.

Enacted tax law changes that are effective as from 1 October 2013

The following section includes a brief summary of major international income tax law changes enacted before 1 July 2013, but are effective as from 1 October 2013.

Per a review of the jurisdictions that are generally monitored and tracked in this publication, no tax law changes that are effective as from 1 October 2013 have been identified.

The measurement of current and deferred tax liabilities and assets is based on provisions of the enacted tax law; the effects of future changes in tax laws or rates are not anticipated (ASC 740-10-30-2(a)). When a change in tax law is enacted in an interim period, a corporation should account for the enactment in accordance with the guidance set forth under ASC 740-270, Income Taxes: Interim Reporting. For current taxes payable or refundable, the annual effective tax rate (AETR) is adjusted to reflect the new tax law in the period in which the new tax law is effective, but not before it is enacted. Deferred taxes are adjusted for changes in tax law discretely in the interim period that includes the enactment date. These rules sometimes result in accounting for a change in tax law in more than one quarter.

On the horizon…

The following developments in tax law had not become effective as of 30 September 2013, but may, in certain cases, become effective in the near future. Please follow up with your U.S. or local country tax advisor for more information.

France

Germany

Mexico

Netherlands

Portugal

France — Finance Bill 2014 Includes New Taxes on Large Companies

On 25 September 2013, the French government announced a package of proposed tax measures that would impact large companies. The measures were part of the draft finance bill for 2014 and included an exceptional tax on high remuneration paid by companies, a 1% tax on earnings before interest, tax, depreciation and amortization (EBITDA), a restriction on the deduction of interest paid between related parties and a new transfer pricing reporting obligation for certain business restructurings. If enacted, some of the proposals would be applicable as from the current financial year.

Subsequent to the announcement on 25 September 2013, the government abandoned the 1% tax on EBITDA that was proposed in the original draft finance bill for 2014. In its place, the government proposes to increase, from 5% to 10.7%, the temporary surcharge on corporate income tax (which was introduced in 2011) imposed on companies with gross revenue exceeding EUR 250 million (calculated on a consolidated basis when a French consolidated group is in place). The rate increase would apply for corporate income tax due for fiscal years ending on or after 31 December 2013, through fiscal years ending on 30 December 2015.

See also **France Tax Alert — 26 September 2013**.

Germany — Draft Decree on Attribution of Profits to a PE Released

Germany's Ministry of Finance published a draft decree on 5 August 2013 that details its views on the functionally separate entity approach to the attribution of profits to a permanent establishment (PE). Germany implemented the Authorized OECD Approach (AOA, as set out in article 7 of the 2010 OECD model treaty and commentary) into its domestic law in the Tax Act on the Implementation of the Administrative Assistance Directive and the Amendment of Other Tax Regulations that was passed on 30 June 2013. Under the AOA, the arm's length principle must be applied to the cross-border profit allocation between a PE and the enterprise of which it is a part; for this purpose, the PE must be treated as a separate and independent entity. The draft decree is aimed at ensuring that the principles of the AOA are applied properly. Both domestic enterprises that maintain a foreign PE and foreign businesses with a German PE will be subject to the decree. Once adopted by the *Bundesrat* (upper house of parliament) and published in the Federal Gazette, the decree will apply retroactively as from 1 January 2013.

See also **World Tax Advisor — 13 September 2013**.

Mexico — Tax Reform Presented to Congress

Mexico's president submitted a broad tax reform package to the congress on 8 September 2013. The proposals —part of the 2014 budget— contain a number of measures that would affect companies doing business in Mexico. Included in the tax reform package is an elimination of the business flat tax, an introduction of a 10% income tax on dividends paid to Mexican individuals and nonresident legal entities, limitations to the benefits granted to maquiladoras, and a disallowance of deductions for expenses paid to foreign related parties that are not subject to an income tax rate of at least 22.5%. The proposals will be discussed by the House of Representatives and Senate and the final version of the bill should be approved before year end. If enacted, the reform would apply as from 1 January 2014.

See also **Mexico Tax Alert — 9 September 2013**.

Mexico — Amendments to Maquiladora Regime Proposed

The proposed tax reform unveiled by Mexico's president on 8 September 2013 includes some important changes to the maquiladora regime. Maquiladoras are Mexican companies that process, transform, assemble or repair imported materials, parts and components into finished goods that subsequently will be exported out of the country. Under the maquiladora regime, which is designed to encourage foreign investment, maquiladoras are allowed to import materials, machinery and equipment free of duties and value added tax (VAT), provided the finished products are exported outside Mexico. In addition to the indirect tax benefits available to maquiladoras, there are income tax benefits that protect the foreign parent or related party company from a permanent establishment determination and the corresponding exposure to Mexican tax as a result of its relationship with the maquiladora to the extent the maquiladora can apply certain special transfer pricing methodologies and requirements. The government has indicated that the VAT benefits and some of the income tax benefits granted under the regime have been the subject of abuse and no longer serve their original purpose. The stated objective of the new regime is for the tax authorities to be able to more closely supervise and control maquiladora operations.

See also **World Tax Advisor — 13 September 2013**.

Netherlands — Government Announces Plans to Reinforce Current International Tax Policy

In a 30 August 2013 letter presented to parliament, the Dutch government clarified its position on the international debate on the taxation of multinationals. The government acknowledges that international tax avoidance and fraud are issues that demand a global response and solutions, and that it fully endorses the July 2013 OECD action plan on base erosion and profit shifting and cooperation with the G20. According to the Dutch government, the OECD plan offers a promising framework for the reinforcement of international tax rules. In the letter, the government rejects any notion that unilateral Dutch measures should be introduced to combat tax avoidance/evasion because such measures likely would not be effective and actually could be detrimental to the Netherlands' investment climate. The government does emphasize that any global measures should be binding on all countries to ensure a level playing field for countries and multinationals alike. More details on the policy broadening are expected to be published in the near future.

See also **World Tax Advisor — 13 September 2013**.

Netherlands — Ministry of Finance Proposes Change to "Compartmentalization" Rule

The Dutch Ministry of Finance submitted a legislative proposal to parliament on 3 September 2013 to counter a decision of the Supreme Court regarding "compartmentalization" with respect to the participation exemption. In a decision issued 14 June 2013, the court ruled that the application of the

participation exemption should not be compartmentalized when the regime has been amended and no transition rules have been provided for the new measures. Immediately after the decision was issued, the State Secretary of Finance announced that the Corporate Income Tax Act would be amended to specifically require compartmentalization whenever any changes are made to the participation exemption regime. If approved, the proposed rule would apply retroactively as from 14 June 2013, the date of the Supreme Court decision.

See also **World Tax Advisor — 13 September 2013**.

Netherlands — Tax Package for 2014 Announced

Details of the 2014 tax package were released on 17 September 2013 as part of the 2014 Dutch budget. Among other items, the tax package proposes a change to the basis for calculating the applicable interest rate on corporate tax assessments, an increase to the research and development deduction introduced in 2012 for certain tax payers and a one-year extension of the 16% final levy on employee salaries that was introduced in 2013. The proposed changes would become effective at various dates in 2014.

See also **World Tax Advisor — 27 September 2013**.

Portugal — Corporate Income Tax Reform

A reform commission appointed by the Portuguese government to study and propose revisions to the corporate income tax regime made its preliminary conclusions available for public discussion on 30 July 2013. The proposals include, among others, the following measures:

- Gradual reduction in the statutory corporate income tax rate from 25% in 2013 to 19% in 2018, together with the repeal of the existing municipal and national surtaxes.
- Expansion of the participation exemption to include dividends received from qualifying shareholders meeting a minimum holding percentage of at least 2% (currently 10%).
- Introduction of a full participation exemption for capital gains and losses arising from shares that have been held for at least 12 months (no minimum holding percentage required).
- Introduction of a five-year carryforward period for excess foreign tax credits.
- Introduction of an optional exemption method for profits attributable to foreign permanent establishments of resident companies.
- Extension of the tax loss carryforward period from five years to 15 years (with an annual limit of 75% of the taxable results).
- Introduction of a 50% exemption for certain income from intellectual property.
- Broadening of the scope group restructuring transactions that may be undertaken on a tax-neutral basis.
- Change in the definition of related parties for purposes of the transfer pricing rules to include a shareholding of 20% (currently 10%).

Did you know?

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

Belgium
Brazil
Colombia
Costa Rica
European Union
Germany
India
Indonesia
Italy
Luxembourg
Mexico
OECD
United States

Belgium — Tax Authorities Issue Guidance on Refunds of Dividend Withholding Tax to Nonresident Entities

The Belgian tax authorities issued a circular on 28 June 2013 in response to the 2012 decision of the Court of Justice of the European Union (CJEU) that Belgium's dividend tax treatment of nonresident shareholders is incompatible with the free movement of capital principle in the EU treaty. The circular (which deals only with shareholdings that would have qualified for the dividends received deduction) provides guidance on refunds of withholding tax on Belgian-source dividends to nonresident entities subject to a foreign corporate income tax regime. The circular clarifies certain general conditions for dividend withholding tax refunds and confirms that the tax authorities will give priority handling to refund claims satisfying such conditions. The circular limits the refund to the amount of Belgian-source dividend withholding tax, reduced by (1) the hypothetical Belgian tax suffered (i.e. the tax on the 5% of the dividend that is taxable under the dividends received deduction regime); and (2) any (full or partial) credit or refund obtained in the state of residence of the recipient. The circular also confirms that a five-year statute applies for refund claims, i.e. a claim can be filed in 2013 for withholding tax on dividends paid as from 1 January 2009.

See also **World Tax Advisor — 26 July 2013**.

Brazil — Guidance Issued on Spread for Transfer Pricing Purposes

The Brazilian Ministry of Finance issued a ruling on 2 August 2013 that defines and clarifies the "spreads" that should be taken into account for transfer pricing purposes. The spreads apply to interest charged in the context of related party financial transactions. The ruling addresses most of the outstanding questions taxpayers and tax practitioners have had about the application of the transfer pricing rules to financial transactions.

See also **Brazil Tax Alert — 3 August 2013** and **Arm's Length Standard — August/September 2013**.

Colombia — Guidance Issued on Compliance Requirements for CREE Tax

A decree issued on 27 August 2013 makes changes to the rules governing the "fairness tax" (or CREE) that was introduced under the 2013 tax reform. The CREE is payable by resident companies and nonresident companies that earn income through a permanent establishment or branch in Colombia at rates of 0.3%, 0.6% or 1.5%, depending on the taxpayer's activities. CREE tax withholding must be reported monthly. As from 1 September 2013, each taxpayer must self-assess the CREE tax withholding and submit a special tax return to the Colombian tax authorities.

See also **Global Tax Developments Quarterly — 2013-2 Final Edition**.

Costa Rica — Transfer Pricing Rules Introduced

An executive decree issued on 13 September 2013 introduces transfer pricing rules for the first time in Costa Rica. The rules, which generally follow the OECD transfer pricing guidelines, apply to related-party transactions involving goods, services and intangible assets. The decree sets out the applicable transfer pricing methodologies and documentation requirements. An advance pricing agreement will be possible.

European Union — Belgian Notional Interest Deduction Rules Infringe EU Law

The Court of Justice of the European Union (CJEU) issued its decision in the *Argenta Spaarbank* case on 4 July 2013, concluding that the Belgian notional interest deduction (NID) rules, as applied to a Belgian company with a permanent establishment (PE) in a country that has concluded a tax treaty with Belgium, violate EU law. Under Belgian law, the net assets of a foreign PE located in a treaty country are excluded from the NID calculation basis, which is not the case for a Belgian PE. The decision will affect Belgian companies with a PE in another EU member state, as well as Belgian companies with a PE in Iceland or Norway (which are part of the EEA). The Finance Minister has stated that the Belgian government will examine the decision and submit a proposal to adapt domestic legislation to comply with the CJEU decision in *Argenta Spaarbank* within the next few months.

See also **World Tax Advisor — 26 July 2013**.

Germany — Federal Tax Court Rules on Requirements for Partnership to Head a Tax Group

Germany's Federal Tax Court (BFH) recently ruled on whether a partnership that is the head of a German tax group (Organschaft) is required to carry out its own genuine business activities from the beginning of the first year for which the Organschaft is effective, or whether the activities can begin at a later point during that first year. In the case, the taxpayer applied for Organschaft treatment from 1 January 2006, even though the head of the group (a limited commercial partnership, or KG) did not commence its own business activities until 1 March 2006. The BHF ruled in favor of the taxpayer, holding that it is sufficient if the partnership starts its own genuine business activities during the first year of the Organschaft.

See also **World Tax Advisor — 27 September 2013**.

India — Increased Information Requirements for Nonresidents Claiming Treaty Benefits

India's Central Board of Direct Taxes (CBDT) issued a notification dated 1 August 2013 announcing that nonresidents must furnish a new form (Form No. 10F) along with their tax residence certificate (TRC) to claim tax relief under an applicable tax treaty, unless the TRC already contains all required information. Finance Act, 2012 introduced the requirement for a nonresident claiming relief under a tax treaty to obtain a TRC in a prescribed format from the tax authorities in its country of residence. Finance Act, 2013 amended this requirement by eliminating the prescribed format, but requiring a

nonresident to continue to obtain a TRC and to maintain other documents and information as specified by the Indian tax authorities. The CBDT has now announced that, as from 1 April 2013, a nonresident must provide the additional information specified in new Form No. 10F along with the TRC in order to claim treaty benefits.

See also **World Tax Advisor — 23 August 2013**.

India — Safe Harbor Transfer Pricing Rules Released

India's Central Board of Direct Taxes (CBDT) released transfer pricing "safe harbor" rules on 18 September 2013, as part of an initiative by the government to reduce the number of transfer pricing audits and protracted disputes. Under the safe harbor, the Indian income tax authorities will accept certain transfer prices declared by the taxpayer. The safe harbor rules follow the recommendations of the expert committee with respect to the taxation of development centers and the information technology sector. The main features of the safe harbor rules are as follows:

- The rules apply only for specified international transactions such as software development services, contract R&D, IT enabled services, etc.
- The rules prescribe a safe harbor profit margin as a percentage of operating revenue for specified international transactions. The prescribed safe harbor margins would be valid for five fiscal years beginning with fiscal year 2012-13.
- The safe harbor does not apply to transactions with an associated enterprise located in a low tax jurisdiction (i.e. a jurisdiction with a tax rate of less than 15%) or a "notified" country.
- The rules apply only if a taxpayer opts to be governed by the rules before the due date for filing the annual income tax return for the first eligible year.
- The taxpayer is required to maintain documentation under the transfer pricing rules.
- A taxpayer opting to use the safe harbor rules may not invoke the mutual agreement procedure under a relevant tax treaty.

Indonesia — Final Income Tax Rate Introduced

A regulation that became effective on 1 July 2013 introduces a 1% final income tax on business activities (trading and services) income earned by corporate (other than permanent establishments of foreign companies) and individual taxpayers whose gross income does not exceed IDR 4.8 billion in a fiscal year. The 1% final income tax does not apply to the following taxpayers: (1) corporate taxpayers that have not yet commenced commercial operations; (2) corporate taxpayers whose annual turnover exceeds IDR 4.8 billion within one year after commencing commercial operations; and (3) individuals that use facilities that can be assembled/disassembled in carrying out their trading or service activities. Taxpayers that pay tax under another regime also are not subject to the 1% final tax.

See **World Tax Advisor — 27 September 2013** for information regarding the recently issued guidance on the final income tax.

Italy — Final Implementation Rules Issued on Optional Exit Tax Deferral Regime

The final implementation rules for Italy's optional deferral regime for the exit tax on deemed gains when an Italian company migrates to another EU/EEA jurisdiction was published in the Official Gazette on 12 August 2013. The decree addresses the computation and scope of the exit tax liability, exit tax payment elections, termination of the regime and recapture of the deferral election amounts. Under the optional exit tax deferral regime, available for migrations implemented after 24 January 2012, a taxpayer that transfers its tax residence to another EU/EEA state may opt for deferral of the Italian exit tax on the built-in gains in the assets transferred abroad until the actual realization or disposal of the assets. The option to defer, however, is conditioned on the Italian

company migrating to another EU member state or an EEA country that has signed a bilateral agreement with Italy for the recovery of tax claims that is comparable to the provisions of the EU mutual assistance directive (i.e. Iceland and Norway). Although a few important items still are unclear and will be addressed by the Italian tax authorities in future guidance, the final implementation rules issued by the Ministry of Finance provide a base for discussion for multinational groups interested in restructuring their Italian operations.

See also **World Tax Advisor — 13 September 2013**.

Luxembourg — Guidance Issued on Minimum Income Tax Regime

The Luxembourg tax authorities issued a circular on 1 August 2013 to clarify the scope of the minimum income tax and various criteria related to the tax regime. All "collective entities" with a statutory seat or central administration in Luxembourg are liable to the minimum income tax, regardless of whether or not they are regulated (before 2013, only unregulated collective entities were subject to the minimum tax). Luxembourg permanent establishments (PEs) of foreign companies are outside the scope of the minimum tax on the grounds that, in principle, foreign companies have their statutory seat or central administration outside Luxembourg.The guidance in the circular was necessary to clarify certain interpretation issues, particularly with respect to the application of tax treaties (e.g. whether real estate and PEs of Luxembourg companies in countries with which Luxembourg has a tax treaty would be excluded from the determination of the minimum income tax base). Additionally, the circular clarifies the effect of tax treaties, tax consolidated groups, and credits and losses on the applicability of the minimum income tax.

See also **World Tax Advisor — 23 August 2013**.

Mexico — Guidance Issued on Payments to Tax Havens and Availability of Foreign Tax Credits

The Mexican tax authorities (SAT) issued guidance on 25 June 2013 clarifying when the 40% withholding tax on payments made to residents of low tax jurisdictions applies and the availability of foreign tax credits. The new guidance clarifies that the 40% withholding tax applies only to payments made to CFCs that are controlled by Mexican residents or PEs of foreign companies in Mexico; thus, the 40% rate does not apply to payments made to nonresidents that are not considered CFCs from a MITL perspective. In addition, according to the new guidance, a foreign tax credit attributable to withholding tax in excess of the relevant rate provided in a treaty may not be claimed until the competent authorities of the treaty partner countries conclude an agreement under the mutual agreement procedure and the Mexican resident has formally accepted the outcome of such procedure.

See also **World Tax Advisor — 23 August 2013**.

OECD — New Draft on Transfer Pricing Aspects of Intangibles

The Organization for Economic Cooperation and Development (OECD) on 30 July 2013 issued a revised discussion draft on Transfer Pricing Aspects of Intangibles for public consultation. This is part of the OECD's ongoing project to update and clarify the intangibles chapter of the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations and it is much changed from the initial draft issued in June 2012. This work is a key part of the OECD's broader project, supported by the G20, to address base erosion and profit shifting (BEPS) within the international tax system. Transfer pricing forms a significant part of the OECD's 15-point Action Plan on BEPS. The discussion draft contains a new draft Chapter VI, Special Considerations for Intangibles for inclusion in the transfer pricing guidelines. The OECD confirms its commitment to the arm's length principle for the pricing of intangibles in the opening remarks, and reflects that it is important that (i) the principles of the OECD transfer pricing are applied to intangible transactions in the same way as for other transactions; and (ii) the analysis is based on an understanding of the global business and the

way in which intangibles are used by the multinational business to add or create value across the entire supply chain. Interested parties are invited to submit comments on the discussion draft by 1 October 2013.

See also **Arm's Length Standard — August/September 2013** and **Deloitte Dbriefs — September 23, 2013: New OECD Guidance on Transfer Pricing Aspects of Intangibles and Documentation**.

OECD — White Paper Released on Tranfer Pricing Documentation

The released a 42-page white paper on transfer pricing documentation on 30 July 2013, as part of its project on transfer pricing simplification, and invited interested parties to submit comments by 1 October 2013. The OECD's invitation to comment aims to launch a global discussion on how transfer pricing documentation rules can be improved, standardized and simplified. The OECD also invited comments on whether other mechanisms can be developed to comply with the transfer pricing documentation elements of the BEPS action plan. The OECD will hold a public consultation on the white paper in November 2013.

See also **World Tax Advisor — 23 August 2013**, **Arm's Length Standard — August/September 2013** and **Deloitte Dbriefs — September 23, 2013: New OECD Guidance on Transfer Pricing Aspects of Intangibles and Documentation**.

OECD — Action Plan on Base Erosion and Profit Shifting Released

The OECD has published its promised Action Plan on addressing BEPS, after presenting the plan to the G20 Finance Ministers' meeting in Moscow on 19 July 2013. The Action Plan sets out 15 areas for further work, including a summary of the key considerations to be addressed and the timetable for the work in each area. The outcome of the actions will include changes to international tax rules and principles (such as those in the OECD's Model Tax Convention and Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations), as well as recommendations for domestic legislation that can be adopted by countries. The Action Plan rules out fundamental change to the international tax architecture, such as the adoption of a global unitary tax system. It also notes that the current balance between source and residence countries remains unaltered by the BEPS proposals. The OECD has staggered deadlines for each action, beginning with September 2014 and ending with December 2015. The OECD remains committed to consulting with business and interested stakeholders, and therefore it is expected that discussion drafts and documents will be released for comment over the coming months, either by individual organizations or through the OECD's business forum of BIAC (Business and Industry Advisory Committee).

See also **OECD Tax Alert — 19 July 2013** and **Deloitte Dbriefs — July 22, 2013: Base Erosion and Profit Shifting: What's Next?**.

United States — Final Tangible Property Regulations Released

On 13 September 2013, the U.S. Department of the Treasury and the IRS released:

- Final regulations (the "Final Regulations") that provide guidance on applying Section 263(a) of the Internal Revenue Code (IRC) to amounts paid to acquire, produce, or improve tangible property, as well as rules for materials and supplies (IRC Section 162).
- Proposed regulations (the "2013 Proposed Regulations") addressing dispositions and general asset accounts (IRC Section 168).

These regulations contain certain changes from the temporary and proposed tangible property regulations that were issued on 23 December 2011. The Final Regulations are generally effective for taxable years beginning on or after 1 January 2014. In addition, taxpayers are permitted to early adopt provisions in the Final Regulations for taxable years beginning on or after 1 January 2012.

Taxpayers are also permitted, but not required, to apply the 2013 Proposed Regulations to taxable years beginning on or after 1 January 2012. The government expects to issue procedural guidance pursuant to which taxpayers will be granted automatic consent to change their accounting methods to comply with the Final Regulations.

See **Accounting for Income Taxes Quarterly Hot Topics: September 2013** for a discussion of the related accounting for income taxes implications.

United States — Treasury Issues Final Transfer of Built-in Loss Regulations

On 30 August 2013, the U.S. Treasury Department issued final regulations under section 362(e)(2) (the "Final Regulations") of the Internal Revenue Code of 1986, as amended (designated as Treas. Reg. § 1.362-4). The objective of the Final Regulations is to prevent duplication of loss in certain corporate nonrecognition transfers such as section 351 transactions, capital contributions, and acquisitions of property as paid-in surplus. The Final Regulations are applicable to transactions occurring after 3 September 2013 unless such transaction was undertaken pursuant to a binding agreement that was effective prior to this date. In addition, taxpayers may apply the Final Regulations to any transaction occurring after 22 October 2004.

United States — Tax Court Holds That Elective Rev. Proc. 99-32 Accounts Receivable Are for Certain Tax Purposes "Indebtedness" Existing at the End of the Year to Which the 482 Adjustment Relates

On 18 September 2013, the U.S. Tax Court held that when controlled taxpayers elected the benefits of Rev. Proc. 99-32, and therefore established accounts receivable from a CFC by its U.S. shareholder in an attempt to minimize the fall-out from agreed section 482 adjustments, the accounts receivable constituted "indebtedness" of the CFC to a related person, and were deemed established as of the close of each year to which the section 482 adjustments related. The narrow issue in the case was whether, for purposes of reducing the U.S. shareholder's one-time section 965 dividends received deduction, a deduction not available after 2006, the IRS could treat such accounts as "indebtedness," and if so, as of what date such debt should be treated as having been incurred. However, an important implication seems to be that the Tax Court believes that the Rev. Proc. 99-32 accounts receivable "fiction" ought generally to be treated for tax purposes as "real." Thus, taxpayers may want to consider whether the language used in the opinion will have broader implications (e.g., section 956 implications) when evaluating the effects of Rev. Proc. 99-32 elections on past, present, and future tax years.

See also **United States Tax Alert — 23 September 2013**.

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.

We have accumulated a select group of example disclosures that report impacts of enacted laws and the potential impacts of proposed legislation. The information in these example disclosures reflects pronouncements as of 30 September 2013. These disclosures were obtained from public filings on **www.sec.gov**. Although taken from public filings, any information specific to the registrant has been removed. New laws are being enacted and new proposals are introduced on a regular basis. The disclosures included in this publication cover only the period noted above. The user of this document should consider new laws enacted or proposed after the period covered and consider whether disclosures would be impacted.

These disclosures may be used to gain insight into registrants' communications to their shareholders and the market about the impacts that tax legislation could have on their business. It is not a substitute for your understanding of such requirements and the exercise of your judgment. You are presumed to have a thorough understanding of the requirements and should refer to the text of the underlying rules, as necessary, in considering particular items in this example disclosure.

Example disclosures with respect to corporate income tax rate changes in Israel and the U.K.

“On July 30, 2013, the Israeli Parliament passed a law, which, among other things, was designated to increase the tax levy for years 2013 and 2014 (the “New Law”). The New Law increases the Israeli corporate tax rate from 25% to 26.5%, cancels the reduction of corporate tax rate for preferred enterprises (16% tax rate under the New Law) and increases the tax rate on dividends from sources under the Israeli Investment Law to 20% commencing on January 1, 2014.

To be eligible for tax benefits under the investment programs, we must meet certain conditions, relating principally to adherence to the investment program filed with the investment Center of the Israeli Ministry of Industry and Trade and to periodic reporting obligations. We believe that our investment programs are currently in compliance with these requirements. However, if we fail to meet these requirements, we would be subject to corporate tax in Israel at the regular statutory rate (25% for 2012 and 26.5% for 2013). We also could be required to refund tax benefits, with interest and adjustments for inflation based on the Israeli consumer price index.”

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“In fiscal 2011, Israel enacted new tax legislation that reduced the effective tax rate to 10% for 2011 and 2012, 7% for 2013 and 2014, and 6% thereafter for certain qualifying entities that elect to be taxed under the new legislation. This legislation was rescinded as announced in the Official Gazette on August 5, 2013. The new legislation enacted a 9% rate for certain qualifying entities that elect to be taxed under the new legislation. The Company has two entities that had previously elected the new tax legislation for years after fiscal 2011. For all other entities that do not qualify for this reduced rate, the tax rate has been increased from 25% to 26.5%. These rates are applicable to the Company as of June 30, 2013.[1]

In July 2013, the United Kingdom passed legislation reducing the statutory rate from 23% to 21% and 20% effective April 1, 2014 and April 1, 2015, respectively.”

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“The U.K. Finance Bill 2013 received royal assent on July 17, 2013 and has therefore been enacted during the period ending September 30, 2013. This bill includes a change in the main U.K. corporation tax rate from its current 23% rate to 21% effective April 1, 2014 and to 20% effective April 1, 2015. The Company expects this tax rate change will result in a discrete tax expense of approximately $X.X million for the period ending September 30, 2013.”

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“On July 17, 2013, the U.K. 2013 Finance Bill was enacted, which reduced the U.K. corporate income tax rate by three percent to 20%. The first two percent of the reduction will become effective on April 1, 2014 and the additional one percent reduction will be effective on April 1, 2015. These reductions will favorably affect income tax expense on future U.K. earnings, but also require us to remeasure, in the period of enactment, our U.K. net deferred tax assets using the lower tax rates. As a result, in the quarter ending September 30, 2013, we will record a charge to income tax expense of approximately $X.X billion in the aggregate for these reductions.”

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[1] Note: Disclosure of this enacted law change was presumably intended to acknowledge the fact that the Company, with a 52/53 week year ending 29 June 2013, would not have to take into account this newly enacted tax law until the subsequent fiscal period.

Quick reference guide — Applicable income tax rates

The following section includes a summary of combined tax rates applicable in several key jurisdictions, the related dates of enactment, for US GAAP purposes, of certain income tax rate changes, and supplemental information with respect to certain taxing jurisdictions.

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.)		Date the combined national/ local rate enacted	Notes
	2013	2014		
Argentina	35%	35%	N/A	A 1% asset tax on corporate assets, including shareholdings in foreign companies (but not holdings in resident companies) operates as a minimum income tax. Asset tax paid may be credited against the company's income tax liability for up to 10 fiscal years.
Australia	30%	30%	N/A	The government previously proposed a reduction of the corporate tax rate from 30% to 29%. In May 2012, it was announced that the proposed reduction was abandoned.
Belgium	33.99%	33.99%	N/A	Reduced rates may be available for companies with taxable income that does not exceed EUR 322,500.
Brazil	34%	34%	N/A	The corporate income tax base rate is 15%. The additional surtax (10%) and social contribution (9%, 15% for financial institutions) yields an effective tax rate of 34%.
Canada	25%–31%	25%–31%	14 Dec 2007	Phased-in decreases of the federal income tax rate were enacted in 2007. The last of the phased-in tax rate decreases came into force in 2012. Provincial rates vary, ranging generally from 10% to 16%.
Chile	20%	20%	27 Sep 2012	On 27 September 2012, the tax reform bill was enacted to increase the corporate income tax rate (First Category Income Tax) from 18.5% to 20% on earnings accrued as from 1 January 2012. To the extent of income subject to the First Category Tax as a single tax, the 20% tax rate is applicable from 1 September 2012.The rate was scheduled to revert to 17% in 2013 after being temporarily increased following the 2010 earthquake; however, the 20% rate will continue to apply as from 1 January 2013.
China	25%	25%	16 Mar 2007 26 Dec 2007	Companies that were entitled to the 15% lower rate under old law were entitled to a gradual increase in the tax rate to 25% over a five-year period. The last such gradual increase applied in 2012. Entities qualifying as small-scale taxpayers were subject to a 20% tax rate. A reduced 15% tax rate applied to enterprises that qualify as new and high-tech enterprises or companies set up in certain geographical locations.

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.) 2013	2014	Date the combined national/ local rate enacted	Notes
France	33.33% – 36.10%	33.33% – 36.10%	29 Dec 2011 & 30 Dec 2012 (See **Note 1**)	For taxpayers with a fiscal year ending before 31 December 2011, the corporate tax rate was 33.33% with an additional 3.3% surcharge applicable when the global corporate income tax charge exceeded EUR 763,000 (i.e., a combined effective corporate tax rate of 34.43%). For taxable income derived in a fiscal year closed on or after 31 December 2011 and prior to or on 30 December 2015, an additional surcharge of 5% (based on the income tax due at the standard tax rates) is applicable for companies with revenue exceeding EUR 250 million (see **Note 1** for details). As a result of the new surcharge, the effective tax rate applicable to large profitable companies increases from either 33.33% or 34.43% to either 35% or 36.10%, respectively. These rates do not include the impact of the CVAE, an annual local business tax, which is considered an income tax under U.S. GAAP. These rates also do not include the impact of the 3% surtax on distributions that was enacted on 17 August 2012 and which is considered an income tax and effectively creates a dual tax rate regime in France under U.S. GAAP (see **Note 2** for details). Small and medium-sized companies may be subject to a lower tax rate in certain cases.
Germany	30%–33%	30%–33%	17 Aug 2007	The corporate rate is 15%. The municipal trade tax rate typically ranges between 14% and 17%. In addition, a 5.5% solidarity surcharge is levied on corporate income tax. The effective corporate tax rate (including the solidarity surcharge and trade tax) typically ranges between 30% and 33%.
Hong Kong	16.5%	16.5%	N/A	Profits tax is levied at a rate of 16.5% (15% for unincorporated businesses) where the person is carrying on a trade, profession or business in Hong Kong and the relevant income is a profit arising in or derived from Hong Kong.
India	30.9% or 32.45% or 33.99%	30.9% or 32.45% or 33.99%	10 May 2013	The effective rate for domestic companies is 30.9% (where taxable income is less than or equal to INR 10 million), 32.45% (where taxable income exceeds INR 10 million but is less than or equal to INR 100 million) and 33.99% (where taxable income exceeds INR 100 million). If an entity's annual income tax liability, as a percentage of book profits, is less than 18.5%, the Minimum Alternative Tax (MAT) applies at 18.5% of book profits. The effective MAT rate is 19.06% (where taxable income is less than or equal to INR 10 million), 20.01% (where taxable income exceeds INR 10 million but is less than or equal to INR 100 million) and 20.96% (where taxable income exceeds INR 100 million). The excess of MAT paid over the annual tax liability may be credited against the regular tax liability for the subsequent 10 years. These effective rates may increase if the earnings are distributed (see **Note 3** for details).
Ireland	12.5% or 25%	12.5% or 25%	N/A	The standard corporate tax rate on trading income is 12.5% and on nontrading income, 25%. The Finance Act 2013, enacted on 27 March 2013, includes an increase in the capital gains tax rate from 30% to 33% that is effective for disposals occurring on or after 6 December 2012.

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.) 2013	2014	Date the combined national/ local rate enacted	Notes
Italy	27.5%	27.5%	28 Dec 2007	IRAP, the regional tax on productive activities, is levied within a range of up to one percentage point around the basic IRAP rate (3.9%). From 2011, the basic IRAP rate is 4.65% for banks and 5.9% for insurance companies. Taxpayers will need to determine whether to treat IRAP as an income tax under ASC 740. An additional 10.5% "Robin Hood" tax is levied on certain companies. (see **Note 4** for details)
Japan	37%–39% or 40%–42%	37%–39%	30 Nov 2011	The national corporate tax rate for fiscal years beginning on or after 1 April 2012 is 25.5%. In addition, a temporary 10% surtax on the national corporation tax rate is effective for three consecutive years starting with the first fiscal year beginning on or after 1 April 2012. Japanese companies and foreign corporations that are carrying on a business through a permanent establishment in Japan also are subject to a local inhabitants tax and a local enterprise tax. Inhabitants and enterprise tax rates vary depending on certain factors. Consequently, for taxpayers operating in Tokyo, the local enterprise tax generally is levied on taxable income at a rate of either 10.073% or 7.552%, and the inhabitants tax generally is levied on taxable income at a rate of either 17.3% or 20.7% of the national corporate tax rate. The local enterprise tax is deductible for national corporation tax purposes generally when it is paid. As such, the change in the national corporate income tax rate will have an effect on the applicable local income tax rate(s). Following these changes, the combined effective tax rate effective for three years starting in fiscal year 2012 (net of applicable tax benefit) is approximately 37%-39%. Subsequent to these first three fiscal years, the temporary surtax will no longer apply and the combined effective tax rate will decrease by approximately 2.3 percentage points.
Luxembourg	~29.22%	~29.22%	28 Dec 2012	This rate applies to the municipality of Luxembourg City. Rates for residents of other municipalities may vary.
Malta	35%	35%	N/A	N/A
Mexico	30%	29%	7 Dec 2009 and 17 Dec 2012	The 30% tax rate remains in effect for 2013, but will decrease to 29% in 2014 and revert to the 28% rate in 2015. A special regime applies for maquiladoras. A Business Flat Tax (IETU) was introduced in 2007 and provided for a tax rate of 16.5% in 2008, 17% in 2009 and 17.5% in 2010 and thereafter. IETU is calculated independently from the regular tax (ISR) using a modified tax base. The ISR effectively paid can be credited against the IETU liability. The flat tax is treated as an income tax for ASC 740; however, taxpayers will need to determine whether they are required to record deferred taxes on the basis of ISR, IETU, or both.
Netherlands	25%	25%	N/A	Tax changes enacted on 1 July 2009 introduced a 20% tax rate applicable to income below EUR 200,000, effective retroactively to 1 January 2009.
Peru	30%	30%	N/A	Certain oil and gas or mining companies that signed a tax stability agreement with the government are subject to an additional 2% tax for the period covered by the agreement. In addition, a special corporate tax regime is available for certain types of resident enterprises if income does not exceed a specified amount.

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.) 2013	2014	Date the combined national/ local rate enacted	Notes
Russia	20%	20%	26 Nov 2008	The 20% (18% regional and 2% federal) tax rate can be reduced to 15.5% (13.5% regional and 2% federal) by regional governments of Russia. As from 1 January 2012, the regional authorities in Special Economic Zones may grant a further reduction of the regional tax rate to as low as 0%, leaving only the 2% federal portion. Certain companies in technology and tourist zones may be exempt from the 2% federal tax as well. Companies providing educational or medical services and agricultural goods producers are subject to 0% profits tax rate if certain criteria are met. In addition, residents of Skolkovo Innovation Centre are subject to a 10-year profits tax exemption.
Singapore	17%	17%	29 Dec 2009	75% of the first SGD 10,000 of chargeable income and 50% of the next SGD 290,000 of chargeable income are exempt from tax. Singapore tax is imposed on a preceding year basis (i.e., year of assessment 2013 refers to a financial year ended in 2012).
Sweden	22%	22%	22 Nov 2012	The corporate tax rate reduced from 26.3% to 22% as from fiscal years starting on or after 1 January 2013.
Switzerland	12%–24%	12%–24%	N/A	The rate includes federal and cantonal/communal taxes for an ordinarily taxed legal entity. The tax rate at the cantonal/communal level depends on the canton/municipality in which the company is located.
United Kingdom	24% and 23%	23% and 21%	17 Jul 2012 and 17 Jul 2013	A 24% tax rate was effective from 1 April 2012 and a 23% tax rate is effective from 1 April 2013. As a result of the mid-year change, a blended tax rate of 23.25% applies for taxpayers with a 31 December 2013 year-end. The corporate income tax rate will be further reduced to 21% with effect from 1 April 2014, and to 20% from 1 April 2015.

Note 1: On 30 December 2012, the 2013 Finance Bill was enacted extending the additional surcharge of 5% applicable for companies with revenues exceeding EUR 250M to all fiscal years closing prior to and on 30 December 2015 (previously 30 December 2013).

Note 2: On 17 August 2012, the French government enacted a 3% surtax that is levied on dividends and certain other distributions paid on or after 17 August 2012 by French and foreign entities subject to corporate income tax in France (including permanent establishments of foreign entities). The new surtax effectively creates a dual tax rate regime in France. (See also **Accounting for Income Taxes Quarterly Hot Topics: September 2012** for a discussion of certain related accounting for income taxes implications).

Note 3: A domestic entity is subject to an additional tax of approximately 16.995% when earnings are either distributed as a dividend or in liquidation of the company. This incremental tax is commonly known as a Dividend Distribution Tax (DDT) and becomes payable when previously taxed earnings are distributed to shareholders as either dividends or in liquidation of the company, increasing the total effective tax rate on earnings from 30.9%, 32.445% or 33.99% to 40.94%, 42.26% or 43.58%, respectively.

Note 4: Law No. 148, enacted on 16 September 2011, introduces a temporary increase of the “Robin Hood” tax from 6.5% to 10.5% effective for fiscal years 2011-2013.The tax is levied on the oil, gas, and energy producers and trading companies in addition to the regular corporate income tax. The law also broadens the scope of the tax to include the renewable energy sector and other businesses in the energy sector that were previously exempt.

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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***Transfer Pricing Alert* archive** — The latest updates in Transfer Pricing from around the world.

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2013 Global Transfer Pricing Country Guide — A comprehensive and authoritative guide, compiling essential information regarding the transfer pricing regimes in 58 jurisdictions around the world and the OECD.

Deloitte International Tax Source (DITS) — An online database featuring corporate, withholding and tax treaty rates and information for 65 jurisdictions worldwide.

Financial Reporting for Taxes Dbriefs Webcasts — A collection of live and archived Dbrief webcasts that give you valuable insights on important developments impacting financial reporting for taxes.

Financial Accounting & Reporting — Income Taxes — Financial accounting and reporting for income taxes have become increasingly complex. Tax departments are working to keep up with the latest regulatory developments and guidance related to income tax accounting, disclosures and documentation, as well as seeking ways to address their tax provision process and technology needs. Deloitte can help.

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

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Financial Reporting for Taxes 2013 Training — Professionals continue to face significant challenges in financial accounting and reporting for income taxes. Deloitte's Financial Reporting for Taxes training can help you stay informed. Our next program with multiple course offerings is scheduled for December 9-13, 2013 in Las Vegas, Mandalay Bay. Course offerings are designed for corporate tax and accounting professionals.

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