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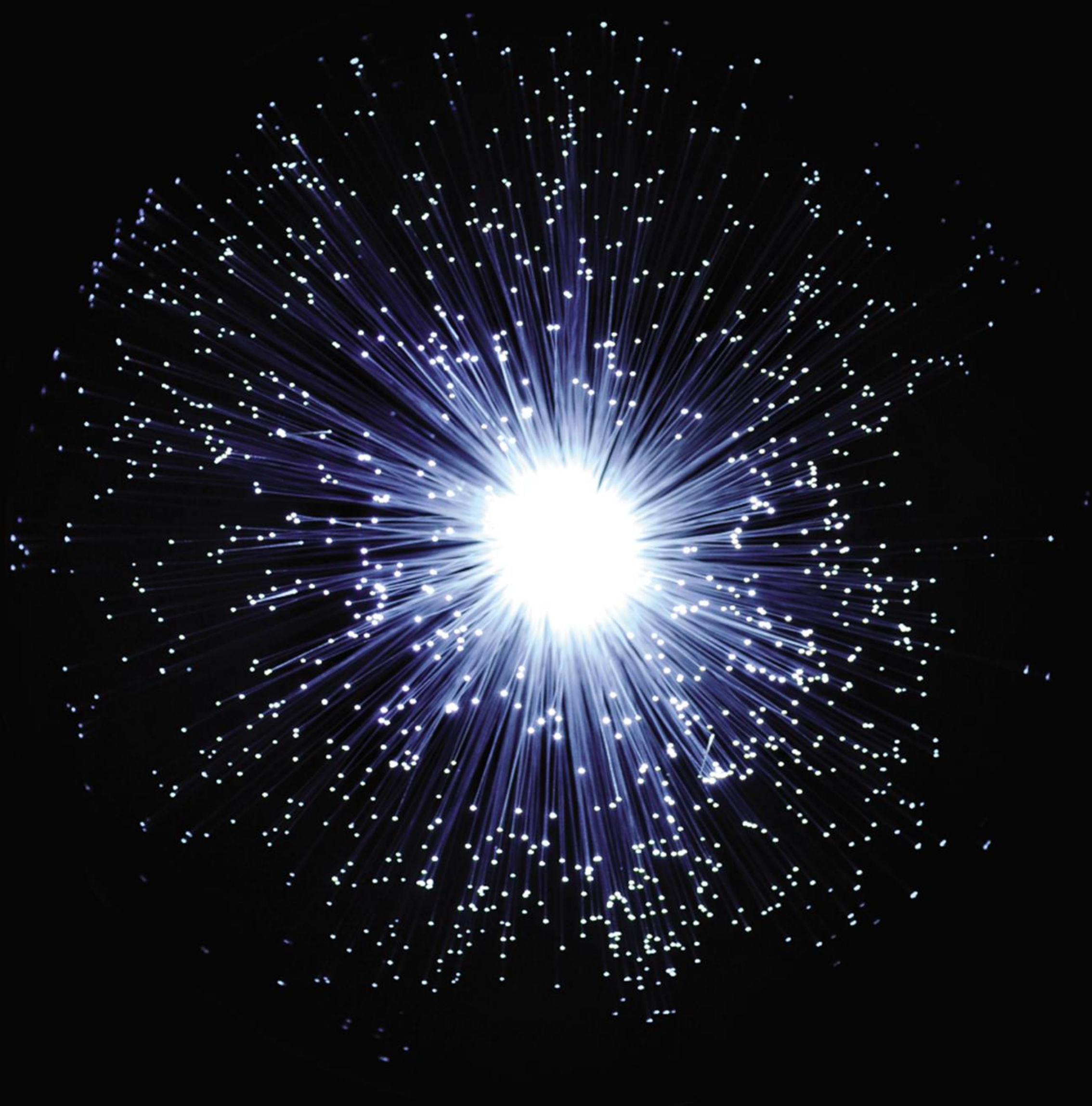

Global Tax Developments Quarterly

Accounting for Income Taxes

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

October 1, 2017 – December 31, 2017
January 24, 2018
Issue 2017-4

Contents

Introduction

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Unless otherwise indicated, the content in this document is based on information available as of December 31, 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: October 1, 2017 to December 31, 2017

The following section includes a brief summary of major international income tax law changes enacted during the period October 1, 2017 to December 31, 2017.

Argentina

Comprehensive tax reform enacted

Date of Enactment: December 29, 2017
Effective Dates: Generally as from January 1, 2018

A major overhaul of Argentina's tax system that was passed and published in the official gazette on December 29, 2017 includes changes that affect the taxation of both residents and nonresidents. The new rules, which generally apply as from January 1, 2018, lower the corporate tax rate on undistributed profits from 35% to 25% by 2020, introduce BEPS-type measures, expand the scope of the transfer pricing rules and bring the supply of digital content by nonresidents within the scope of Argentine VAT.

Belgium

Enactment of phased corporate tax reform

Date of Enactment: December 25, 2017
Effective Dates:
Phase 1 – Tax year 2019, starting on or after January 1, 2018
Phase 2 – Tax year 2020, starting on or after January 1, 2019
Phase 3 – Tax year 2021, starting on or after January 1, 2020

The corporate tax reform law enacted on December 25, 2017 and published in Belgium's official gazette on 29 December includes measures that will reduce the corporate tax rate to 25% by taxable years that begin in 2020, increase the dividends received deduction to 100%, revise the domestic permanent establishment rules, introduce group taxation and implement the EU anti-tax avoidance directive into Belgian law. The reform will be phased in over a three-year period, with changes taking effect as from one of the following tax years:

- 2019 tax years starting on or after January 1, 2018 (tax year 2019). (Tax year 2019 includes 2018 calendar year fiscal years, and fiscal years other than the calendar year that start on or after January 1, 2018 and end in 2019 (on or before December 30, 2019);
- 2020 tax years starting on or after January 1, 2019 (tax year 2020); or
- 2021 tax years starting on or after January 1, 2020 (tax year 2021).

See also World Tax Advisor – January 12, 2018

Canada

Previously announced international tax measures enacted

Date of enactment: December 14, 2017

Effective date: Various

Canada's Bill C-63 received Royal Assent on December 14, 2017, resulting in the enactment of numerous previously proposed international tax measures, the most important of which affect "stub period foreign accrual property income", certain upstream loans and the foreign affiliate dumping rules.

See also Tax@hand – December 18, 2017 and Deloitte alert on the release of the originally proposed legislation on September 16, 2016

China

Withholding tax deferral on dividend distributions invested in encouraged projects

Date of Enactment: December 21, 2017
Effective Date: January 1, 2017

On December 21, 2017, four Chinese ministries jointly issued new rules that defer the imposition of withholding tax on profits distributed by Chinese enterprises to foreign investors (Circular 88). On January 8, 2018, the SAT issued a bulletin (Bulletin 3) that contains the implementation guidance for the measures in Circular 88. Under Circular 88, profit distributions received by foreign investors from Chinese resident enterprises that are directly reinvested in encouraged investment projects in China will be eligible for a deferral of the 10% withholding tax on distributed profits until the foreign investor disposes of the reinvestment. Several requirements relating to the form of the investment, the source and routing of the funds and the scope of the reinvestment must be met to qualify for the deferral. The new rules apply retroactively to dividend distributions made on or after January 1, 2017. Refunds of dividend withholding tax paid for such distributions may be claimed by qualified foreign investors.

See also tax@hand – January 23, 2018

SAT issues guidance on collection of EIT withholding on income derived by NREs

Date of Enactment: October 27, 2017
Effective Date: December 1, 2017

China's State Administration of Taxation published a bulletin (Bulletin 37) on October 27, 2017 that contains updated guidance on the collection of enterprise income tax on certain China-source income derived by nonresident enterprises (NREs). Bulletin 37 clarifies the obligations of withholding agents and NREs and coordinates responsibilities among various tax authorities involved in the withholding process.

See also World Tax Advisor - November 10, 2017 and tax@hand – October 30, 2017

France

Amended Finance Law for 2017

Date of Enactment: December 28, 2017
Effective Date: December 30, 2017

France's parliament adopted the Amended Finance Bill for 2017 on December 21, 2017, and the constitutional court approved the bill on December 29. The Amended Finance Law repeals the requirement for a French taxpayer to obtain an advance ruling from the French tax authorities to benefit from tax deferral in situations where a merger involves a transfer of assets to a foreign legal entity, as well as the requirement that the contributing company commit to keep the shares received in exchange for at least three years.

See also See also World Tax Advisor – December 15, 2017, Global Tax Alert – November 3, 2017 and tax@hand – December 27, 2017

Finance Law for 2018

Date of Enactment: December 30, 2017
Effective Date: December 31, 2017

The Finance Law for 2018, adopted by the French parliament on December 21, 2017 and approved by the Constitutional Court on December 29, introduces a progressive reduction in the corporate tax rate to 25% by 2022 and aligns transfer pricing documentation requirements with the OECDs recommendations under BEPS action 13. The 2018 law also provides that the “CICE” (tax credit for competitiveness and employment) is reduced from 7% to 6% (of gross payroll on the portion of remuneration that does not exceed 2.5 times the national minimum wage) as from January 1, 2018; the credit will be abolished on January 1, 2019 and replaced with a reduction of the employer’ share of social security contributions.

See also tax@hand – December 27, 2017

Ireland

Finance Act signed into law

Date of Enactment: December 25, 2017
Effective Date: Various

Finance Act 2017 was signed by Ireland’s president on December 25, 2017. In addition to implementing measures announced in budget 2018, the act extends the anti-avoidance rules relating to the deductibility of interest expense to corporate groups; commences the legislative procedure required to give effect to the OECD multilateral instrument in Irish law; and clarifies the tax rules for adopting a new accounting standard within an existing accounting framework.

See also World Tax Advisor – October 13, 2017, World Tax Advisor – October 27, 2017, and World Tax Advisor – November 10, 2017

Italy

2018 budget law includes new tax on digital services and revised definition of PE

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

Italy’s budget law for 2018, published in the official gazette on December 29, 2017, makes changes to the tax rules affecting corporations. The law introduces an equalization tax on digital/web-based services (as from January 1, 2019); revises the definition of a permanent establishment; amends the rules for interest (i.e. new rules apply retroactively from January 1, 2017) and depreciation deductions and provides for a substitute tax on income from qualifying participations. Unless otherwise noted, the changes are effective as from January 1, 2018.

See also World Tax Advisor – December 15, 2017

Luxembourg

Draft 2018 budget law presented to Parliament

Date of Enactment: December 21, 2017
Effective Date: January 1, 2018

Luxembourg's 2018 budget law was approved by the Parliament and published on December 21, 2017, with the tax measures applying as from January 1, 2018. In addition to the corporate income tax rate reduction that was introduced through the 2017 tax reform, the 2018 budget law introduces two additional investment tax credits for companies—one for investments in purchased software, and the other for electric cars with zero emissions or hydrogen fuel cell cars**.**

See also tax@hand – December 22, 2017, World Tax Advisor – October 27, 2017 and Deloitte Luxembourg Tax Alert – December 27, 2017

Malaysia

Withholding tax exemption for offshore technical and installation services reinstated

Date of Enactment: October 24, 2017
Effective Date: September 6, 2017

Malaysia's Ministry of Finance issued an order that was published in the official gazette on October 24, 2017 and "deemed to have come into operation" on September 6, 2017 that restores the withholding tax exemption for offshore technical and installation services carried out by nonresidents that applied before January 17, 2017. The reinstatement of the exemption is not fully retroactive, i.e. certain transactions before the order came into operation still may be subject to withholding tax. The tax authorities are expected to clarify whether the relevant date for purposes of determining the applicability of the exemption is the date the services are rendered or the date payment for the services is made.

See also World Tax Advisor - November 10, 2017

Netherlands

Scope of dividend withholding tax act revised

Date of Enactment: December 20, 2017
Effective Date: January 1, 2018

The Dutch parliament adopted a law on December 20, 2017 that revises the dividend withholding tax act 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 expand the scope of the withholding tax exemption to apply to parent companies resident in countries that have concluded a tax treaty with the Netherlands. The new law, which applies as from January 1, 2018, includes rules regarding interests held in a Dutch BV/NV or a holding cooperative through hybrid entities.

See also tax@hand – September 20, 2017

Poland

R&D incentive rules revised

Date of Enactment: November 24, 2017
Effective Date: January 1, 2018

On November 24, 2017, Poland's president signed a law that makes changes to the application of the research and development incentives. As from January 1, 2018, the rate of the super deduction increased from 150% to 200% of qualifying costs, irrespective of the type of costs and the size of the taxpayer (previously, the deduction differed depending on the type of costs and whether the company was a small and medium-sized enterprise or a large enterprise).

See also World Tax Advisor - December 15, 2017

Corporate income tax act amended to prevent base erosion

Date of Enactment: November 27, 2017
Effective Date: January 1, 2018

Poland's government enacted legislation on November 27, 2017 that revises the Corporate Income Tax Act to prevent erosion of the tax base. The new rules, which generally apply as from January 1, 2018, include the introduction of new limits on the deduction of debt financing costs and payments made to related parties and tax havens with respect to certain intangible services and changes to the controlled foreign company rules.

Switzerland

Change to effective date of cantonal tax reform project

Date of Enactment: November 1, 2017
Effective Date: January 1, 2019

On November 1, 2017, the Council of State of the canton of Vaud announced that the cantonal tax reform project will become effective on January 1, 2019, instead of the projected 2020-2021. The new law will result in the reduction of the effective corporate income tax rate for ordinarily taxed companies from the current rates, which range between 20%-22%, to 13.79%. Companies benefitting from a favorable tax regime will continue to receive benefits until the regime sunsets (the preferential tax regimes should be abolished by the time the federal corporate tax reform (STR 17) becomes effective, likely in 2020-2021).

See also World Tax Advisor – November 10, 2017

Taiwan

Increased withholding tax rate on profits and dividends to non-residents

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

Taiwan's Ministry of Finance issued a ruling on December 29, 2017 that increases the withholding tax rate on dividends paid to nonresidents from 20% to 21%. The new rate applies as from January 1, 2018.

See also tax@hand – December 28, 2017

Turkey

Corporate income tax rate increased for three years

Date of Enactment: December 5, 2017
Effective Date: Various

A law published in Turkey's official gazette on December 5, 2017 makes changes to the tax rules, including an increase in the corporate income tax rate from 20% to 22% for 2018, 2019 and 2020. The new rules apply for tax returns filed after January 1, 2018 (effective as from December 5, 2017).

See also Tax News No: 2017/6 – December 12, 2017

United Kingdom

Finance Bill 2017-2019 was enacted

Date of Enactment: November 16, 2017
Effective Date: April 1, 2017

The UK's Finance Bill 2017-19, enacted on November 16, 2017, includes the new loss relief rules, and changes to the substantial shareholding exemption and the interest deductibility rules.

See also World Tax Advisor – July 21, 2017

United States

Tax reform enacted

Date of Enactment: December 22, 2017
Effective Date: Generally, January 1, 2018

On December 22, 2017, President Trump signed into law significant tax reform legislation that lowers the statutory tax rates on corporations and provides a special deduction for many passthrough entities while also moving the US toward a participation exemption-style system for taxing foreign-source income of domestic multinational corporations. To help offset the cost of the new law's tax relief, a number of provisions that scale back or eliminate some longstanding deductions, credits, and incentives for businesses are also included.

See also Reshaping the code: Understanding the new tax reform law and Deloitte financial reporting alert 18-1 – January 3, 2018

Enacted Tax Law Changes That Are Now Effective: October 1, 2017 to December 31, 2017

The following section includes a brief summary of major international income tax law changes enacted before October 1, 2017, but are first effective in the period October 1, 2017 to December 31, 2017.

Per a review of the jurisdictions that are generally monitored in this publication, there were no major international income tax law changes enacted before October 1, 2017, but that are first effective in the period October 1, 2017 to December 31, 2017.

Enacted Tax Law Changes That Are Effective As From January 1, 2018

The following section includes a summary of major international income tax law changes enacted before October 1, 2017, but effective as from January 1, 2018.

Germany

New rules limit tax deductibility of royalty payments

Date of Enactment: July 5, 2017
Effective Date: December 31, 2017

Legislation that limits the deductibility of certain related party royalty payments was signed by the German president on June 27, 2017 and published in the federal gazette on July 4. The law targets royalty payments made to a nonresident 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 IP regime is not based on the OECD "nexus approach." Provisions of the bill relating to the nondeductibility of certain royalty payments apply to payments made after December 31, 2017.

See also World Tax Advisor - July 21, 2017

Latvia

New regime taxes on corporate profit distributions

Date of Enactment: July 28, 2017
Effective Date: January 1, 2018

Latvia's parliament adopted a law on July 28, 2017 that moves from the taxation of corporate profits on a net basis to one where profits are taxed only at the time they are distributed or deemed to be distributed. The law, which applies as from January 1, 2018, also increases the tax rate and eliminates certain tax deductions and incentives.

See also World Tax Advisor - October 13, 2017

Saudi Arabia

Tax law revised

Date of Enactment: September 20, 2017
Effective Date: Various

A royal decree dated September 20, 2017 includes changes to Saudi Arabia's tax laws, including reduced tax rates for oil and gas companies and measures to provide tax relief. Most of the amendments are effective from the beginning of the financial year following the issuance of the royal decree, although some of the new rules apply retroactively from January 1, 2017.

See also World Tax Advisor – October 27, 2017

On the Horizon

The following developments had not yet been enacted as of December 31, 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.

Australia

Draft anti-hybrid measures legislation issued

On November 24, 2017, the Australian government released exposure draft legislation and an explanatory memorandum addressing hybrid mismatch arrangements. The proposals are aimed at eliminating double non-taxation benefits arising from differences in the tax treatment of an entity or instrument under the tax laws of two or more jurisdictions. The government also announced that it will consult with stakeholders to develop two additional new rules to address the double nontaxation outcomes arising due to "branch mismatches" and investments into Australia by multinational groups that seek to circumvent the hybrid mismatch rules by using investment structures and arrangements that may not fall within the scope of the proposed rules.

See also World Tax Advisor – November 24, 2017, tax@hand – November 24, 2017, and World Tax Advisor – December 15, 2017

Japan

2018 tax reform proposals announced

On December 14, 2017, proposals for the 2018 tax reform were announced by the Liberal Democratic Party and the New Komeito Party. The proposals include an expansion of tax credits and incentives for companies that increase wages and capital investment (as well as a measure that would disallow certain incentives for companies that do not increase wages or capital investment), and an expansion of the definition of a permanent establishment to align Japanese tax law with the definition under the OECD's BEPS project.

See also tax@hand – December 28, 2017

Jersey

2018 budget includes proposals that would affect companies

Jersey's 2018 budget, announced on October 5, 2017, includes proposals that would affect companies, including a broadening of the definition of "financial services company" to bring more companies within the scope of the 10% tax rate and an increase in the fees payable by International Service Entities.

See also World Tax Advisor – October 13, 2017

Malaysia

2018 budget proposals released

The 2018 budget proposals were released on October 27, 2017, followed by the release of the Finance (No. 2) Bill 2017 on October 31, 2017. Many tax proposals from the budget were not included in the finance bill, but separate legislation may be proposed to implement additional budget proposals. The salient proposals that would affect corporations include the introduction of earnings stripping rules, as from January 1, 2019, that would be in line with the OECD recommendations under BEPS action 4, to limit the deductibility of interest on intragroup loans (a measure not included in the finance bill). The thin capitalization rules, whose application previously had been deferred until January 1, 2018, would be abolished without ever entering into force. The finance bill must be passed by the House of Representatives and Senate, receive royal assent from the king and be published in the official gazette as the finance act before it is enacted.

See also World Tax Advisor – December 15, 2017

Norway

Proposed interest expense limitations not included in budget 2018

Norway's Ministry of Finance (MOF) presented the budget for 2018 on October 12, 2017. The general corporate tax rate is proposed to be reduced from 24% to 23% with effect from 2018 (a fiscal year ending in 2018). Notably, the budget does not contain a proposal for new restrictions on the deductibility of interest expense, as proposed by the MOF in a consultation paper dated May 4, 2017.

See also Global Tax Alert – October 13, 2017

Taiwan

Corporate tax reform measures passed

The Legislative Yuan passed the following amendments to the income tax act on January 18, 2018: (i) an increase in the corporate income tax rate from 17% to 20%; (ii) abolition of the imputation system; (iii) a reduction in the corporate surtax rate from 10% to 5%; and (iii) changes to the tax credit on available for dividend income.

See also tax@hand – January 22, 2018

United Kingdom

Autumn Budget 2017 announced

The UK Chancellor of the Exchequer delivered the government's first Autumn Budget on November 22, 2017, with the announcements largely targeted at supporting the robustness of the UK tax system, while continuing to promote the UK as a favorable location for business. Draft legislation will be released in July 2018.

See also Global Tax Alert – November 22, 2017

Vietnam

Changes proposed to tax treatment of foreign e-commerce

In November 2017, Vietnam's Ministry of Finance announced the presentation of a draft statement to the government regarding proposed changes that would apply to e-commerce businesses operated by foreign companies or individuals, and is soliciting feedback and assistance from other government ministries and branches to determine the best solution for regulating the e-commerce sector.

See also tax@hand – December 6, 2017

Did you know

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

Austria

Supreme Administrative Court clarifies scope of anti-tax loss trafficking rule

Austria's Supreme Administrative Court issued a decision on September 13, 2017, concluding that an indirect transfer of the shares in an Austrian company is not "harmful" within the meaning of the anti-tax loss trafficking rule in the Corporate Income Tax Act.

See also World Tax Advisor - November 10, 2017

Azerbaijan

Low-tax regime list approved

On July 11, 2017, the president of Azerbaijan approved a list of 40 countries and territories that are deemed to have low-tax regimes. Inclusion on the list has adverse consequences, including the imposition of additional withholding tax rates on payments made to persons resident in the listed country, application of Azerbaijan's transfer pricing rules and taxation on a current basis for residents of Azerbaijan that hold a participation in an entity resident in a listed country.

See also World Tax Advisor - October 27, 2017

Cambodia

Draft law contains new rules for exploitation of petroleum and mineral resources

The draft 2018 Financial Management Law being discussed by the Cambodian National Assembly provides guidance on new taxation provisions for the exploitation of petroleum and mineral resources. The legislation will not come into effect until it is passed by the National Assembly and signed by the King.

See also tax@hand- December 8, 2017

Canada

Scope of voluntary disclosures program restricted

Canada's Revenue Agency (CRA) guidance that was finalized on December 15, 2017 contains changes to relief and eligibility conditions under the voluntary disclosures program (VDP). The VDP governs the manner in which the Minister of Revenue may exercise discretion to provide relief from penalties (and occasionally interest) that otherwise would be imposed for noncompliance with Canada's tax laws.

Under the updated circular, which will govern all submissions under the VDP that are received by the CRA on or after March 1, 2018, complete relief from penalties no longer will be granted for: (i) corporations with gross revenue in excess of CAD 250 million in two of the last five years; (ii) matters pertaining to transfer pricing adjustments or penalties; (iii) deficient tax returns where no tax is owing or refunds are requested; (iv) situations involving "large dollar amounts" or "sophisticated taxpayers"; and (v) situations involving multiple years of noncompliance. In addition, it will not be possible to make submissions on a no-name basis, and eligibility for relief under the VDP will require payment of any outstanding taxes at the time the submission is first made (rather than at a later date).

See also Deloitte alert – September 27, 2017

Cyprus

Deemed dividend distribution for 2017

The deemed dividend distribution provisions of the Special Contribution for the Defense Law may apply to certain profits of Cypriot tax resident companies that remain undistributed on December 31, 2017. Profits that are subject to the dividend distributon provisions will be subject to the 17% special defense contribution, which must be paid by January 31, 2018.

See also tax@hand - November 29, 2017

France

Constitutional court rules 3% surtax on dividends is unconstitutional

On October 6, 2017, the French constitutional court ruled that the 3% surtax on profit distributions violates the constitution. Therefore, the surtax cannot be levied as from October 8, 2017 (the date the decision was published). The surtax was officially abolished in the Finance Law for 2018.

See also World Tax Advisor - October 13, 2017 and World Tax Advisor – January 12, 2018

Germany

BFH rules on application of 5% addback on dividend distributions from CFCs

In a decision dated April 26, 2017 and published on September 14, 2017, Germany's Federal Tax Court (BFH) ruled that the lump-sum addback of 5% of the amount of dividends received (which is deemed to represent nondeductible business expenses) applies on dividend distributions from a foreign subsidiary, which are tax-exempt to the extent the taxpayer recognized taxable income from the subsidiary under Germany's controlled foreign company rules in the same business year or in the previous seven business years.

See also tax@hand – September 15, 2017

Lower tax court holds 6% interest rate for pension accruals unconstitutional

In a decision dated October 12, 2017, the lower tax court of Cologne held that the 6% interest rate used to calculate pension accruals and that generally results in a low recognition of pension accruals for German tax purposes violates constitutional principles. The tax court, therefore, initiated a procedure before the federal constitutional court on the constitutionality of the 6% interest rate.

See also German Tax and Legal News – December, 10, 2017

Capital gains from sale of shares by non-treaty-protected shareholder are fully tax-exempt

Germany's federal tax court (BFH) issued a decision on May 31, 2017 (published on October 25, 2017), in which it held that capital gains from the sale of shares by a foreign corporate shareholder with limited German tax liability are 100% exempt from German tax, regardless of the existence of (or provisions in) a tax treaty. In other words, the normal add-back of 5% deemed nondeductible business expenses does not apply to a limited liability taxpayer/non-treaty protected foreign shareholder. In reaching its decision, the BFH overruled the decision of the lower tax court of Hesse, which had ruled for the tax authorities.

See also World Tax Advisor - November 24, 2017

Final decree issued on withholding tax on outbound payments for software and database usage

Germany's Ministry of Finance issued a final decree on October 27, 2017 regarding the withholding tax treatment of payments made to nonresidents under software, cloud and/or database licensing arrangements. The final decree, which is based on a draft decree published on May 17, 2017, confirms that outbound payments for the use of software are royalties subject to German withholding tax only where the user obtains a comprehensive right to economically exploit the software under the licensing arrangement. No withholding tax should be triggered if the arrangement for which the payment is made focuses only on the designated or intended use of the software.

See also World Tax Advisor - November 24, 2017

Greece

Clarifications on significant tax audit issues

Greece's Supreme Administrative Court, the Legal Council of State and the tax authorities have issued guidance on tax audit issues, in particular, the statute of limitations for the Greek tax authorities to assess tax and the initiation of criminal proceedings for tax evasion.

See also tax@hand - December 11, 2017

Hong Kong

Policy address includes important tax measures

The Chief Executive of the Hong Kong SAR's policy address on October 11, 2017 includes a previous proposal to replace the current 16.5% flat tax on corporate profits with a two-tier profits tax regime. Profits not exceeding HKD 2 million would be subject to a 8.25% rate and profits exceeding that amount would remain subject to the 16.5% rate.

See also World Tax Advisor - October 27, 2017

India

Place of effective management rules clarified

India's Central Board of Direct Taxes issued a circular on October 23, 2017 to clarify the guidelines for determining whether a foreign company has a place of effective management in India, and thus be considered an Indian tax resident.

See also World Tax Advisor - November 10, 2017

Latvia

Tax haven list updated

Regulations that became effective on January 1, 2018 update the list of low-tax or no-tax jurisdictions and territories that are considered tax havens for Latvian tax purposes. Latvian domestic tax law contains special anti-tax avoidance rules relating to tax havens, which provide for tax withholding or tax base increases for transactions carried out with persons located in tax haven jurisdictions.

See also World Tax Advisor - December 15, 2017

Malta

Notional interest deduction rules introduced and deduction allowed for audit fees

A notional interest deduction regime applies in Malta as from the 2018 year of assessment and new rules introduced on November 3, 2017 allow certain start-up companies to deduct audit fees.

See also Global Tax Alert - October 16, 2017 and World Tax Advisor - November 24, 2017

Mexico

Special economic zones launched

Decrees published in Mexico's federal official gazette on September 29, 2017 and December 19, 2017 officially launched five special economic zones (SEZs) in the country (Lázaro Cárdenas-La Unión, Puerto Chiapas and Coatzacoalcos; and Progreso and Salina Cruz, respectively). The SEZs, which apply as from September 30, 2017 and December 20, 2017, respectively provide for preferential income tax, VAT, and customs duty treatment for companies operating in the zones.

See also World Tax Advisor - December 15, 2017 and tax@hand – December 22, 2017

United Kingdom

Tax authorities issue draft guidance on penalties for abusive tax arrangements

The UK tax authorities issued draft guidance on October 20, 2017 on penalties to be imposed on a person that enables the use of abusive tax arrangements that are later defeated. The draft supports new legislation in the Finance Bill 2017, which will give HMRC the power to challenge all aspects of marketed avoidance supply chains.

See also World Tax Advisor – October 27, 2017

Corporation tax installments for very large companies

The UK tax authorities published technical guidance on November 21, 2017 on changes to corporation tax installment payments by "very large companies." For accounting periods that begin on or after April 1, 2019, very large companies, i.e. broadly, companies with taxable profits of more than GBP 20 million, will be required to pay corporate tax installments earlier than large companies. Where companies are group members, or the accounting period is less than a year, the limits are proportionately reduced. Large companies, i.e. broadly companies with taxable profits of more than GBP 1.5 million in an accounting period, are required to pay corporation tax by installments starting during the period to which the liability relates.

See also tax@hand – November 27, 2017

Changes to capital gains tax on nonresidents

From April 1, 2019, UK corporation tax will be charged on gains derived by nonresidents on disposals of all types of UK immovable property. Existing treaty relief may be available in some circumstances.

See also Deloitte United Kingdom Alert – November 22, 2017

United States

Applicability date of section 987 regulations deferred

On October 2, 2017, the US Treasury and the IRS issued Notice 2017-57 announcing their intent to defer the applicability date of the final section 987 regulations under the Internal Revenue Code (and certain temporary section 987 regulations) by one year. In the Notice, the government announced that it intends to amend the final section 987 regulations to defer the applicability dates. In the meantime, taxpayers can rely on the notice regarding such proposed amendments. The final section 987 regulations (and related temporary regulations) will apply to "taxable years beginning on or after two years after the first date of the first taxable year following December 7, 2016."

See also Deloitte International Tax Alert – October 6, 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 and Deloitte financial reporting alert 18-1 – January 3, 2018

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 is 27.5% for companies with an aggregate annual turnover of less than AUD 25 million (increased from AUD 10 million) for the 2017-18 income year. The relevant threshold increases to AUD 50 million as from the 2018-19 income year.
Belgium	33.99%	29.58%	Dec. 25, 2017	The rate will be further reduced from 29.58% to 25% in the third phase of the tax reform.
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 or technology advanced service 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 for 2017 and Note 2 for the new rates applicable for FY opened as of January 1, 2018). Dec 31, 2016	According to the 2017 Finance Law that became effective on December 31, 2016, the corporate income tax rate is 33.33% (see Note 1). The Finance Law for 2018 enacted on December 20, 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 3% dividend tax that was declared as unconstitutional on October 8, 217 is officially abolished under the finance law 2018.
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

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.) 2017	2018	Date the combined national/local rate enacted — National and Local	Notes
				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 is 24%. The rate is 27.5% for banks and other financial institutions. "Non-operating" entities are subject to a 34.5% corporate tax rate. 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 is 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. 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.
South Korea	10%-22%	10%-25%	Jan 8, 2018	The corporate tax rate for income over KRW 300 billion is 25%. The tax rates are 10% on the first KRW 200 million of taxable income, 20% on taxable income above KRW 200 million and up to KRW 20 billion, 22% on taxable income above KRW 20 billion and up to KRW 300 billion and 25% on taxable income above KRW 300 billion.
Luxembourg	~27.08%	~26.01%	Dec 23, 2016	This rate applies to the municipality of Luxembourg City for fiscal year 2017. Rates for residents of other municipalities may vary. The corporate income tax rate reduced from 19% to 18% on January 1, 2018. As a result, the effective combined income tax rate for a company in Luxembourg City is 26.01% for

Jurisdiction	Combined national/ local rate (incl. surcharges, etc.)		Date the combined national/local rate enacted	Notes
	2017	2018	National and Local	
				2018 (including the corporate income tax, municipal business tax and the contribution for the unemployment fund).
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. 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 in some regions. 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%, but 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. For year of assessment 2018 (income year 2017), a corporate income tax rebate of 20% on corporate income tax payable, subject to a cap of SGD 10,000, is available.
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.
Turkey	20%	22%	Dec. 5, 2017	The 22% rate is in effect for 2018, 2019 and 2020 and is applicable for the tax returns filed after January 1, 2018.
United Kingdom	20%	20% and 19%	Jul 17, 2013 and Nov 18, 2015	The 20% reduced to 19% on April 1, 2017. Due to 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.
United States	35%	21%	December 22, 2017	P.L. 115-97, commonly referred to as the 2017 Tax Reform Act, was signed into law by the President on December 22, 2017. The act replaces the graduated corporate rate structure with a flat 21% rate, effective in 2018 and repeals the corporate alternative minimum tax.
Other Jurisdictions	See 2017 Global Tax Rates			

Note 1:

Under the Finance Law for 2017, as approved in December 2016, the corporate tax rate is as follows for FY 2017: 33.33% (plus a surtax of 3.3% when the corporate income tax laibility exceeds EUR 763,000, leading to an ETR of 34.43%).

A reduced rate of 28% applies to SMEs (i.e. micro, small and medium-sized entreprises with revenue below EUR 50 million) on the first EUR 75,000 of taxable income. Above that threshold, the 33.33% applies.

Note 2:

The Finance Bill for 2018 presented on September 27, 2017 provided for a progressive reduction of the corporate tax rate with the new following timetable:

- FY opened as of January 1, 2018: The 28% rate should apply to the first EUR 500,000 of taxable income for all companies, and 33.3% for income above this threshold.
- FY opened as of January 1, 2019: The standard corporate tax rate should be 31% for all companies (the 28% rate still would apply to the first EUR 500,000 of taxable income for all companies).
- FY opened as of January 1, 2020: The standard corporate tax rate should be 28% for all companies.
- FY opened as of January 1, 2021: The standard corporate tax rate should be 26.5% for all companies.
- FY opened as of January 1, 2022: The standard corporate tax rate should be 25% for all companies.

The Finance Bill for 2018 was enacted on December 30, 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.

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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.

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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