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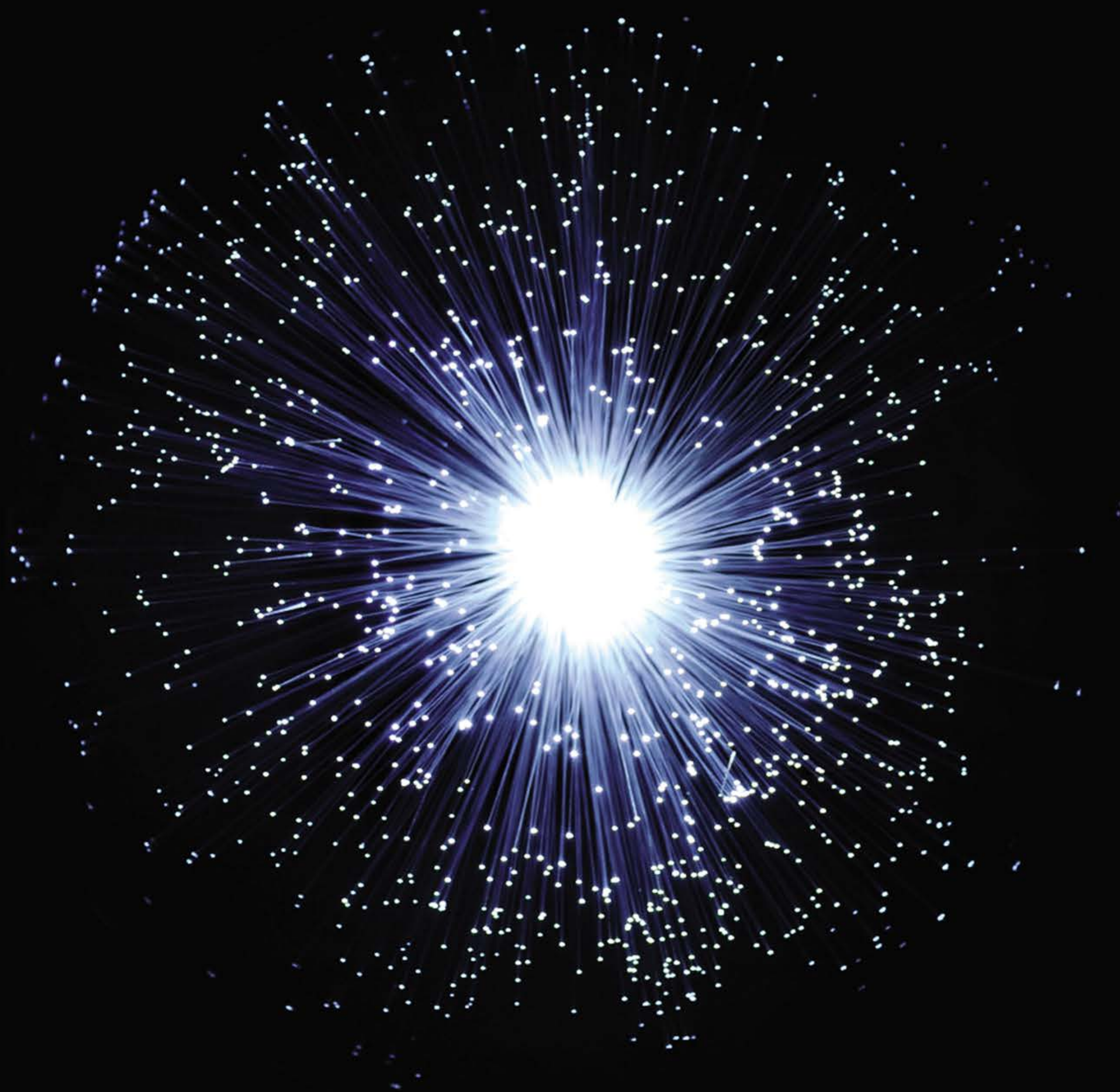

Global Tax Developments Quarterly

Accounting for Income Taxes

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

July 1, 2017 – September 30, 2017
October 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 September 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: July 1, 2017 to September 30, 2017

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

Germany

Bill limiting tax deductibility of royalty payments passed

Date of Enactment: July 4, 2017
Effective Date: December 31, 2017
The bill that limits the deductibility of certain intragroup royalties was published in Germany's official gazette on July 4, 2017 (the bill was approved by the lower and upper houses of parliament on April 27, 2017 and June 2, 2017, respectively). The new rules, which target 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 regime that is not based on the OECD "nexus approach" will apply to payments made after December 31, 2017.

See also [World Tax Advisor – 21 July 2017]

Thailand

New incentives for asset investments in effect

Date of Enactment: July 10, 2017
Effective Date: July 11, 2017
A royal decree that applies as from July 11, 2017 grants an additional 50% deduction for investments made during calendar year 2017 in machinery, tools, equipment, computer programs, vehicles (with certain exceptions) and permanent buildings, subject to certain conditions, including the submission of an investment project and payment plan to the Director-General of the Revenue Department. The additional 50% deduction will be averaged equally over three, five or 20 consecutive accounting periods according to the class of the asset in which the investment is made.

See also [tax@hand - July 17, 2017]

Enacted Tax Law Changes That Are Now Effective: July 1, 2017 to September 30, 2017

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

Australia

Diverted profits tax in effect

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

Czech Republic

Tax laws amended

Date of Enactment: June 16, 2017
Effective Date: July 1, 2017
Legislation that amends the Czech Republic tax laws was published in the Collection of Laws on June 16, 2017. The effective date proposed for the tax package originally was April 1, 2017, but there were delays in the legislative process. The changes affecting companies, which generally apply as from July 1, 2017, include an extension of the participation exemption regime to corporate profit distributions to a trust fund or a family foundation and an extension of the advance ruling procedures in relation to the allocation of profits to permanent establishments of nonresidents.

See also World Tax Advisor - September 21, 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

Morocco

Finance law for 2017 contains beneficial measures for companies

Date of Enactment: June 12, 2017
Effective Date: June 12, 2017
Morocco's finance law for 2017, published in the official gazette on 12 June 2017 and applicable as from that date, contains several beneficial measures affecting companies, including the following:

- A five-year tax holiday is granted to industrial companies starting from the day business operations commence.
- Companies that register their shares for listing on the stock exchange (except for certain companies) are entitled to a corporate tax rate reduction for three consecutive years following the date of registration (i.e. a 25% reduction in the rate if the company enters the stock exchange by selling existing shares and a 50% reduction if the company enters the stock exchange by increasing its capital by at least 20%, accompanied by a waiver of preferential subscription rights).
- Tax incentives that are available to export enterprises (i.e. a five-year corporate tax exemption, followed by a reduced rate of 17.5%) are extended to apply to sales of manufactured goods to other export enterprises, as well as to enterprises located in export free zones.

The finance law also contains measures that provide favorable tax treatment for mergers and divisions.

Finally, a general anti-avoidance rule is introduced under which the tax authorities will be able to recharacterize transactions whose main purpose is to avoid or evade tax.

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

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

On the Horizon

The following developments had not yet been enacted as of September 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.

Argentina

Rules on tax treatment of capital gains on sale of shares issued, then suspended

The tax authorities published a resolution on July 18, 2017 that clarifies how Argentine income tax is to be paid on the sale of shares of Argentine companies (and other similar securities and equity participations) by nonresidents. The resolution became effective on the date of publication and provided special payment terms for transactions carried out during the period September 23, 2013 until September 29, 2017. However, on July 20, the tax authorities issued another resolution that suspends the effective date of the resolution for 180 days.

See also World Tax Advisor – August 18, 2017

Belgium

Federal government reaches agreement on corporate tax reform

On July 26, 2017, the Belgian federal government reached an agreement on the corporate tax reform announced in 2016 and that includes a gradual reduction in the standard corporate tax rate (from 33% to 29% in 2018 and 25% in 2020). Some of the proposed measures would apply as from 2018, while others would apply as from 2020. A bill is expected to be submitted to parliament in the fall of 2017.

See also tax@hand - July 27, 2017

Finland

Changes proposed to withholding tax treatment of dividends paid on nominee-registered shares

The Finnish government released a proposal on June 28, 2017 that would modify the tax treatment and procedure relating to dividends paid for nominee-registered shares. The main proposed changes include the following:

- Abolition of the simplified procedure for relief from withholding tax at source;
- Increase in the withholding tax rate applicable to unidentified foreign beneficial owners; and
- Imposition of tax liability on registered custodians where tax was incorrectly withheld because the registered entity failed to provide information identifying the beneficial owner.

See also World Tax Advisor - September 22, 2017

Korea

2018 tax reform bill under consideration by National Assembly

A package of tax reform proposals for 2018 that were submitted to Korea's National Assembly on September 1, 2017 include increases in the income tax rates for the top tax brackets for corporations, as well as measures that would limit the deduction of interest expense in certain instances as part of Korea's commitment to the OECD BEPS project. If approved, the measures generally would apply for financial years starting as from January 1, 2018.

See also World Tax Advisor - September 8, 2017

Luxembourg

New BEPS-compliant draft of IP regime published

The Luxembourg parliament published a draft law on August 7, 2017 that would replace the intellectual property (IP) box regime that was abolished in 2016. The draft law provides for an 80% exemption on income derived from the commercialization of certain IP rights, as well as a 100% exemption from net wealth tax. If approved, the new rules would be applicable as from fiscal year 2018.

See also World Tax Advisor - August 18, 2017

Netherlands

2018 tax plan presented to parliament

On 19 September 2017, the Dutch government presented several bills to the second chamber of parliament, including the 2018 tax plan and other tax measures, and measures that would affect the scope of the dividend withholding tax for holding cooperatives and the corporate income tax liability for nonresident companies. If approved, most of the measures would enter into effect on 1 January 2018.

Legislative proposal released to revise scope of domestic dividend withholding tax

The Netherlands Ministry of Finance published a legislative proposal on September 19, 2017 that details proposed changes to the dividend withholding tax act, following a public consultation launched in May 2017. 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 dividend withholding tax to apply to parent companies resident in countries that have concluded a tax treaty with the Netherlands. The legislative proposal also includes specific rules regarding interests held in a Dutch BV/NV or a holding cooperative through hybrid entities.

See also World Tax Advisor - September 22, 2017

South Africa

Draft bill published to implement budget tax proposals

The South African government published two draft amendment bills on July 19, 2017, which together with the draft "rates bill" published in February, would give effect to the budget's tax proposals announced on February 22, 2017. The draft bills include measures that would address the circumvention of anti-avoidance rules dealing with share buybacks, dividend stripping and contributed tax capital; extend the controlled foreign company rules to interposed foreign trusts and foreign foundations; and allow a deduction for royalties related to "tainted IP" where the income tax payable by the foreign royalty recipient is at least 75% of the tax it would have paid as a South African resident. The bill are expected to be presented to parliament before the end of 2017.

See also World Tax Advisor - August 18, 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 revise the interest deductibility rules. Restrictions on deductibility would increase the tax base and would allow for a proposed reduction in the corporate income tax rate from 22% to 20%, the latter of which should encourage investment in the country. If approved, the changes are planned to be effective from July 1, 2018, and would apply for financial years commencing after June 30, 2018.

See also World Tax Advisor – July 21, 2017

Switzerland

Swiss Federal Council releases new package of corporate tax reforms

On September 6, 2017, the Swiss Federal Council released new draft legislation for a tax reform proposal, following the rejection of the corporate tax reform III on February 12, 2017. The new proposals, which aim to address the concerns with the predecessor legislation, essentially are in line with the recommendations made by a steering committee, and are accompanied by an explanatory report that provides details on the application of the measures. Significantly, the notional interest deduction has been removed from the draft.

See also World Tax Advisor - September 22, 2017

Taiwan

MOF proposes tax reform that includes abolition of imputation system

A proposed tax reform package announced by Taiwan's Minister of Finance on September 1, 2017 would overhaul the income tax system, and includes an increase in the corporate income tax rate (accompanied by a reduction in the rate of the corporate surtax) and the withholding tax on dividends and the abolition of the imputation system. If approved, the measures are expected to apply for tax years beginning in 2018 (i.e. January 1, 2018).

See also Global Tax Alert – September 6, 2017

UK

UK's new Finance Bill to re-introduce previously omitted measures

The UK Finance Bill 2017-19 (and explanatory notes) published on September 8, 2017, includes the clauses introduced in March 2017 that were withdrawn after the calling of the general election. These measures include the corporation tax loss carryforward rules; the corporate interest restriction; the substantial shareholding exemption; and enabling legislation for Making Tax Digital. It is expected that the committee stage will start by mid-October, with Royal Assent likely in the first or second week of November.

See also World Tax Advisor – July 21, 2017, World Tax Advisor – May 12, 2017 and United Kingdom Tax Alert – March 8, 2017

Did you know

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

Australia

ATO issues guidance on similar business test

On July 21, 2017, the Australian Taxation Office (ATO) issued draft guidance on how the Commissioner of Taxation will apply proposed legislation containing the new similar business test that currently is before the Senate.

See also tax@hand – July 24, 2017

ATO publishes general purpose financial statement guidance

On September 28, 2017, the ATO released guidance in relation to the obligation on certain multinationals with Australian operations to file general purpose financial statements for each income year starting on or after July 1, 2016 (unless the multinational already does so) with the corporate regulator.

See also Global Tax Alert – September 28, 2017

Brazil

Tax authorities issue ruling on branch taxation

Brazil's tax authorities issued a private letter ruling on August 14, 2017, stating that a Brazilian branch of a nonresident nonprofit entity was entitled to the beneficial social security contribution rates normally available to Brazilian non-profit organizations.

See also tax@hand – August 18, 2017

Tax rates on capital gains derived by nonresident legal entities clarified

Brazil's tax authorities issued guidance on August 29, 2017 that clarifies the tax rates applicable to capital gains derived by nonresident legal entities on the disposal of Brazilian assets. The progressive rates ranging from 15% to 22.5% that were introduced as from January 1, 2017 also are applicable to gains of nonresident entities disposing of assets located in Brazil. Taxpayers already have relied on the application of the rates to legal entities based on a law that equalizes the treatment of the capital gains derived by nonresidents with the treatment applicable to gains derived by individuals. By incorporating the changes that were introduced as from January 1, 2017, the guidance confirms that the rates are applicable to nonresident entities.

See also World Tax Advisor - September 22, 2017

China

Measures announced to promote foreign investment

China's State Council held an executive meeting on July 28, 2017 to call for the promotion of foreign investment.

See also World Tax Advisor – August 18, 2017

Cyprus

New rules for taxation of intragroup financing arrangements

The Cyprus tax authorities issued guidance on June 30, 2017 addressing the new rules for the taxation of intragroup financing arrangements that apply as from July 1, 2017. The circular provides for the application of transfer pricing methodology to such activities based on the arm's length principle as contained in the OECD transfer pricing guidelines. The authorities had announced in February 2017 that the application of the pre-agreed minimum profit margins (of 0.125% to 0.35%) for back-to-back loans would be terminated on June 30, 2017. The new framework laid out in the guidance will apply to these and certain other financing arrangements.

See also World Tax Advisor - September 21, 2017

Denmark

PE created by home office of sales representative

The Danish tax board has issued rulings dealing with the level of activity necessary for a sales representative in Denmark to constitute a permanent establishment (PE) of a foreign company. The rulings clarify the tax authorities' position on the extent to which a home office can create a PE and illustrate how a seemingly minor presence in Denmark could result in significant tax exposure for a foreign company.

See also World Tax Advisor - September 22, 2017

European Union

CJEU rules on French denial of WHT exemption on dividends paid to EU parent controlled by non-EU company

The CJEU issued a decision on September 7, 2017 that involved a pre-2016 French law that automatically denied the withholding tax exemption on dividends under the EU parent-subsidiary directive (PSD) where the dividends were paid to an EU parent company that was controlled by a non-EU company, and the latter company was unable to demonstrate that the principal purpose of the structure was not to take advantage of the exemption. The court held that the rules created a general presumption of fraud and abuse that went beyond what was necessary to prevent tax evasion, and that they infringed both the previous version of the PSD and the EU freedom of establishment principle.

See also Global Tax Alert – September 11, 2017

France

Three percent surtax on profit distributions declared unconstitutional

The French Constitutional Court published a decision on October 6, 2017, concluding that the 3% surtax on profit distributions—in its entirety—violates the equality principle in the constitution and, therefore, must be declared invalid. As a result, the surtax no longer has to be paid.

See also Global Tax Alert – October 6, 2017 and Global Tax Alert – September 28, 2017

Finance bill for 2018 published

The French finance bill for 2018 released on September 27, 2017 would reduce the corporate income tax rate and abolish the 3% surtax on profit distributions of French entities, and contains other measures that would make the corporate tax environment more attractive for companies. The bill also contains two main reforms that would affect individuals: the abolition of the wealth tax and the introduction of a final 30% flat tax on capital income (i.e. dividends, interest and capital gains). The wealth tax would be replaced by a tax levied only on real property, and the 30% flat tax would replace the current progressive rates that are levied on capital income, plus the social levies.

See also Global Tax Alert – September 28, 2017

Hong Kong

BEPS consultation report released

The Hong Kong SAR government released a report on July 31, 2017 that summarizes the outcome of the 2016 consultation on measures the government plans to introduce as part of its commitment to the OECD BEPS project. The report re-affirms the government's commitment to implement the four BEPS minimum standards, but at the same time to uphold Hong Kong's territorial-based and predictable tax regime.

See also World Tax Advisor – August 18, 2017

FSCD report recommends extension of profits tax exemption

The Financial Services Development Council (FSDC), an advisory body to the Hong Kong SAR government, released a report on July 26, 2017 that recommends the government extend the profits tax exemption for offshore PE funds to certain portfolio companies and make other changes to the exemption regime to boost the development of the industry in Hong Kong. The FSDC proposes that the exemption be expanded to cover investments in Hong Kong private companies and non-Hong Kong private companies with substantial operations in Hong Kong, with the exception of those holding substantial Hong Kong residential property.

See also World Tax Advisor – August 18, 2017

India

Consultation on POEM rules closed

A public consultation period on draft clarifications to India's place of effective management (POEM) rules closed on June 23, 2017. The POEM rules, which are used to determine the residence of foreign companies in India, became effective on April 1, 2017. The Central Board of Direct Taxes is expected to issue a final notification within the next few months, with a likely retroactive effective date of April 1, 2017.

See also World Tax Advisor – July 21, 2017

Indonesia

CFC indirect ownership criteria clarified

Indonesia's Minister of Finance issued a regulation on July 27, 2017 that introduces indirect ownership criteria for determining when a foreign company is considered a controlled foreign corporation (CFC), and clarifies the rules for calculating CFC dividends and foreign tax credits.

See also World Tax Advisor – September 8, 2017

Malaysia

Principal hub incentive guidelines revised

The Malaysian Investment Development Authority has issued revised guidelines for the “principal hub” incentive introduced in 2015, which are effective as from July 7, 2017 and apply to companies approved as a principal hub on or after that date. The revised guidelines make clarifications and modify the criteria for the corporate tax incentive and the benefits available for qualifying companies, especially for companies with approved operational headquarters, international procurement center or regional distribution center status and other existing companies.

See also World Tax Advisor – September 8, 2017

Myanmar

Tax incentives for listed companies announced

Myanmar’s Ministry of Planning and Finance issued a notification on July 26, 2017 that introduces tax incentives for public companies listed on the Yangon Stock Exchange (YSX). As from April 1, 2017, the corporate income tax rate for companies listed on the YSX is reduced from 25% to 20%, and YSX-listed companies may obtain an exemption from penalties on the settlement of overdue income tax liabilities for the two years before the year of listing.

See also World Tax Advisor – September 8, 2017

Netherlands

Public consultation on proposal to implement EU Anti-Tax Avoidance Directive

On July 10, 2017, the Dutch government launched a public consultation on a preliminary proposal to implement the EU anti-tax avoidance directive (ATAD 1). The proposal mainly covers limits on the deduction of interest expense and the introduction of controlled foreign corporation rules (in line with the final reports on action 4 and action 3 of the BEPS project, respectively). Minor changes are proposed to the exit tax rules. Under the ATAD 1, these changes must be transposed into Dutch law by December 31, 2018 at the latest (and be effective as from January 1, 2019).

See also World Tax Advisor – July 21, 2017

New Zealand

Tax pooling under new provisional tax rules

New Zealand's provisional tax rules are amended effective as from the 2018 income year. The new rules provide that use of money interest (UOMI) will apply only from the date of the third provisional tax installment for taxpayers using the standard uplift method of calculating provisional tax.

Since the standard uplift method calculates provisional tax based on the last filed tax return, some taxpayers may benefit from deferring or accelerating filing their prior year income tax returns to secure a lower standard uplift liability for their first two instalments. Under the new rules, taxpayers that pay provisional tax directly to Inland Revenue under the standard uplift method, and whose final tax liability ends up being less than that under the standard uplift calculation, will not be eligible for UOMI until the final (third) provisional installment. Amounts paid into a tax pool on each provisional tax instalment date, however, still will be eligible to earn interest (although at the rate of 1.02%).

See also tax@hand – August 6, 2017

Withholding tax obligations for directors' fees

The New Zealand tax authorities have clarified the withholding tax obligations for directors' fees. An updated interpretation statement replaces the previous interpretation statement dating from 1996. The statement addresses situations in which tax must be withheld from directors' fee payments, and when and how much tax must be withheld, if withholding is required. The statement does not address the withholding treatment of directors' fees paid to nonresidents.

See also [tax@hand – July 30, 2017]

Spain

New form approved for reporting related party and tax haven transactions

The Spanish tax authorities published the final regulation on August 30, 2017 that formally approves a new form to be used by corporate taxpayers to report certain related party transactions and all transactions with persons resident in tax haven countries for tax years beginning on or after January 1, 2016. The information required to be reported for these types of transactions previously was reported on the corporate income tax return.

See also [World Tax Advisor - September 22, 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 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.)		Date the combined national / local rate enacted	Notes
	2017	2018	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 was 27.5% for the 2016-17 income year and will be AUD 25 million in the 2017-18 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% (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 of the country 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	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. (See Note 1 for details and provisional timetable for the 28% rate). **Caveat:** The Finance Bill for 2018 proposed to the National Assembly on September 27, 2017 accelerates the reduction of the corporate tax rate. See Note 2. These rates do not include the impact of the CVAE, an annual local business tax that is considered an income tax under US GAAP. The 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 3 for details and exemption available for dividends paid as from January 1, 2017 and the decision of the French Constitutional Council which ruled on October 6, 2017 that the 3% distribution tax was unconstitutional).
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%.

Jurisdiction	Combined national / local rate (incl. surcharges, etc.) 2017	2018	Date the combined national / local rate enacted — National and Local	Notes
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 dropped from 27.5% to 24% on 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% as from January 1, 2017). 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	29.97% – 30.86% or 33.8% – 34.81% (for fiscal years beginning on or after April 1, 2016)	29.74% – 30.62% or 33.59% – 34.59% (for fiscal years beginning on or after April 1, 2018)	Mar 29, 2016 (for 2017) Mar 29, 2016 (for 2018)	The national corporate tax rate 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. 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 for fiscal year 2017. Rates for residents of other municipalities may vary. As from fiscal year 2018, the corporate income tax and municipal business tax combined rate for companies with their registered seat in Luxembourg City will be 26.01%.
Mexico	30%	30%	Dec 11, 2013	
Netherlands	25%	25%	N/A	A 20% tax rate applies to income below EUR 200,000.

Jurisdiction	Combined national / local rate (incl. surcharges, etc.)		Date the combined national / local rate enacted	Notes
	2017	2018	National and Local	
Russia	20%	20%	Nov 26, 2008	The standard tax rate is 20%, except for certain types of income. In 2017-2020, the inter-budgetary distribution is 17% to the regional budget and 3% to the federal budget. The 20% tax rate can be reduced to 15.5% (12.5% regional and 3% 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 (SEZ) may grant a reduction of the regional tax rate to as low as 0%, leaving only the 3% federal portion. The maximum profit tax rate may be reduced depending on the type of SEZ and its location, from 20% to: • 3% for manufacturing and port SEZ; • 0% for technology and innovation and tourism and recreation SEZ. 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. 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.
Singapore	17%	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:

Under the Finance Law 2017, voted in December 2016, the corporate tax rate is to be reduced according to the following 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 Finance Bill for 2018 presented on September 27, 2017 provides for the following timetable:

- 2018: The 28% rate would apply to the first EUR 500,000 of taxable income for all companies, and 33.3% for income above this threshold.
- 2019: The standard corporate tax rate would be 31% for all companies (the 28% rate still would apply to the first EUR 500,000 of taxable income for all companies).
- 2020: The standard corporate tax rate would be 28% for all companies.
- 2021: The standard corporate tax rate would be 26.5% for all companies.
- 2022: The standard corporate tax rate would be 25% for all companies.

Note 3:

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 constitutional court ruled on September 30, 2016 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.

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 received from its EU subsidiaries cannot be subject to the 3% surtax on profit distributions, because this would be a form of a double taxation prohibited by the EU parent-subsidiary directive.

One of measures proposed on September 27, 2017 in the Finance Bill for 2018 is the repeal of the 3% surtax on distributions paid as from January 1, 2018, and the Constitutional Council ruled on October 6, 2017, that the surtax in its entirety is unconstitutional.

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.

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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 66 jurisdictions worldwide.

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

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.

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