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Accounting for Income Taxes

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

January 1, 2024 – March 31, 2024
March 31, 2024
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Contents

Introduction

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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: January 1, 2024 to March 31, 2024

The following section includes a summary of major international income tax law changes enacted during the period January 1, 2024 to March 31, 2024.

Egypt

Law introduces incentives for green hydrogen production projects

Date of Enactment: January 27, 2024
Effective Date: January 28, 2024

Law No. 2 of 2024 was published in Egypt's official gazette on January 27, 2024 and went into effect the following day. The law outlines various incentives for green hydrogen production projects and their derivatives, including a green hydrogen cash incentive, a value added tax (VAT) exemption, and several other tax exemptions.

See also tax@hand - March 13, 2024

Hong Kong SAR

Legislation introducing new tax deduction for spectrum utilization fees enacted

Date of Enactment: January 19, 2024
Effective Date: January 19, 2024

The Inland Revenue (Amendment) (Tax Deductions for Spectrum Utilization Fees) Ordinance 2024 that introduces new tax deductions in Hong Kong SAR for spectrum utilization fees (SUFs) was gazetted on January 19, 2024 and has immediate effect. This follows the passing of the relevant bill by the Legislative Council on January 10, 2024.

Under the ordinance, SUFs payable for radio spectrum acquired on or after January 19, 2024 are fully deductible, with the tax deduction spread over the spectrum assignment term (generally 15 years). The new deduction does not have retroactive effect, so SUFs payable in respect of radio spectrum assigned prior to January 19, 2024, whether already paid or to be paid, remain not tax deductible.

See also tax@hand - January 22, 2024

Bill enhancing preferential aircraft leasing tax regime enacted; IRD guidance updated

Date of Enactment: February 21, 2024
Effective Date: April 1, 2023

The Inland Revenue (Amendment) (Aircraft Leasing Tax Concessions) Bill 2023 containing provisions to enhance Hong Kong SAR's preferential tax regime for aircraft leasing was passed by the Legislative Council on February 21, 2024. The enhancements will apply retroactively as from the year of assessment 2023/24 beginning on April 1, 2023. On February 20, 2024, the Inland Revenue Department (IRD) updated the guidance and frequently asked questions (FAQs) on the aircraft leasing tax regime on its website.

See also tax@hand - February 26, 2024

Japan

Japan enacts 2024 Tax Reform

Date of Enactment: March 28, 2024
Effective Date: Various

On March 28, 2024, the National Diet of Japan enacted the 2024 tax reform. The enacted law is generally consistent with the December proposals, which included the following changes relevant for corporations:

- Extension of period for disallowance of refunds through NOL (other than NOLs of SMEs) carry-back by 2 years.
- Extension of the carry-forward period for disallowed interest expenses under the earnings stripping rules.
- Increase in the deductible portion of entertainment expenses, and this measure will be extended by 3 years.
- Revisions to R&D tax incentives and tax incentives for investments in becoming carbon neutral
- Establishment of tax incentives for promoting domestic production of strategic resources
- Establishment of Innovation Box

See also tax@hand - December 27, 2024

United Kingdom

Finance Act 2024 receives royal assent

Date of Enactment: February 22, 2024
Effective Date: February 22, 2024

The UK Finance Bill received royal assent on February 22, 2024 after completing its remaining House of Lords stages and has become Finance Act 2024. As the House of Lords does not amend finance bills, the contents of the act are unchanged from the reprinted version of the bill that was passed by the House of Commons on February 5, 2024.

See also tax@hand - February 23, 2024

Enacted Tax Law Changes That Are Now Effective: January 1, 2024 to March 31, 2024

The following section includes a summary of major international income tax law changes enacted before January 1, 2024, but are first effective in the period January 1, 2024, to March 31, 2024.

Belgium

Navigating the mobility landscape: What is new as from January 1, 2024?

Date of Enactment: Various
Effective Date: Various

During recent years, mobility has been a hot topic on the agenda of most organizations, as well as of the Belgian legislature. To help businesses keep up with the legislative changes, the summary in the article includes coverage of a number of changes relating to the legislation on the tax regime for company cars, the federal mobility budget, and company bicycles, which are effective as from January 1, 2024 and which may have an impact on businesses.

See also tax@hand - January 26, 2024

Brazil

New rules limit deduction of interest on net equity distributions

Date of Enactment: December 29, 2023
Effective Date: January 1, 2024

Pursuant to Law No. 14,789/2023, which was published on December 29, 2023 by the Brazilian government, the corporate income tax deduction for interest on net equity (INE) distributions has been limited as from January 1, 2024.

Under Law No. 9,249/1995, a Brazilian company generally is allowed to make INE distributions to shareholders (either legal entities or individuals), which are based on calculations that apply the public long-term interest rate (TJLP) to the company's net equity and subject to 15% withholding tax (or 25% withholding tax if payment is made to a tax haven jurisdiction). The deductibility of such distributions is limited to the greater of 50% of the retained earnings account plus profit reserves and 50% of current profit and loss before corporate income taxes.

See also tax@hand - January 3, 2024

New legislation subjects investment subsidies to taxation

Date of Enactment: December 29, 2023
Effective Date: January 1, 2024

On December 29, 2023, the Brazilian government published Law No. 14,789/2023, which provides that investment subsidies, such as state VAT (ICMS) incentives, are subject to corporate income taxes (IRPJ/CSLL) and federal gross revenue taxes (PIS/COFINS) as from January 1, 2024. A new investment subsidy tax credit also is available. The new law is a result of the conversion of Provisional Measure No. 1,185/2023 published on August 31, 2023, although some provisions in the new law differ from those contained in the provisional measure. Furthermore, the Brazilian Federal Revenue published Normative Instruction No. 2,170/2023 on January 2, 2024, which sets forth regulations that reinforce the requirements established by Law No. 14,789/2023 and provides procedures on how to apply for the investment subsidy tax credit.

See also tax@hand - January 3, 2024

Czech Republic

Highlights of key tax changes effective for 2024, including tax rate changes

Date of Enactment: Various
Effective Date: January 1, 2024

A number of tax changes entered into force in the Czech Republic at the beginning of 2024, including changes resulting from the enactment of the fiscal consolidation package that are intended to reduce the state budget deficit. This article provides a summary of the most significant changes, which include an increase in the corporate income tax rate to 21% and changes to the VAT rates, among other things. The changes generally are effective as from January 1, 2024, unless otherwise noted.

See also tax@hand - January 25, 2024

Ghana

Amending 2024 budget legislation enacted

Date of Enactment: December 29, 2023
Effective Date: January 1, 2024

Following the Ghanaian government's announcement of various tax policy proposals in the 2024 budget statement, parliament has enacted the following new legislation:

- Income Tax (Amendment) Act, 2023 (Act 1111)
- Value Added Tax (Amendment) Act, 2023 (Act 1107)
- Excise Duty (Amendment) (No. 2) Act, 2023 (Act 1108)
- Stamp Duty (Amendment) Act, 2023 (Act 1109)
- Exemptions (Amendment) Act, 2023 (Act 1110)

The legislation was published in the official gazette on December 29, 2023. The Commissioner-General of the Ghana Revenue Authority (GRA) has issued a written directive indicating the implementation date for these acts as January 1, 2024.

This update provides a summary of the provisions and their implications for taxpayers.

See also tax@hand - February 1, 2024

Italy

Government approves legislative decree implementing Pillar Two rules

Date of Enactment: December 28, 2023
Effective Date: January 1, 2024

On December 19, 2023, the Italian Council of Ministers approved the final version of the legislative decree providing—among other things—for the transposition in Italy of Council Directive (EU) 2022/2523, which aims to ensure a global minimum level of taxation for multinational groups and large-scale domestic groups in the EU ("EU Pillar Two directive"). The legislative decree was published in the Italian official gazette on December 28, 2023 and its provisions generally are effective as from January 1, 2024.

See also tax@hand - January 3, 2024

Legislative decree containing international tax reform measures is in force

Date of Enactment: December 28, 2023
Effective Date: January 1, 2024

A legislative decree (No. 209/2023) containing international tax measures that are part of the broader Italian tax reform that is in progress was published in the Italian official gazette on December 28, 2023 and its provisions generally are effective as from January 1, 2024. The legislative decree includes—among other things—revised criteria to determine the tax residence of corporate entities, amendments to the controlled foreign company (CFC) regime (which also are relevant for purposes of the participation exemption regime), the introduction of a tax incentive to encourage businesses to "reshore" economic activities to Italy from non-EU/European Economic Area (EEA) jurisdictions, and the introduction of a penalty protection regime for hybrid mismatch assessments ("anti-hybrid penalty protection regime," covered in further detail in the related article dated December 28, 2023). The legislative decree also provides for the transposition of Council Directive (EU) 2022/2523 on ensuring a global minimum level of taxation for multinational groups and large-scale domestic groups in the EU ("EU Pillar Two directive") into the Italian domestic tax law framework (covered in further detail in the related article dated January 3, 2024). Aside from the provisions relating to the anti-hybrid penalty protection regime, the legislative decree does not reflect substantial amendments compared to the draft decree published in November 2023.

See also tax@hand - January 8, 2024

Luxembourg

Tax credits will benefit companies investing in digital and green transformation

Date of Enactment: December 19, 2023
Effective Date: January 1, 2024

On December 19, 2023, the Luxembourg Chamber of Deputies adopted a law to modernize the investment tax credit. The law, which went into effect on January 1, 2024, was amended during the legislative process to address the objections made by the Council of State.

See also tax@hand - January 17, 2024

Malaysia

Finance (No. 2) Act 2023 enacted, introduction of CGT on unlisted shares clarified

Date of Enactment: December 30, 2023
Effective Date: January 1, 2024

Malaysia's Finance (No. 2) Act 2023 (Act 851) was published in the government gazette on December 29, 2023 and came into operation on December 30, 2023. Among other things, the act introduces capital gains tax (CGT) on the disposal of certain capital assets by companies and certain other legal entities, which generally is effective as from January 1, 2024. However, as described further in the article, the Income Tax (Exemption) (No. 7) Order 2023 (P.U.(A) 410/2023) was gazetted on December 29, 2023 to effectively provide a two-month deferral of the introduction of CGT on disposals of unlisted shares of companies incorporated in Malaysia, i.e., gains or profits derived from the disposal of such shares generally will be exempt from CGT if the disposal occurs during the period from January 1, 2024 to February 29, 2024.

See also tax@hand - January 12, 2024

Capital gains tax in Malaysia: What do we know thus far? (Part one)

Date of Enactment: December 29, 2023
Effective Date: January 1, 2024

There have been many discussions on the new Malaysian capital gains tax (CGT) over the last year or so, and finally CGT has arrived in Malaysia. On December 29, 2023, the Finance (No. 2) Act 2023 was published in the government gazette and came into operation on December 30, 2023. A new chapter 9 has been introduced in the Income Tax Act 1967 (ITA) to impose tax on gains or profits from the disposal of capital assets on or after January 1, 2024 (as opposed to the date of March 1, 2024 that was announced earlier). However, this is to be read together with the Income Tax (Exemption) (No. 7) Order 2023 ("exemption order"), which effectively provides a two-month deferral of the introduction of CGT on disposals of unlisted shares of companies incorporated in Malaysia, i.e., gains or profits derived from the disposal of such shares generally will be exempt from CGT if the disposal occurs during the period from January 1, 2024 to February 29, 2024.

See also tax@hand - January 26, 2024

Taiwan (China)

MOF amends regulations governing application of accrued CFC income

Date of Enactment: December 21, 2023
Effective Date: December 21, 2023

On December 21, 2023, the Ministry of Finance (MOF) of Taiwan (China) ("Taiwan") published amendments to the "Regulations Governing Application of Accrued Income from Controlled Foreign Company (CFC) for Profit-seeking Enterprises," which went into effect immediately. Corporations reporting CFC income in their corporate income tax return to be filed in May 2024 will have to rely on these amendments.

See also tax@hand - January 15, 2024

Enacted Tax Law Changes That Are Effective After March 31, 2024

The following section includes a summary of major international income tax law changes enacted before January 1, 2024, but effective after March 31, 2024.

Bermuda

Corporate income tax legislation enacted

Date of Enactment: December 27, 2023
Effective Date: January 1, 2025

On December 27, 2023, the Bermuda Corporate Income Tax Act 2023 (the Act) received the governor's assent and was enacted, and a notice on the enactment was posted to the government of Bermuda's official gazette. The enacted law is generally consistent with the draft legislation included with the third public consultation paper and introduces a 15% corporate income tax (CIT) on Bermuda businesses that are part of multinational enterprise (MNE) groups with annual revenue of EUR 750 million or more. The effective date for the tax is January 1, 2025 (i.e., it is effective for tax years beginning on or after January 1, 2025). The government also has released "version 2.0" of a set of frequently asked questions (FAQs) providing additional guidance with respect to the Act, and a form that allows certain elections to be made in advance of filing a Bermuda CIT return.

As summarized in previous Bermuda government consultation papers, the Bermuda CIT rules incorporate key foundational definitions from the OECD global anti-base erosion (GloBE) model rules, to remain aligned as far as practicable with the GloBE rules.

See also tax@hand - January 3, 2024

On the Horizon

The following developments had not yet been enacted as of March 31, 2024, but may, in certain cases, be enacted and become effective in the near future. Please follow up with your U.S. or local country/jurisdiction tax advisor for more information.

Australia

Weekly tax round-up

These articles provide a summary of key commonwealth tax developments in Australia.

See also tax@hand - March 25, 2024, tax@hand - March 12, 2024, tax@hand - March 18, 2024, tax@hand - March 3, 2024, tax@hand - February 26, 2024, tax@hand - February 19, 2024, tax@hand - February 12, 2024, tax@hand - February 5, 2024, tax@hand - January 29, 2024, and tax@hand - January 22, 2024

Belgium

Draft law would amend investment deduction regime to support "green" transition

The Finance Commission of the Belgian parliament has approved long-awaited tax legislation (Dutch | French) introducing significant amendments to the investment deduction regime. The final vote of the Belgian parliament is expected shortly. The reforms aim to simplify the procedures for claiming the deduction and update the list of eligible investments to encourage investment in "green" technologies, taking into account evolutions in technology and sustainable transition needs. The general conditions for the application of the investment deduction, as prescribed in article 68 of the Income Tax Code 1992, are retained. If approved, the law will come into force for investments as from January 1, 2025.

See also tax@hand - March 26, 2024

Brazil

Provisional measure revokes temporary 0% tax rate for tourism industry

On December 28, 2023, the Brazilian government issued a provisional measure (PM 1,202/2023) revoking the fourth paragraph of Law No. 14,148/2021, which introduced the Emergency Program for the Recovery of the Events Sector ("PERSE") and established a temporary 0% rate for corporate income taxes (IRPJ and CSLL) and federal gross revenue taxes (PIS and COFINS) for taxpayers that were negatively affected by the COVID-19 pandemic, such as those taxpayers involved in the tourism and events sector (e.g., cinemas, concerts, hotels, sporting and cultural events, travel agencies). The reduced rate was to apply from March 2022 through February 2027, i.e., a sixty-month period.

See also tax@hand - January 3, 2024

Germany

Upper house of parliament approves business tax reform bill

The upper house of the German parliament on March 22, 2024 approved the business tax reform bill ("Growth Opportunity Act"), which includes amendments to the transfer pricing rules for cross-border financing arrangements and to the minimum taxation rules regarding the use of net operating loss (NOL) carryforwards. The original bill had been approved by the lower house of parliament on November 17, 2023 but later was rejected by the upper house of parliament on November 24, 2023. The bill then was sent to the conference committee of the upper and lower houses of parliament for further negotiations. The conference committee approved an updated bill on February 21, 2024, which then was approved by the lower house of parliament on February 23, and now by the upper house of parliament. The bill is now heading to the president for signature and publication in the federal gazette.

See also tax@hand - March 25, 2024

Honk Kong SAR

Key tax measures in 2024-25 Budget

The Financial Secretary of the Hong Kong Special Administrative Region (Hong Kong SAR), Paul Chan Mo-po, delivered the 2024-25 Budget Speech on February 28, 2024. This is the second budget he has prepared for the current-term government led by Hong Kong SAR Chief Executive John Lee Ka-chiu.

See also tax@hand - February 29, 2024

Isle of Man

2024-25 Budget introduces tax on gas and oil extraction, temporary minimum tax

The Isle of Man Budget for 2024-25 was announced by Treasury Minister Dr Alex Allinson MHK on February 20, 2024. In a budget that focused on sustainability and long-term stability, Dr Allinson announced changes that will result in an increase in government spending, with health and education to receive an additional combined total of more than GBP 59 million.

See also tax@hand - February 21, 2024

Japan

Podcast: 2024 tax reform series—proposed new tax incentives

In the 2024 tax reform proposals, Japan's Ministry of Finance announced its intention to introduce two new tax incentives for strategic investment and innovation, and proposed amendments to the existing carbon neutrality incentive.

See also tax@hand - March 20, 2024

New Zealand

Tax policy guide for 2024: What to expect and when

With the new year well and truly underway, it is time to have another look at New Zealand's expected tax changes for 2024. A new government means a range of potential tax changes to monitor.

See also tax@hand - March 4, 2024

Snapshot of recent developments (March 2024)

This article provides a round-up of New Zealand tax news and developments as at March 2024.

See also tax@hand - March 13, 2024

Proposed amendments to the 2023-24 tax bill released

On March 14, 2024, proposed amendments to New Zealand's Taxation (Annual Rates for 2023-24, Multinational Tax and Remedial Matters) Bill were published (Amendment Paper No 20). Expected and highly publicized, changes include reducing the bright-line test for residential property to two years, restoring interest deductions on residential property, and removing commercial building depreciation deductions.

See also tax@hand - March 14, 2024

OECD

Pillar One Amount B methodology optional for countries under newly released guidance

As part of the ongoing work of the OECD/G20 Inclusive Framework on BEPS ("inclusive framework") to implement the "Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalization of the Economy," the OECD released on February 19, 2024 a report entitled *Pillar One - Amount B* (the "Amount B 2024 report" or "the report").

See also tax@hand - February 26, 2024 and tax@hand - February 21, 2024

United Kingdom

Key measures for foreign owned groups in Spring Budget 2024

The UK Chancellor of the Exchequer, Jeremy Hunt, on March 6, 2024 delivered the UK's 2024 Spring Budget, outlining the government's tax and spending plans. With a UK general election expected in the second half of 2024, the main measures announced by the chancellor were aimed at employees and working families. However, the chancellor also sought to encourage business investment through specific investment incentives.

See also tax@hand - March 6, 2024

Treasury provides update on implementation of OECD guidance on Pillar Two safe harbor

On March 14, 2024, HM Treasury published a brief written statement confirming that the UK will be introducing anti-abuse rules for the Pillar Two transitional country-by-country (CbC) reporting safe harbor, in line with the latest administrative guidance published by the OECD/G20 Inclusive Framework on BEPS in December 2023.

See also tax@hand - March 15, 2024

United States

Fiscal cliff in 2025 looms large in JCT's latest expiring provisions list

A slew of temporary US tax provisions set to lapse after 2025—many of which were enacted in the Tax Cuts and Jobs Act of 2017 (TCJA, P.L. 115-97)—accounts for more than 40% of the 89 tax "extenders" that are scheduled to expire between 2024 and 2034, according to a report from the Joint Committee on Taxation (JCT) staff released on January 11, 2024.

See also tax@hand - January 20, 2024

Senate Finance Committee members still at odds over bipartisan tax package

The divide between US Senate Finance Committee Chairman Ron Wyden, D-Ore., and ranking member Mike Crapo, R-Idaho, over a USD 78 billion bipartisan package of business- and family-focused tax relief provisions that was approved in the House but remains stuck in the Senate showed no signs of narrowing as the panel discussed the impact of tax policy on domestic manufacturing during a March 12, 2024 hearing.

See also tax@hand - March 15, 2024, tax@hand - March 1, 2024, tax@hand - February 2, 2024, tax@hand - January 26, 2024, tax@hand - January 20, 2024, tax@hand - January 19, 2024, tax@hand - January 16, 2024, and tax@hand - January 13, 2024

Senate Finance Committee debates White House FY 2025 budget blueprint

Warning that “the clock is ticking down,” US Senate Finance Committee Chairman Ron Wyden, D-Ore., continued his push for Senate action on a USD 78 billion bipartisan package of business- and family-focused tax relief provisions during a March 21, 2024 hearing to discuss President Biden’s fiscal year 2025 budget proposal with Treasury Secretary Janet Yellen.

See also tax@hand - March 22, 2024, tax@hand - March 15, 2024, tax@hand – March 12, 2024, tax@hand - March 9, 2024, tax@hand - March 9, 2024, and tax@hand - February 10, 2024

At long last, lawmakers poised to finish business on FY 2024 appropriations

The US House of Representatives the week of March 18, 2024 passed the second and final set of six-bill “minibus” appropriations measures, putting lawmakers on the cusp of finally bringing a close to the appropriations process for fiscal year 2024, which began on October 1, 2023.

The appropriations package now heads to the Senate, where it is expected to pass. At press time, Democratic and Republican leaders were attempting to lock down a unanimous consent agreement that would expedite consideration of the package and ensure a vote on final passage before midnight on March 22, when a stopgap measure providing funding for the federal departments and agencies covered under the legislation is set to expire. It was unclear, however, whether such an agreement would get the support of all 100 senators, which raises the possibility of a brief lapse in funding if floor proceedings are prolonged and the measure is not approved until sometime after the midnight deadline.

See also tax@hand – March 22, 2024

Did you know

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

Australia

PCG 2024/1: Intangibles migration arrangements

On January 17, 2024, the Australian Taxation Office (ATO) released Practical Compliance Guideline PCG 2024/1 ("the PCG") relating to intangibles migration arrangements, following an extended consultation period. The PCG, which applies to both new and existing arrangements, sets out when the ATO is likely to apply resources to consider the potential application of the general anti-avoidance rules (GAARs) or the transfer pricing rules to cross-border related party intangibles migration arrangements. In the PCG, "Intangibles Migration Arrangements" are defined as cross-border arrangements involving the "migration" (which is specifically defined within the PCG) of intangible assets, or arrangements with similar effect. This includes arrangements relating to the Australian development, enhancement, maintenance, protection, and exploitation (DEMPE) activities in connection with intangible assets held offshore.

See also tax@hand - January 23, 2024

R&D—importing overseas goods: what have we learned?

As the April 30, 2024 deadline for registering many Australian research and development (R&D) Tax Incentive claims fast approaches, it is timely to consider the rules surrounding imported R&D goods or any eligible R&D activities being conducted overseas (or planned to be conducted), particularly in the context of a recent case and the subsequent Australian Taxation Office (ATO) Taxpayer Alert TA 2023/5 that was issued on December 14, 2023.

See also tax@hand - February 21, 2024

Tribunal finds ATO has some powers to assess eligibility of R&D activities

The Australian Administrative Appeals Tribunal ("the Tribunal") has released a notable decision, GQHC and Commissioner of Taxation [2024] AATA 409, concluding that the Australian Taxation Office (ATO) has the power to assess or make decisions as to whether registered activities are eligible research and development (R&D) activities in the absence of certain findings from the usual regulator, being the (formerly named) Innovation and Science Board ("the Board").

While concluding the activities in question were not so eligible, the decision also contemplated the specific application of the feedstock provisions to expenditure on chickens and poultry feed, had the relevant activities been so eligible.

See also tax@hand - March 15, 2024

European Union

AG opines Dutch interest deduction limitation rules not in conflict with EU law

On March 14, 2024, Advocate General (AG) Emiliou to the Court of Justice of the European Union (CJEU) issued an opinion in case C-585/22, which was referred by the Dutch Supreme Court and concerns the interest deduction limitation under article 10a of the Dutch Corporate Income Tax Act of 1969. The AG opined that the EU freedom of establishment principle does not preclude the application of the Dutch interest deduction limitation rules in artificial loan arrangements where either the interest is not determined on an arm's length basis or the objective of the taxpayer concerned leads to tax abuse irrespective of the arm's length status of the interest and conditions of the loan.

See also tax@hand - March 15, 2024

Germany

RETT guidance on ownership attribution could result in double taxation

In a decree dated October 16, 2023 (the "real estate attribution decree"), the German tax authorities provided their interpretation on recent real estate transfer tax (RETT) landmark decisions from the federal tax court (BFH), which are dated December 1, 2022 and December 14, 2022. The guidance adopts the principles as described by the BFH and also establishes new criteria and approaches regarding how to assess whether a RETT triggering event took place. The main focus of the guidance is on the attribution of the ownership of real estate and fictitious taxable events for RETT purposes under section 1 (2a) – 1 (3a) of the RETT Act. Based on the view of the tax authorities, there are scenarios in which the ownership in the same piece of real estate might be attributed to multiple entities at the same time (e.g., in multi-level shareholding structures), which could potentially trigger RETT more than once.

See also tax@hand - January 9, 2024

Constitutional court rules transfers between certain partnerships must be tax neutral

In a decision dated November 28, 2023 (and published on January 12, 2024), Germany's federal constitutional court (BVerfG) ruled that section 6 (5) sentence 3 of the Income Tax Code (ITC) violates German constitutional principles of equality to the extent that it does not allow for a tax neutral asset transfer between partnerships with identical partners with the same partnership interest percentages.

Under section 6 (5) sentences 1 and 2 ITC, asset transfers between different businesses of the same taxpayer are tax neutral. Furthermore, section 6 (5) sentence 3 ITC (which is under review) allows for a tax neutral asset transfer between a partnership and its partners and between the partners of a partnership, provided the asset is allocated to the partnership based on German tax accounting rules for partnerships. However, a tax neutral asset transfer between partnerships having identical partners with the same partnership interest percentages is not covered by the wording of section 6 (5) sentence 3 ITC.

See also tax@hand - January 12, 2024

Mexico

Dividend distributions: Tax considerations

Dividends are basically the return received by company shareholders on their investments in the company. The dividend amounts are taken from earnings and distributed according to the annual growth of the company or business and are based on the equity percentage held by each shareholder.

For many years, Mexico's Income Tax Law (LISR) has provided that dividends paid by one Mexican resident company to another do not constitute taxable income because the distributing company has already paid income tax (ISR) on the profits from which the dividends are derived based on its tax result (see article for a discussion of the net tax profit account (CUFIN) mechanism).

See also tax@hand - March 25, 2024

New Zealand

What is investment income reporting?

While New Zealand was in the midst of the first COVID-19 lockdown, the investment income reporting rules took effect on April 1, 2020. As a consequence of people being focused on other things, these rules may have slipped the attention of some taxpayers. As such, this article provides a reminder of the requirements that apply to anyone who pays out investment income or royalties to nonresidents.

See also tax@hand - March 12, 2024

The clock is ticking: Tips for the end of the tax year

As another tax year draws to a close in New Zealand (for those with a standard March 31 balance date), there are some key things to keep in mind.

See also tax@hand - March 18, 2024

Singapore

Overview of legislative changes introduced by Income Tax (Amendment) Act 2023

This article provides a summary of the key legislative changes to the Singapore Income Tax Act 1947 (ITA) introduced by the Income Tax (Amendment) Act 2023 (Act 30 of 2023) published on October 30, 2023. Act 30 of 2023 contains provisions to enact many Budget 2023 measures, including a new enterprise investment scheme (EIS) to enhance various existing tax measures available to encourage research and development (R&D), intellectual property (IP) registration, IP rights acquisition, and IP rights licensing and also introduce new incentives. In addition, Act 30 of 2023 enacts the new regime for the taxation of foreign-sourced capital gains and losses that was not announced in Budget 2023. All section references are to the ITA.

See also tax@hand - January 4, 2024

Amendments to economic expansion incentives legislation enacted

Singapore's Economic Expansion Incentives (Relief from Income Tax) (Amendment) Act 2023 (Act 39 of 2023) was passed on December 29, 2023 and gives effect to various changes to tax incentive measures intended to support economic growth that were announced in the 2022 and 2023 budgets. The changes generally apply as from December 29, 2023, but some are deemed to apply as from April 1, 2023, as indicated.

See also tax@hand - February 28, 2024

IRAS sets out process for economic substance ruling for foreign asset disposals

On January 2, 2024, the Inland Revenue Authority of Singapore (IRAS) updated the "Economic substance requirement" guidance on its website to set out the process to apply for an income tax advance ruling on the adequacy of economic substance for the purposes of the new regime for the taxation of foreign-sourced capital gains and losses as from January 1, 2024.

See also tax@hand - February 28, 2024

Tax highlights of Budget 2024 for companies

The Singapore Budget 2024 was delivered by the Deputy Prime Minister and Minister for Finance, Mr. Lawrence Wong, on February 16, 2024 with the theme "Building our shared future together." The budget seeks to strengthen Singapore's resilience and adaptability in an era of global uncertainty and change. The budget demonstrates the government's commitment not just to promoting economic growth but also to ensuring a more equitable and inclusive society for all Singaporeans, reflecting a balance between advancement and social cohesion.

See also tax@hand - March 26, 2024

Switzerland

Crypto taxation: How are investors taxed?

Widespread adoption of cryptocurrencies and the increasing economic importance of digital assets increases the need to understand their respective tax implications. In Switzerland, the tax treatment of cryptocurrencies is usually based on existing tax laws, and the Federal Tax Administration (FTA) has recently published an updated working paper addressing the tax treatment of diverse cryptocurrency activities. This article will focus on income and wealth taxes at the level of the beneficial owner.

See also tax@hand - January 19, 2024

United Kingdom

Upper Tribunal rules on what constitutes valid double tax relief claim

On January 25, 2024, the UK Upper Tribunal issued its decision in *HMRC v The Applicants/Appellants in the Post-Prudential Closure Notice Application Group Litigation/ Appeals Group Litigation* addressing the validity of corporation tax dividend double tax relief claims following FII GLO, Prudential etc. The tribunal's decision is largely in favor of HM Revenue & Customs (HMRC), overturning many of the points that the First-tier Tribunal had decided in favor of the taxpayers.

See also tax@hand - January 29, 2024

United States

US-Chile tax treaty enters into force

Thirteen years after it was originally signed, a new tax treaty between the US and Chile finally entered into force on December 19, 2023. The agreement is especially welcome news for those US taxpayers with investments in Chile’s significant reserves of lithium and copper, which are used in the batteries critical for many current and emerging technologies.

See also tax@hand - January 13, 2024

Example Disclosures

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

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

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

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

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

Quick Reference Guide for Income Tax Rates

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

For other jurisdictions see 2023 Global Tax Rates as well as a comparative table of 2019-2023 Global Tax Rates.

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

Additional Resources

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

Accounting for Income Taxes—Global Tax Developments archive

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

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

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

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

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

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