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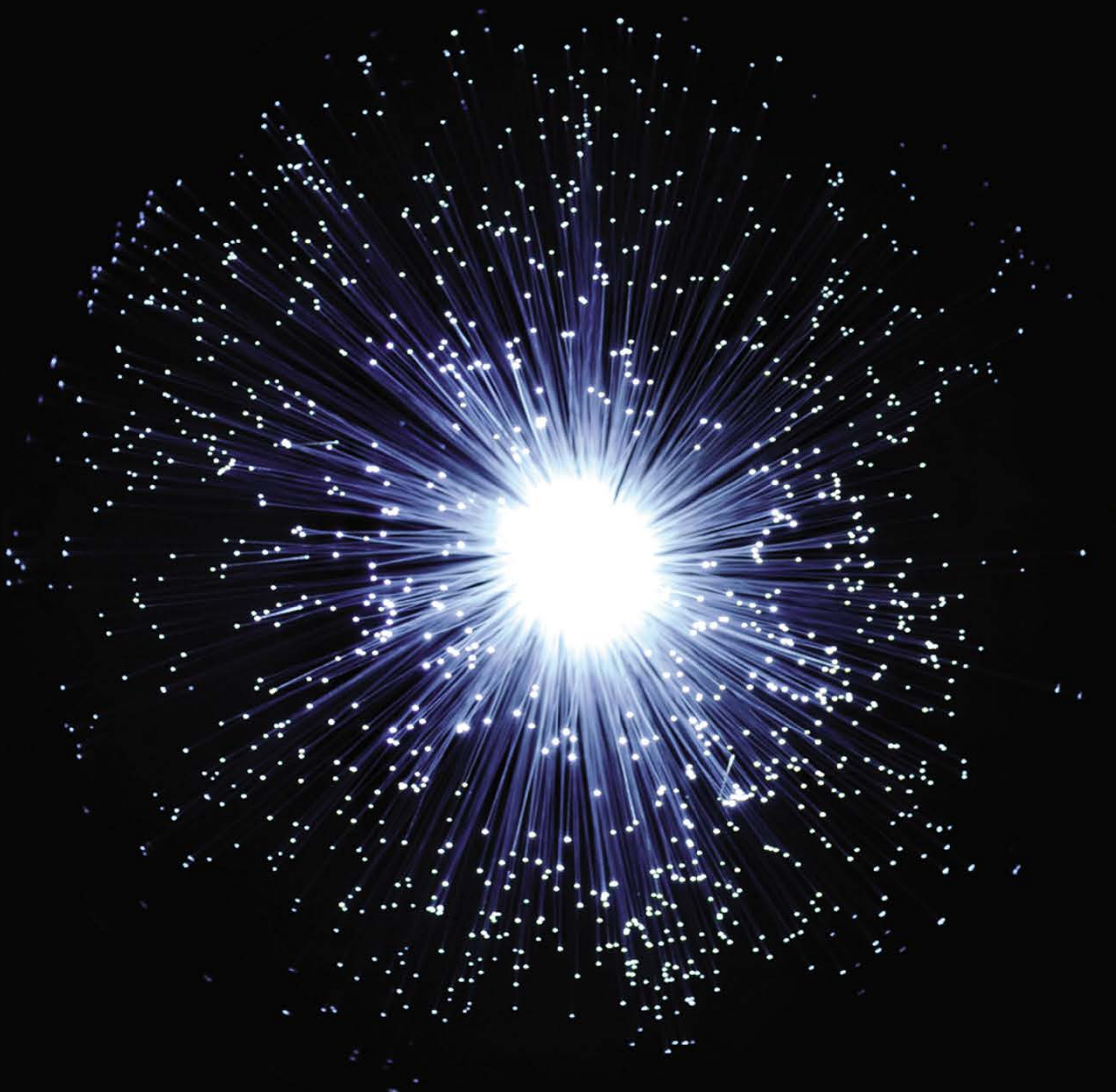

Global Tax Developments Quarterly
Accounting for Income Taxes

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

April 1, 2017 – June 30, 2017
July 14, 2017
Issue 2017-2

Contents

Introduction

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Unless otherwise indicated, the content in this document is based on information available as of June 30, 2017. 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: April 1, 2017 to June 30, 2017

The following section includes a brief summary of major international income tax law changes enacted during the period April 1, 2017 to June 30, 2017.

Australia

Diverted profits tax now law

Date of Enactment: April 4, 2017
Effective Date: July 1, 2017

Legislation that introduced a diverted profits tax in Australia became enacted law on April 4, 2017, and is effective for income years starting on or after July 1, 2017. The legislation also updates the transfer pricing rules and includes measures that increase penalties where taxpayers incorrectly calculate their tax liability or fail to file certain documents in a timely manner.

See also World Tax Advisor – April 14, 2017

Corporate tax rate reduction scaled back

Date of Enactment: May 19, 2017
Effective Date: Tax year 2017

On May 19, 2017, Australia enacted legislation to reduce the corporate tax rate, almost a year after the 2016-17 federal budget announcement. The original proposal would have reduced the rate to 25% (from the existing 30% rate) over a 10-year period for all companies, with the reduced rates initially applying to smaller companies. However, the final rules provide for a scaled-back outcome: a staged reduction in the rate for companies with annual turnover of less than AUD 50 million. The first cut is to 27.5% for businesses with aggregated turnover of less than AUD 10 million in the 2016-17 income year.

See also World Tax Advisor – April 14, 2017

Austria

R&D premium increased

Date of Enactment: June 29, 2017
Effective Date: January 1, 2018

On June 29, 2017, the Austrian parliament approved an increase in the R&D premium from 12% to 14% of qualifying expenditure, which will apply as from January 1, 2018 and will take into account all qualified expenses based on the OECD Frascati Manual for research and experimental development, including investments.

Barbados

Budget includes tax hikes and new tax registration initiative

Date of Enactment: June 2, 2017
Effective Date: July 1, 2017

On June 2, 2017, the Barbados parliament passed the 2017/2018 budget, which includes measures that increase certain taxes, reinstates an amnesty to encourage the payment of overdue VAT and land tax, and introduces a national tax registration initiative. The budget provisions apply as from July 1, 2017.

See also World Tax Advisor – June 23, 2017

Estonia

Corporate tax rate reduction enacted

Date of Enactment: June 29, 2017
Effective Date: January 1, 2018

On June 29, 2017, the Estonian parliament enacted a law that will reduce the corporation income tax rate on regular profit distributions from 20% to 14% in certain instances. The lower rate will apply to tax years as from January 1, 2018, and only to the amount of a distribution that does not exceed the average profit distribution for the past three years; the 20% rate will apply to amounts exceeding the average profit distribution. Because the distributions for 2017 and earlier years cannot be taken into account for the calculation of the three-year average distribution, the calculation of the amount to which the lower tax rate applies during the first two transition years will be as follows: in 2019, to one-third of 2018 taxable distributed profits, and in 2020 to one-third of the 2018 and 2019 combined taxable distributed profits. Tax-exempt dividends received from subsidiaries (and on-paid) will not be included in the lower tax rate profit distribution calculation, or on hidden profit. The 20% rate will continue to apply to amounts exceeding the average taxable profit distributions for the prior three years. Dividends paid to resident and nonresident individuals will be subject to an additional 7% income tax withholding if the dividends are paid by an Estonian company and are subject to the 14% rate in the hands of the distributing company.

Changes also are made to the tax regime applicable to certain credit institutions. Resident credit institutions and Estonian branches of nonresident credit institutions will be required to make advance payments of income tax at a 14% rate on profits earned in the previous quarter. The advance payments will have to be made by the 10th calendar day of the third month of the current quarter.

Germany

Tax deductibility of royalty payments restricted

Date of Enactment: July 4, 2017
Effective Date: December 31, 2017

A bill that limits the deductibility of certain related party royalty payments was passed on April 27, 2017 by the German lower house of parliament and on June 2, 2017 by the upper house. The law applies to royalties paid after December 31, 2017, and targets royalty payments made to nonresidents that result in "low taxation" of the royalty income at the level of the recipient due to the application of an intellectual property (IP) regime (i.e. IP box, patent box, license box, etc.), where the regime is not based on the "nexus approach" as described in action 5 of the OECD’s BEPS.

See also tax@hand – May 1, 2017 and tax@hand – June 9, 2017

Greece

Corporate income tax rate to be reduced

Date of Enactment: May 19, 2017
Effective Date: January 1, 2019

A law published in the government gazette on May 19, 2017 will reduce the corporate income tax rate from 29% to 26% as from January 1, 2019 for most legal entities (except credit institutions, for which the rate will remain 29%), but only if Greece meets the medium-term budget targets under the country's financial adjustment program.

See also World Tax Advisor – June 23, 2017

Hungary

Advertisement tax rate increased

Date of Enactment: May 25, 2017
Effective Date: July 1, 2017

The rate of Hungary's advertisement tax increased from 5.3% to 7.5% on July 1, 2017 for taxpayers with advertising revenue exceeding HUF 100 million; revenue under this amount is exempt (in line with EU rules). Based on a resolution of the European Commission issued on November 4, 2016, advertisement tax paid from January 1, 2014 until June 30, 2017 will be treated as an overpayment and will be refunded to taxpayers (although details on the refunds have not yet been published).

See also World Tax Advisor – June 23, 2017

Changes made to capital gains tax exemption regime

Date of Enactment: June 19, 2017
Effective Date: January 1, 2018

A law enacted on June 19, 2017 amends the rules governing the tax exemption for capital gains on the sale or capital contribution of shares in Hungary. Under the current rules, the exemption is available where the seller holds at least 10% of a domestic or foreign entity (which cannot be a shareholding in a controlled foreign company), provided the acquisition/contribution of such shares has been reported to the Hungarian tax authorities within 75 days from the date the shares were acquired/or the contribution made, and the participation has been held for at least one year. Losses incurred on a transfer or capital contribution are nondeductible, regardless of how long the participation is held. The new rules will eliminate the 10% threshold, thus exempting gains realized on the sale or capital contribution of shares acquired as from January 1, 2018, provided the minimum holding requirement is met and the acquisition/contribution was properly reported to the tax authorities.

Italy

New law includes measures on the NID, patent box and transfer pricing

Date of enactment: June 21, 2017
Effective date: June 24, 2017

The law decree published by the Italian government on April 24, 2017 was converted into law on June 21, 2017, with some modifications. The law makes the following changes to the April decree: (i) the amendments to the notional interest deduction (NID) regime that would have calculated the NID based on the equity and retained earnings of the prior five years are not adopted; (ii) the notional interest rates for 2017 and later years are reduced from those that would have applied under the 2017 budget law; and (iii) a measure that reduces penalties for foreign companies that settle tax liabilities of previously undisclosed Italian permanent establishments is introduced. The law adopts the following measures from the April decree, with no changes: (i) the rules relating to the exclusion of trademarks from Italy's patent box regime (to bring it in line with BEPS action 5); (ii) the definition of the arm's length standard; and (iii) new downward adjustment mechanisms for transfer pricing purposes.

See also World Tax Advisor – May 12, 2017 and World Tax Advisor – June 23, 2017
and tax@hand – June 23, 2017

Mexico

Rules for application of reduced interest withholding tax rates revised

Date of Enactment: May 15, 2017
Effective Date: March 10, 2017

The first amendments to the miscellaneous tax resolution for the 2017 fiscal year and annex 7 to the resolution were published on May 15/16, 2017, respectively, in Mexico's federal official gazette. The amendments include provisions that may restrict the application of the lower withholding tax rates on interest paid to nonresidents under certain circumstances.

See also World Tax Advisor – June 9, 2017

United Kingdom

Finance Act 2017 enacted

Date of Enactment: April 27, 2017
Effective Date: Various

The UK Finance Act 2017 received royal assent on April 27, 2017 and was enacted. A number of measures were omitted from the legislation originally introduced, including the following: corporate loss carryforward rules; corporate interest restriction rules; changes to the substantial shareholdings exemption; non-domicile changes; changes on "Making Tax Digital;" and the associated changes regarding trading and property allowances. Some of these omitted provisions (including the corporate interest restriction rules) had been expected to apply as from April 1, 2017. Most, if not all, of the measures dropped from the pre-election Finance Bill are expected to be reintroduced by the new government and to be enacted into law in late October/November 2017.

See also World Tax Advisor – May 12, 2017 and United Kingdom Tax Alert – March 8, 2017

Enacted Tax Law Changes That Are Now Effective: April 1, 2017 to June 30, 2017

The following section includes a brief summary of major international income tax law changes enacted before April 1, 2017, but are first effective in the period April 1, 2017 to June 30, 2017.

India

GAAR in effect

Date of Enactment: April 1, 2013
Effective Date: April 1, 2017

India's general-anti avoidance rule became effective on April 1, 2017.

India introduces Place of Effective Management rules

Date of Enactment: April 1, 2015
Effective Date: April 1, 2017

In Finance Act 2015, the Indian Government introduced the concept of Place of Effective Management ("PoEM") to determine the tax residency of foreign companies in India. The Central Board of Direct Taxes has issued a draft notification on the exceptions, modifications and adaptations for application of provisions of the Indian Income-tax Act 1961, on a foreign company having its PoEM in India.

Myanmar

Withholding tax on royalties reduced

Date of Enactment: January 10, 2017
Effective Date: April 1, 2017

On January 10, 2017, the Myanmar government issued a notification announcing that, as from April 1, 2017, the withholding tax on royalties paid for the use of licenses, trademarks, patents, etc. will be reduced from 20% to 15% for payments made to nonresidents (and from 15% to 10% on royalty payments made to residents). The rate on amounts paid to a nonresident for the procurement of goods within Myanmar and services will be reduced from 3.5% to 2.5%. A lower rate under an applicable tax treaty will apply directly if the nonresident submits a certificate of residence. The notification also provides that no tax needs to be withheld if the total amount of the payment is less than MMK 500,000 per year.

See also [World Tax Advisor – February 10, 2017]

New Zealand

Business tax bill receives royal assent

Date of Enactment: February 21, 2017
Effective Date: Various

On February 21, 2017, New Zealand's Taxation (Business Tax, Exchange of Information, and Remedial Matters) Act 2017 received royal assent. The act aims to simplify business tax processes (especially for small to medium-size businesses), and includes changes to the provisional tax and use of money interest regime. The act also tightens the disclosure rules for foreign trusts and implements the G20/OECD standard for the Automatic Exchange of Financial Account Information (AEOI) to counteract offshore tax evasion. The business tax measures are effective as from April 1, 2017, the AEOI measures are effective as from July 1, 2017 and the foreign trust measures are effective from the date of enactment.

See also Tax @ Hand – March 13, 2017

Enacted Tax Law Changes That Are Effective As From July 1, 2017

The following section includes a summary of major international income tax law changes enacted before April 1, 2017, but effective as from July 1, 2017.

Per review of the jurisdictions that are generally monitored and tracked in this publication, no major international income tax law changes were enacted before April 1, 2017, but effective as from July 1, 2017.

On the Horizon

The following developments had not yet been enacted as of June 30, 2017, but may, in certain cases, be enacted and become effective in the near future. Please follow up with your U.S. or local country tax advisor for more information.

Cambodia

New rules withholding tax on dividends

On May 5, 2017, Cambodia's Ministry of Economy and Finance issued a regulation on the application of withholding tax on dividends paid by resident companies to nonresident shareholders. The conversion of capital reserves/retained earnings into capital or equity will not be considered a dividend distribution and will not be subject to withholding tax if the conversion was approved by a resolution of the board of directors and a competent Cambodian authority. However, a 14% withholding tax will be imposed on a dividend distribution to a nonresident in the course of normal business operations, or during a liquidation of the company, where the distribution arises from an equity or a capital conversion from retained earnings that was not subject to withholding tax on dividends.

See also World Tax Advisor – June 9, 2017

Germany

Draft decree issued on withholding tax treatment of software and database licensing arrangements

On May 17, 2017, Germany's Ministry of Finance issued the first draft of guidance regarding the German withholding tax treatment of payments made to nonresidents under software, cloud and/or database licensing arrangements. The open comment period on the draft decree closed on until June 23, 2017, but there have been no further developments.

See also World Tax Advisor – June 9, 2017

Netherlands

Dividend withholding tax act to be revised

On May 16, 2017, the Netherlands Ministry of Finance published a consultation document that details proposed changes to the dividend withholding tax act. The document proposes to align the domestic dividend withholding tax treatment of Dutch holding cooperatives with that of private limited liability companies (BVs)/public limited companies (NVs) and to expand the scope of the exemption from the withholding tax to apply to active business structures.

The public consultation period closed on June 13, 2017, and the Dutch parliament now will discuss the proposals. If the proposed measures are adopted, they likely would apply as from January 1, 2018.

See also World Tax Advisor – May 26, 2017

Norway

Consultation document released on interest deduction limitation rules

On May 4, 2017, Norway's Ministry of Finance released a consultation paper that contains proposed amendments to the rules restricting the deductibility of interest expense. The proposed changes would bring the rules in line with the OECD's recommendations in the final report on action 4 of the BEPS project.

See also Global Tax Alert – May 4, 2017

Sweden

Consultation launched on proposal to restrict deduction of interest expense

On June 20, 2017, the Swedish Ministry of Finance launched a consultation on a proposal that would make changes to the interest deductibility rules and would reduce the corporate income tax rate from 22% to 20%. Supplementary rules based on a certain percentage of EBIT or EBITDA would be introduced. If approved, the changes are planned to be effective from July 1, 2018, and would apply for financial years commencing after June 30, 2018.

United States

White House unveils tax reform principles

On April 26, 2017, the Trump administration released a one-page fact sheet outlining principles for overhauling the US tax code that include lowering the top income tax rate for corporations and passthrough entities to 15%, as well as dropping individual rates, compressing the rate brackets and significantly increasing the standard deduction.

See also World Tax Advisor – April 28, 2017

Did you know

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

China

R&D super deduction rate increased

China's Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology issued a circular on May 2, 2017 that increases the rate of the super deduction for R&D expenses incurred by small and medium-sized science and technology enterprises. On May 3, 2017, the three agencies issued additional guidance to further clarify the evaluation criteria and rules for companies applying for the deduction.

See also tax@hand – 17 May 2107

Cyprus

Regime relating to intragroup financing arrangements terminated

On June 30, 2017, the Cyprus Tax Department (CTD) issued a circular on the new rules for the taxation of intragroup financing arrangements that apply from July 1, 2017. The circular provides for the application of a transfer pricing methodology to such activities based on the arm's length principle as contained in the OECD transfer pricing guidelines. The CTD had announced in February that it intended to terminate the use of the pre-agreed minimum profit margin regime for intragroup back-to-back financing arrangements.

See also World Tax Advisor – March 24, 2017 and tax@hand July 3, 2017

European Union

CJEU rules on French 3% dividend surtax on EU-source redistributions

On May 17, 2017, the Court of Justice of the European Union ruled that dividends distributed by a French company that represent a redistribution of dividends the company previously had received from its EU subsidiaries cannot be subject to the French 3% surtax on profit distributions. The court concluded that subjecting such dividends to the surtax would be a form of a double taxation prohibited by the EU parent-subsidiary directive.

See also Global Tax Alert – May 18, 2017

CJEU rules Belgium "fairness tax" partly incompatible with EU law

On May 17, 2017, the Court of Justice of the European Union issued its decision on the Belgian constitutional court's preliminary ruling request relating to the compatibility of the "fairness tax" with primary and secondary EU law. The court essentially follows the opinion of Advocate General Kokott that the tax is partly incompatible with the EU parent-subsidiary directive.

See also Global Tax Alert – May 19, 2017

France

SAC rules on participation exemption for capital gains

France's Supreme Administrative Court issued a decision on June 14, 2017 that affects the participation exemption for capital gains. Under the participation exemption rules, only 12% of capital gains derived from the disposition of shares that have been held for more than two years are subject to corporate income tax at the normal rate of 33.33% (levied on the gross amount of the gain); the remaining 88% is exempt. Administrative guidelines provide that corporate tax is due even if the taxpayer incurred an overall a net capital loss during the relevant year (i.e. as a result of the offset of capital gains and capital losses of the same nature realized during the year). The court held that the 12% of the capital gain realized during a year should not be subject to tax in years when the taxpayer incurred a net capital loss in that year.

Constitutional Court rules on methods used to determine CVAE rate

France's Constitutional Court issued a decision on May 19, 2017 concluding that the calculation method that results in different rates of the CVAE (an annual local tax paid by certain companies), depending on whether an entity is part of a French tax-consolidated group, violates the constitution. Under the French law, French companies calculate the CVAE using an effective tax rate that is based on the company's revenue and that ranges from 0.5% to 1.5%, with the top rate applying to companies with revenue exceeding EUR 50 million. However, for companies that are members of a tax-consolidated group, the effective tax rate of the CVAE is determined by reference to the revenue of the entire group rather than by reference to the revenue of each individual company. This results in higher tax rates for certain members of the tax group. The Constitutional Court has ruled that this difference in treatment is unconstitutional.

Germany

Change-in-ownership rules held to be partially unconstitutional

In a decision issued on March 29, 2017, Germany's Federal Constitutional Court held that the change-in-ownership rules relating to loss carryforwards partially infringe the German constitution, and must be amended with retroactive effect. The court restricted its decision to transfers of between 25% and 50% of a company's shares, and did not provide an opinion on the constitutionality of the rule resulting in a full forfeiture of loss carryforwards following a transfer of more than 50% of the shares. The court also limited the scope of its decision to the period from January 1, 2008 through December 31, 2015.

See also [World Tax Advisor – May 26, 2017]

India

ITAT upholds taxation of capital gains on transfer of shares of foreign company

In a decision issued on March 9, 2017, the Delhi Income Tax Appellate Tribunal upheld a tax assessment made by India's tax authorities on capital gains arising from a transfer by a nonresident of shares of a foreign company that derived its value solely from assets located in India. Under the income tax law, which allows the taxation of indirect transfers of Indian assets by foreign companies, capital gains on such sales of foreign company shares are subject to Indian capital gains tax if the foreign company whose shares were sold derives 50% or more of its value from Indian assets.

See also [World Tax Advisor – April 14, 2017]

Supreme Court rules racing event creates PE in India

On April 24, 2017, India's Supreme Court ruled that a car racing championship held in India created a permanent establishment (PE) for the nonresident company that sponsored the event, with the result that the income attributable to the PE was taxable in India.

See also [World Tax Advisor – May 26, 2017]

High Court rules payments under secondment agreement do not attract withholding tax

On May 3, 2017, the Bombay High Court ruled that payments made under a secondment agreement were reimbursements of expenses, not technical service fees and, therefore, were not subject to Indian withholding tax under the India-UK tax treaty.

See also [World Tax Advisor – June 12, 2017]

Place of effective management rule

On June 15, 2017, India's Central Board of Direct Taxes (CBDT) issued a draft notification that clarifies the rules governing the place of effective management (POEM) that became effective on April 1, 2017. The POEM rules were included in Finance Act 2015 as a means to determine the tax residence of foreign companies in India. The draft notification clarifies various aspects of the POEM rules. The public comment period on the draft notice closed on June 23. The CBDT is expected to issue a final notification within the next few months, with a likely effective date of April 1, 2017.

Korea

Tribunal rules lease and maintenance fees for software constitute royalties

On February 13, 2017, Korea's tax tribunal ruled that lease and maintenance fees paid for the use of software constituted royalties under the 1980 Korea-US tax treaty.

See also [World Tax Advisor – May 26, 2017]

Malaysia

IRB issues Tax Audit Framework 2017

Malaysia's Inland Revenue Board issued its Tax Audit Framework 2017, which is effective as from May 1, 2017 and supersedes the framework issued in 2015.

See also [World Tax Advisor – June 23, 2017]

Netherlands

Supreme Court rules on deductibility of interest

The Dutch Supreme Court issued two decisions on April 21, 2017 that clarify the circumstances in which interest expense will be deductible for tax purposes. The cases involve banking group structures intended to benefit from the mismatch between the Dutch participation exemption and the rules that generally permit the deduction of interest expense on loans used to acquire participations.

See also [World Tax Advisor – May 26, 2017]

New Zealand

Changes made to offshore and onshore branch exemptions

On April 11, 2017, New Zealand's Inland Revenue Department released a special report on newly enacted changes to the withholding tax rules for interest payments made to nonresidents. The rules address offshore and onshore branch structures, specifically, the withholding tax treatment of interest paid to a nonresident by an offshore branch of a New Zealand company and certain interest paid by a New Zealand resident to a foreign lender with a New Zealand branch. These interest payments now will be subject to nonresident withholding tax or the approved issuer levy.

See also [World Tax Advisor – May 12, 2017]

Peru

Tax treatment of income from foreign branch

The tax authorities published a report on May 5, 2017 that clarifies that profits remitted to a Peruvian company by its foreign branch will be considered taxable income in Peru, even if withholding tax is also levied on the branch in the country in which the branch is established. However, a foreign tax credit will be available to the Peruvian company for the foreign tax withheld abroad.

See also [World Tax Advisor – June 9, 2017]

Philippines

Rules for claiming tax treaty benefits revised

On March 28, 2017, the Philippines Bureau of Internal Revenue issued revised procedures for nonresident recipients of Philippine-source income to claim reduced withholding tax rates on dividends, interest and royalties under the Philippines' tax treaties. The revised guidance, which applies as from June 26, 2017, generally supersedes previous guidance.

See also [World Tax Advisor – April 28, 2017]

Romania

Corporate income tax exemption for R&D

As from January 6, 2017, Romanian taxpayers exclusively engaged in innovation activities and R&D (as defined under the relevant legislation) are exempt from corporate income tax for the first 10 years of activity.

See also [World Tax Advisor – April 14, 2017]

Russia

New rules for claiming tax treaty relief

Changes to Russia's tax law that apply as from January 1, 2017 introduce new requirements with respect to the documents that foreign companies receiving income from Russia must submit to claim reduced withholding tax rates under the country's tax treaties. To receive treaty benefits, the foreign company must produce documentation that it meets Russian beneficial ownership requirements, in addition to providing a tax residence certificate, an apostil and a notarized Russian translation of all documents in foreign languages.

See also [World Tax Advisor – April 28, 2017]

United Kingdom

Scope of double taxation treaty passport scheme expanded

The UK government published its response to a consultation held on the "double taxation treaty passport" (DTTP) scheme on March 20, 2017, and released a document that includes some new terms, conditions and guidance on the DTTP. The guidance, which removes some restrictions under the DTTP scheme, applies to loans entered into on or after April 6, 2017.

See also World Tax Advisor – April 28, 2017 and United Kingdom Tax Alert – March 8, 2017

United States

IRS files notice of appeal in Medtronic case

On April 21, 2017, the IRS filed a notice of appeal in *Medtronic Inc. v. Commissioner* in a case involving the appropriate royalty rate between Medtronic US and its Puerto Rican subsidiary. The Eighth Circuit Court of Appeals will decide whether the IRS's use of the aggregate comparable profits method was appropriate to determine the royalty rate, or whether the comparable uncontrolled transaction method, as adjusted to take into account differences between the controlled and uncontrolled transactions, is more reliable.

See also Global Transfer Pricing – May 2, 2017

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

Quick Reference Guide for 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 jurisdictions.

Jurisdiction	Combined national / local rate (incl. surcharges, etc.) 2016–2017		Date the combined national / local rate enacted	Notes
	National	Local	National and Local	
Australia	30%	30%	N/A	The corporate tax rate for eligible small businesses with aggregated turnover of less than AUD 10 million is 27.5% for the 2016-17 income year.
Brazil	34%	34%	N/A	The corporate income tax base rate is 15%. The additional surtax (10%) and social contribution (9%, and 20% for financial institutions) yield an effective tax rate of 34% and 45% for financial institutions.
China	25%	25%	Mar 16, 2007 Dec 26, 2007	Entities qualifying as small-scale taxpayers are subject to a 20% tax rate, and entities qualifying as new and high-tech enterprises are subject to a 15% tax rate. Entities incorporated in the western region are subject to a 15% tax rate if they operate in certain industries.
France	33.33% – 34.43%	33.33% – 34.43% 28% - 28.93% for SMEs up to EUR 75K (see note 1)	Dec 30, 2013 (See Note 1) Dec 31, 2016	For taxable income derived in a fiscal year closed on or after December 31, 2013 and on or before December 30, 2016, an additional surcharge of 10.7% (based on the income tax due at the standard 33.33% tax rate) is imposed on companies with revenue exceeding EUR 250 million (see Note 1 for details), and an additional surcharge of 3.3% applies to companies with a basic corporate tax liability exceeding EUR 763,000. Due to the surcharges, the effective tax rate applicable to large profitable companies is 38% for fiscal years closed on or before December 30, 2016. The 10.7% surcharge was not extended by the 2016 Finance Law, so the applicable rate for large companies is reduced to 34.43% for fiscal years closed on or after December 31, 2016. According to the 2017 Finance Law that became effective on December 31, 2016, the corporate income tax rate will be progressively reduced from the current 33.33% to 28% over the period 2017 to 2020. The existing 15% reduced tax rate will be maintained for companies whose revenue does not exceed EUR 7.63 million for the first EUR 38,120 of taxable income, and in 2019 will be extended to apply to SMEs. (See Note 1 for details and provisional timetable for the 28% rate). These rates do not include the impact of the CVAE, an annual local business tax that is considered an

Jurisdiction	Combined national / local rate (incl. surcharges, etc.) 2016–2017		Date the combined national / local rate enacted	Notes
	National	Local	National and Local	
				income tax under US GAAP. These rates also do not include the impact of the 3% surtax on certain distributions that was enacted on August 17, 2012 and that is considered an income tax, and effectively creates a dual tax rate regime in France under US GAAP (see Note 2 for details and new exemption available for dividends paid as from January 1, 2017).
Germany	30%–33%	30%–33%	Aug 17, 2007	The corporate rate is 15%. The municipal trade tax rate typically ranges between 14% and 17%. 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.
Italy	31.4%	27.9%	Jan 1, 2017	The corporate tax rate reduced from 27.5% to 24% as from January 1, 2017. For banks and other financial institutions, the corporate tax rate remains 27.5%. “Non-operating” entities are subject to a 34.5% corporate tax rate (reduced from 38%). IRAP, the regional tax on productive activities, is levied within a range of up to 0.92% around the basic 3.9% IRAP rate (4.65% for banks and 5.9% for insurance companies).
Japan	32.1%–33.1% or 34.3%–35.4%	29.97% – 30.86% or 33.8% – 34.81%	Mar 31, 2015 (for 2016) Mar 29, 2016 (for 2017)	The national corporate tax rate is reduced from 23.9% to 23.4% for fiscal years beginning on or after April 1, 2016, and will be further reduced to 23.2% for fiscal years beginning on or after April 1, 2018. The tax rate applicable to the income factor of the factor-based enterprise tax for large companies with more than JPY 100 million of stated capital also will be reduced. Thus, the effective corporate income tax rates for 2017 will be lower than the rates for 2016. Japanese corporations and foreign corporations carrying on a business through a PE in Japan also are subject to a local inhabitants tax, a local enterprise tax and a local corporate tax. Inhabitants and enterprise tax rates vary depending on certain factors. The local enterprise tax, including the special local corporate tax, generally is levied on taxable income at a rate between 3.6% and 10.1%, depending on the amount of capital and the location of the corporation. The inhabitants tax generally is levied on taxable income at a rate of 12.9% or 16.3% of the national corporate tax rate, depending on the location of the corporation. The local enterprise tax is deductible for national corporate tax, local inhabitants tax and local enterprise tax purposes when it is paid. The local corporate tax generally is levied on taxable income at a rate of 4.4% of the national corporate tax rate.

Jurisdiction	Combined national / local rate (incl. surcharges, etc.) 2016–2017		Date the combined national / local rate enacted	Notes
	National	Local	National and Local	
				The top effective tax rate ranges are for corporations with stated capital exceeding JPY 100 million and the bottom effective tax rate ranges are for corporations with stated capital of JPY 100 million or less.
Luxembourg	~27.08%	~27.08%	Dec 23, 2016	This rate applies to the municipality of Luxembourg City. Rates for residents of other municipalities may vary.
Mexico	30%	30%	Dec 11, 2013	
Netherlands	25%	25%	N/A	A 20% tax rate applies to income below EUR 200,000.
Russia	20%	20%	Nov 26, 2008	The standard tax rate is 20%, except for certain types of income. The 20% tax rate can be reduced to 15.5% (123.5% regional and 32% federal) by the regional governments. In some regions, profit tax may be reduced to zero due to special tax regimes. The regional authorities in special economic zones may grant a reduction of the regional tax rate to as low as 0%, leaving only the 32% federal portion. The maximum profit tax rate may be reduced depending on the type of special economic zone and its location from 20% to: • 3% for manufacturing and port special economic zones; • 0% for technology and innovation and tourism & recreation special economic zones. Qualifying investors in certain regions in the far eastern part of the country and Siberia are entitled to a profits tax rate of 0% to 10% for the first five years of income generation, and from 10% to 18% for the following five years. Certain companies in technology and tourist zones may be exempt from the 32% federal tax. Companies providing educational or medical services and agricultural goods producers are subject to a 0% profits tax rate if certain criteria are fulfilled. Residents of the Skolkovo Innovation Centre are entitled to a 10-year exemption from profits tax. Skolkovo Innovation Centre are entitled to a 10-year exemption from profits tax.
Singapore	17%		N/A	The corporate tax rate is 17%. However, 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.
Switzerland	11.5%–24.5%	11.5%–24.5%	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	20%	20% and 19%	Jul 17, 2013 and Nov 18, 2015	The 20% reduced to 19% on April 1, 2017. As a result of the mid-year change, a blended tax rate of 19.25% applies for taxpayers with a December 31, 2017 year-end. The corporate tax rate will drop to 17% as from April 1, 2020.
Other Jurisdictions See 2017 Global Tax Rates				

Note 1: The 2014 French finance law was enacted on December 30, 2013, increasing the rate of the additional surcharge applicable for companies with income exceeding EUR 250 million from 5% to 10.7%. The additional surcharge applies to all fiscal years closed on or after December 31, 2011 and on or before December 30, 2016.

Provisional timetable:

2017 - The reduced 28% rate will apply only to SMEs with revenue below EUR 50 million, on the first EUR 75,000 of taxable income.
2018 - The 28% rate will apply to the first EUR 500,000 of taxable income for all companies.
2019 - The 28% rate will be extended to apply to all taxable income for companies with annual revenue below EUR 1 billion (the threshold will be determined at the level of the tax-consolidated group, where applicable), and for companies with annual revenue exceeding EUR 1 billion, only for the first EUR 500,000 of taxable income.
2020 - The 28% rate will become the standard corporate income tax rate.

Note 2: The government enacted a 3% surtax on August 17, 2012 that is levied on dividends and certain other distributions paid on or after that date by domestic and foreign entities subject to corporate income tax in France (including PEs of foreign entities). The 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 related accounting for income taxes implications). France's Administrative Supreme Court referred a case to the Court of Justice of the European Union on June 27, 2016, requesting a preliminary ruling on whether the 3% surtax on dividend distributions is in line with the EU parent-subsidiary directive.

France's constitutional court issued a decision on September 30, 2016, concluding that the exemption from the 3% surtax on distributions made within a tax-consolidated group does not comply with the equality principle in the French constitution and, therefore, is unconstitutional.

The 2016 Amended Finance Law maintains the exemption from the 3% surtax on distributions, but expands the scope of the exemption to apply to distributions made by French subsidiaries to their foreign parent companies, provided a 95% ownership requirement is met, regardless of whether the foreign parent is resident within or outside the EU. The new rules apply to distributions made on or after January 1, 2017.

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 Alerts — The latest updates in Transfer Pricing from around the world.

Click to subscribe to receive an email when a new Transfer Pricing Alert is issued.

2016 Global Transfer Pricing Country Guide — A comprehensive and authoritative guide, compiling essential information regarding the transfer pricing regimes in 67 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.

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.

Financial Reporting for Taxes Training- Deloitte's Financial Reporting for Taxes Training features interactive courses taught by experienced professionals who will explain applicable guidance as well as share real-world experiences and leading practices. Take advantage of registration discounts. Register today.

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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