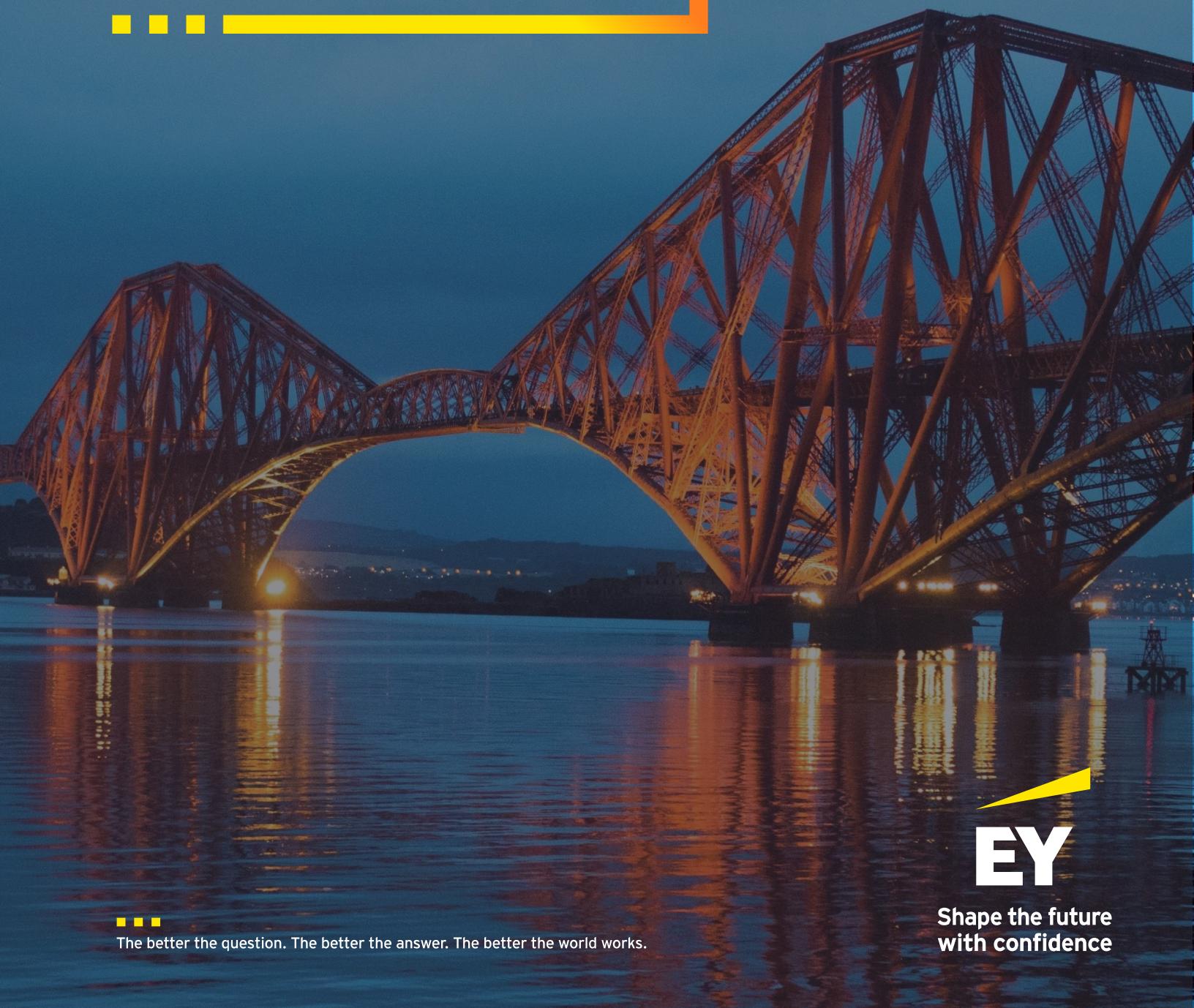


# Quarterly Tax Developments

Things to know about Q3 tax developments and related IFRS accounting implications

September 2025



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Welcome to our Q3 2025 Quarterly Tax Developments publication, which focuses on income tax developments that could affect International Financial Reporting Standards (IFRS) accounting.

Here we describe certain tax developments previously summarized in EY Tax Alerts or other EY publications or identified by EY tax professionals or EY foreign member firms. These developments may affect your tax provision or estimated annual effective tax rate.

We compile this information because we recognize that, for many companies, a significant aspect of accounting for income taxes is identifying changes in tax law and other events when they occur so the accounting can be reflected in the appropriate period. This publication, however, is not a comprehensive list of all changes in tax law and other events that may affect income tax accounting.

This edition covers certain substantively enacted, enacted and effective tax legislation, as well as regulatory developments, legislative proposals and other items, including developments on the Organisation for Economic Co-operation and Development (OECD) global minimum tax rules under Pillar Two, identified through 23 September 2025, except as noted.

You can access the EY publications referenced in this document through our [Global Tax News Update website](#) for more information.

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# Tax developments

## **Legislation substantively enacted (or enacted) in the third quarter of 2025**

Under IFRS, companies are required to account for the effects of tax law changes on their deferred tax assets and liabilities in the period the legislation is substantively enacted. Similarly, companies must reflect the effects of a substantively enacted change in tax laws or rates in their annual effective tax rate computation in the period the changes are substantively enacted. If an interim change is significant, temporary differences may need to be estimated as of the enactment.

**Germany** – On 18 July 2025, Germany enacted legislation that ratably reduces its corporate tax rate to 10% from 15% over five years, beginning in tax year 2028. The legislation also increases the maximum research and development (R&D) allowance to EUR 3 million by increasing the maximum base used to determine the allowance to EUR 12 million (from EUR 10 million) for eligible expenses incurred after 31 December 2025. For projects beginning after 31 December 2025, a flat-rate surcharge may apply for certain operating costs, which allows eligible taxpayers to include more of these costs when calculating their research allowance, up to the EUR 12 million maximum base. Other changes include introducing a declining balance depreciation rate of up to 30% for investments in movable fixed assets made from 1 July 2025 through 31 December 2027. See [Tax Alert 2025-1611](#), dated 28 July 2025.

**Romania** – On 25 July 2025, Romania enacted legislation increasing its dividend tax rate to 16% from 10% for dividends distributed beginning with tax years starting on or after 1 January 2026. See [Tax Alert 2025-1622](#), dated 30 July 2025.

**United States: Federal** – On 4 July 2025, President Trump signed into law H.R. 1, known as the “One Big Beautiful Bill Act” (the OBBBA). The OBBBA contains tax provisions and revenue offsets meant to accompany extensions of Tax Cuts & Jobs Act provisions that were previously set to expire at the end of 2025. Business-related provisions include:

- Allowing taxpayers to (1) currently deduct their domestic research and experimental (R&E) expenditures incurred in tax years beginning after 31 December 2024, (2) elect to capitalize and amortize those expenditures ratably over no less than 60 months, beginning with the month in which they first realize the benefits from those expenditures, or (3) elect to capitalize and amortize those expenditures ratably over 10 years, beginning in the tax year in which the expenditure is made
- Allowing taxpayers to elect to accelerate unamortized domestic R&E expenditures incurred after 31 December 2021 but before 1 January 2025 by either deducting the remaining unamortized amount in full in the first tax year beginning after 31 December 2024 or deducting the unamortized amount ratably over two tax years, starting with the first tax year that begins after 31 December 2024
- Permanently basing a taxpayer's adjusted taxable income (ATI) on taxable earnings before interest, taxes, depreciation and amortization, rather than taxable earnings before interest and taxes, for purposes of calculating the limit on deductions for business interest expense but eliminating global intangible lowed-taxed income (GILTI) and Subpart F inclusions (and any associated IRC Section 78 gross-up) from the ATI calculation
- Subjecting interest expense that is capitalized under an elective capitalization provision to the limit on deductions for business interest expense
- Permanently allowing 100% bonus depreciation for qualified property acquired and placed into service on or after 19 January 2025
- Allowing immediate expensing of costs incurred for construction of certain new US factories, certain improvements to existing US factories and certain other US structures in the year they are placed in service, provided construction begins after 19 January 2025 but before 1 January 2029, and the structures are placed in service before 1 January 2031



- Increasing the advanced manufacturing investment credit to 35% from 25% for property placed in service after 31 December 2025
- Allowing taxpayers to expense \$2.5 million under IRC Section 179 (up from \$1 million) for tax years beginning after 2024, with the phaseout increasing to \$4 million
- Repealing or phasing out certain renewable energy credits enacted under the Inflation Reduction Act
- Modifying the executive compensation rules for publicly held corporations, effective for tax years beginning after 31 December 2025
- Limiting corporate charitable contributions in tax years beginning after 31 December 2025, with a floor of 1% of taxable income, a limitation of 10% of taxable income in any taxyear and the ability to carry forward limited contributions for five years
- Permanently setting the deduction rate under IRC Section 250 for global intangible low-taxed income (GILTI) at 40% for tax years beginning after 31 December 2025, and changing the computation of GILTI and GILTI foreign tax credits
- Permanently setting the deduction rate under IRC Section 250 for foreign-derived intangible income (FDII) to 33.34% for tax years beginning after 31 December 2025, and changing the computation of FDII
- Permanently setting the base erosion and anti-abuse tax (BEAT) rate at 10.5% and eliminating the unfavorable treatment of research and certain other credits that would have applied for tax years beginning after 31 December 2025
- Making the new markets tax credit permanent and expanding the low-income housing tax credit
- Creating a new permanent Opportunity Zone Program with rolling 10-year designations

The effective dates of the OBBBA's provisions vary. See Tax Alerts [2025-1418](#), dated 10 July 2025; [2025-1421](#), dated 10 July 2025; [2025-1428](#), dated 11 July 2025; [2025-1432](#), dated 11 July 2025; [2025-1434](#), dated 14 July 2025; [2025-1476](#), dated 15 July 2025; [2025-1487](#), dated 15 July 2025; [2025-1508](#), dated 17 July 2025; [2025-1510](#), dated 17 July 2025; [2025-1531](#), dated 18 July 2025; [2025-1548](#), dated 21 July 2025; [2025-1608](#), dated 28 July 2025. For discussion of a revenue procedure on applying the changes made to the treatment of R&E expenditures, see the Other considerations section of this publication.

**United States: California** – On 3 July 2025, California enacted legislation expanding the definition of a qualified taxpayer, for purposes of claiming and assigning motion picture tax credit 3.0 and 4.0 and the certified studio credit, to include a single-member limited liability company that is a disregarded entity for tax purposes. The legislation also expands the projects that may count toward calculation of motion picture tax credit 4.0 and the certified studio tax credit to include certain live action and animated series. The changes, among others, are effective upon enactment and have varying applicability dates. See the [State and Local Tax Weekly for 18 July 2025 and 25 July 2025](#).

**United States: Colorado** – On 28 August 2025, Colorado enacted legislation requiring companies to add foreign-derived deduction eligible income (FDDEI, formerly known as FDII) to their state tax base. The legislation also permits companies to exclude from their state tax base all IRC Section 78 dividends, rather than limiting exclusion to IRC Section 78 dividends from foreign subsidiaries in certain jurisdictions.

The legislation also adds five jurisdictions to the state's list of tax havens, while allowing the executive director of the Colorado Department of Revenue to use discretion in determining if a taxpayer has rebutted the presumption of tax avoidance by being incorporated in a listed jurisdiction. The changes are effective for tax years beginning on or after 1 January 2026.

Additionally, beginning in Colorado's fiscal year 2025-2026, the legislation authorizes the state treasurer to sell corporate income tax credits to corporations doing business in Colorado. The credits may be carried forward through tax year 2033. See [Tax Alert 2025-1788](#), dated 3 September 2025.

**United States: District of Columbia**<sup>1</sup> – On 3 September 2025, the District of Columbia enacted emergency legislation delaying until 2030 when a combined group can deduct a portion of the increase in its net deferred tax liability resulting from the prior enactment of the District's combined reporting provisions. The emergency legislation is effective for 90 days and will expire on 2 December 2025. These changes would be permanently enacted via a separate bill that is going through the full legislative process, which includes a mandatory 30-in-session-day review period by Congress.

**United States: Louisiana** – On 1 July 2025, Louisiana enacted legislation extending the Angel Investor Tax Credit Program through 30 June 2026. The new law tightens eligibility by requiring businesses to demonstrate they are high-growth and wealth-creating, and primarily engaged in a particular sector (e.g., energy and process industries, aerospace and defense, life sciences and technology). Other changes include:

- Eliminating a requirement to divide the credit equally over two years
- Expanding the qualifying investment to include investments in Louisiana Entrepreneurial Businesses located in parishes with a population of less than 50,000

The changes have varying effective dates. See the [State and Local Tax Weekly for 18 July 2025 and 25 July 2025](#).

**United States: Missouri** – On 10 July 2025, Missouri enacted legislation that will allow companies to deduct 100% of all capital gains reported for federal income tax purposes. The change is effective when certain general revenue collections reach a specified threshold. See the [State and Local Tax Weekly for 18 July 2025 and 25 July 2025](#).

**United States: Wisconsin** – On 3 July 2025, Wisconsin enacted a film tax credit, which is available for tax years beginning after 31 December 2025. The credit has an aggregate cap of \$5 million per year for a project and a \$1 million cap for any single applicant per year. See [Tax Alert 2025-1504](#), dated 16 July 2025.

#### *IRC conformity*

The following chart lists the states that enacted legislation this quarter updating their conformity to the US Internal Revenue Code (IRC). The chart includes enactment and effective dates and the date of conformity. Additional information on a state's IRC conformity can be found in the cited reference.

State	Enactment date	Date of conformity	Effective date	Reference
Maine	1 July 2025	31 December 2024	Tax years beginning on or after 1 January 2024 and any prior tax year specifically provided by the IRC of 1986 and its amendments as of 31 December 2024	<a href="#"><u>State and Local Tax Weekly for 4 July 2025 and 11 July 2025</u></a>

#### **Legislation effective in the third quarter**

**Gibraltar** – Effective 11 July 2025, new anti-tax avoidance legislation applies. The new legislation updates the definition of tax avoidance and authorizes the Commissioner of Revenue to counteract or disregard tax benefits from a tax avoidance arrangement. The legislation was enacted on 21 July 2025. See [Tax Alert 2025-1567](#), dated 23 July 2025.

**Pakistan** – Effective 1 July 2025, a 15% withholding tax applies to capital gains from the disposal of certain debt securities (not including transactions executed through the stock exchange and settled through the National Clearing Company of Pakistan Limited). A 10% withholding tax applies to gain from the disposal of a nonresident's debt securities in certain cases. Other changes include:

<sup>1</sup> A Tax Alert has not been published on this development.

- Reducing the amortization period for intangibles without an ascertainable useful life to 15 years from 25 years
- Eliminating taxpayers' ability to offset income from property with business losses
- Generally requiring banks to capitalize and amortize leasehold improvements over 10 years
- Introducing a 25% tax on dividends paid by mutual funds (15% in certain cases)
- Increasing the rate of tax on payments to nonresidents for offshore digital services to 15% from 10%
- Increasing withholding tax rates on permanent establishment (PE) payments to 8% from 4% for certain services

The changes, among others, were enacted 30 June 2025. See [Tax Alert 2025-1675](#), dated 11 August 2025.

**Tanzania** – Effective 1 July 2025, the Commissioner General for the Tanzania Revenue Authority may treat 30% of certain corporations' undistributed profits as distributed, thereby subjecting those profits to 10% withholding tax. If the corporation later distributes the previously deemed distributions, withholding tax will not apply.

This rule does not apply to Tanzanian subsidiaries of foreign companies because the Revenue Authority considers those corporations to be controlled foreign corporations, so any unallocated income of the members is deemed distributed.

Other changes include:

- Broadening the definition of equity to include positive retained earnings, which will likely affect companies' debt-to-equity ratios under Tanzania's thin capitalization rules
- Decreasing the limit on tax losses that businesses in certain sectors may carry forward to 60% from 70%
- Increasing eligibility for the 25% reduced corporate tax rate by decreasing to 25% from 30% the percentage of equity ownership that an entity must issue to the public to qualify for the rate
- Limiting the income tax exemption for investors within Export Processing Zones and Special Economic Zones to exporters only
- Increasing the final withholding tax rates to 10% from 5% for insurance premium payments paid to nonresidents and payments for technical and management services provided in the extractive sector by resident persons

The changes, among others, were enacted 30 June 2025. See [Tax Alert 2025-1649](#), dated 4 August 2025.

**United States: Connecticut** – Effective 1 July 2025, a biotechnology company may receive up to 90% (rather than 65%) of the value of the R&D credit and the R&E credit for tax years beginning on or after 1 January 2025. The change was enacted on 30 June 2025. See the [State and Local Tax Weekly for 4 July 2025 and 11 July 2025](#).

## Treaty changes

Tax treaties are agreements between countries that typically address withholding tax rates or exemptions on dividends, interest and royalties paid in multiple jurisdictions. Exceptions may apply based on the tax treaty (e.g., reduced rates may apply to certain categories of investors, capital gains from immovable property or property-rich companies may be taxable). The following tax treaty changes were effective in the third calendar quarter, except where indicated.

Jurisdictions involved	Summary of changes
Bangladesh      Hong Kong	Provides general withholding tax rates of 15% on dividends and 10% on interest, royalties and service fees; exempts capital gains from tax (effective 1 April 2025 in Hong Kong).

# Other considerations

Court decisions, regulations issued by tax authorities and other events may constitute new information that could trigger a change in judgment in recognition, derecognition or measurement of a tax position. These events may also affect your current or deferred tax accounting.

**Australia** – In a 4-3 decision, the High Court of Australia held that an American beverage company did not owe royalty withholding tax or diverted profits tax on payments from an unrelated Australian beverage company that contractually agreed to bottle and distribute the American company's beverages in Australia. The High Court reasoned that the payments were not royalties because the parties' contract did not indicate they were consideration for the use of, or right to use, trademarks or other intellectual property listed in Article 124(a)-(b) of the US-Australia income tax treaty.

Regarding the diverted profits tax, the High Court concluded that a tax benefit did not result from the contract and there was not a principal purpose of obtaining a tax benefit. The High Court noted that the facts did not support the Australian Taxation Office's argument that the American company obtained a tax benefit under the contract. See [Tax Alert 2025-1697](#), dated 15 August 2025.

**Canada** – The Canada Revenue Agency announced that it has delayed the date by which Canadian resident corporations must begin withholding tax on reimbursements paid to a foreign company for services performed in Canada by the company's subcontractors. The withholding requirement now applies to reimbursements of subcontractor fees made after 30 June 2026, rather than 30 September 2024. See [Tax Alert 2025-1726](#), dated 20 August 2025.

**Chile** – In a ruling, the tax authority concluded that Chilean withholding tax does not apply to software program payments made by Chilean companies to US software providers under reseller agreements that grant distribution rights to resell standard software licenses to local customers without acquiring ownership or rights to reproduce, modify or exploit the software. The tax authority reasoned that the payments qualified as business profits under the Chile-US income tax treaty, rather than royalties, because the treaty's protocol definition of royalties excludes distribution rights. This interpretation is exclusive to the Chile-US Tax Treaty and may not be extended to other treaties signed by Chile. See [Tax Alert 2025-1836](#), dated 11 September 2025.

**India** – The Delhi Income Tax Appellate Tribunal held that a Japanese company did not create a fixed-place PE in India by sending its employees to work for its Indian subsidiary. The Tribunal reasoned that the employees were fully integrated into the operations of the Indian subsidiary and operated solely under its direction, not under the control of the Japanese parent. The Tribunal also noted that the Japanese company did not have any premises or facilities 'at its disposal' in India. See [Tax Alert 2025-1840](#), dated 11 September 2025.

**Italy** – The Court of Justice of the European Union (EU) held that Italy violated EU law by imposing the Italian regional tax on productive activities (IRAP) on 50% of dividends received by an Italian bank from its subsidiaries in other EU member countries. The Court reasoned that the IRAP conflicts with the EU's Parent-Subsidiary Directive (PSD), which limits dividend taxation to 5% of dividends received. Although the IRAP is not listed among the taxes covered by the PSD, the Court found that the tax was still subject to the directive's 5% threshold. Additionally, the Court noted, Italy adopted the PSD and already taxes 5% of dividends received under its corporate income tax rules. See [Tax Alert 2025-1645](#), dated 4 August 2025.

**United States: Federal** – In a notice, the Internal Revenue Service (IRS) outlined when construction of a wind or solar facility is considered to have begun for purposes of determining whether the facility qualifies for tax credits under IRC Sections 45Y (clean energy production credit) and 48E (clean electricity investment credit). The 5% safe harbor test is generally eliminated for wind and solar projects (with limited exceptions), leaving the physical work test as the only way to establish that the project has begun construction. Under that test, construction has begun when physical work of a significant nature commences, including both on-site and off-site work. The new rules apply to many wind and solar projects whose construction has not begun before 2 September 2025. See [Tax Alert 2025-1709](#), dated 19 August 2025.

In another notice, the Treasury Department (Treasury) and the IRS announced that forthcoming regulations propose to simplify the application of IRC Section 897 to inbound asset reorganizations involving publicly traded foreign corporations redomiciling in the US under IRC Section 368(a)(1)(F).

The regulations would, among other things, remove the requirement for foreign companies looking to reorganize as US entities to recognize gains on certain property transferred in the reorganization. The regulations would apply to distributions, transfers or exchanges occurring on or after 19 August 2025.

Additionally, Treasury and the IRS clarified that stock transfers not part of a reorganization plan do not affect the qualification of the transaction under IRC Section 368(a)(1)(F), even if they occur during reorganization. Taxpayers may rely on the guidance in the notice until the proposed regulations are published. See [Tax Alert 2025-1742](#), dated 22 August 2025.

In a separate notice, Treasury and the IRS announced that they intend to remove the disregarded payment loss rules published in January 2025, including modifications recently made to a deemed ordering rule in Treas. Reg. 1.1503(d)-3(c)(3). Until the removal, transitional relief applies under which Pillar Two top-up taxes do not give rise to foreign use of dual consolidated losses in tax years beginning before 1 January 2028. See [Tax Alert 2025-1756](#), dated 26 August 2025.

In another notice, the IRS announced that it plans to partially withdraw proposed regulations on the corporate alternative minimum tax (CAMT) applicable to corporate investments in partnerships and to propose new CAMT regulations on those investments. The IRS also provided interim guidance on which taxpayers may rely until the new proposed regulations have been issued. See [Tax Alert 2025-1753](#), dated 26 August 2025.

Separately, the IRS announced,<sup>2</sup> via two notices, its intent to partially withdraw and revise proposed regulations on applying the CAMT. One notice provides interim guidance on applying the CAMT to domestic corporate transactions, financially troubled companies and consolidated groups. The other notice:

- Provides additional interim guidance on computing adjusted financial statement income (AFSI), including new AFSI adjustments not otherwise available under the existing proposed regulation
- Modifies the rules for relying on the existing proposed regulations
- Announces Treasury's intent to defer the proposed applicability date of the forthcoming regulations

See [Breaking Tax News bulletin 2025-1972](#), dated 30 September 2025.

In a revenue procedure, the IRS issued guidance on how to accelerate the remaining amortization on domestic R&E expenditures incurred in 2022-2024 tax years, as well as on how to make method changes to comply with IRC Section 174A for domestic R&E expenditures incurred in tax years beginning after 31 December 2024. See [Tax Alert 2025-1914](#), dated 23 September 2025.

The US Court of Appeals for the Eighth Circuit held that neither the Comparable Uncontrolled Transaction method nor an unspecified method applied by the U.S. Tax Court should be used to determine the transfer price of royalties paid by a Puerto Rican company to its US parent for the exclusive right to use intangible property to manufacture and sell certain medical devices. The Eighth Circuit remanded the case for further proceedings and directed the Tax Court to conduct additional fact-finding to determine whether the Comparable Profits Method could be adjusted and used to determine the transfer price. See [Tax Alert 2025-1852](#), dated 12 September 2025.

**United States: California** – The Office of Administrative Law approved the Franchise Tax Board's amendments to its market-based sourcing rules for receipts from services and intangibles for California corporate franchise and income tax purposes. The amended regulations apply to tax years beginning on or after 1 January 2026. The amendments provide rebuttable presumptions for sourcing various kinds of services, adopting presumptive methods for the sourcing of services related to real property, tangible personal property, intangible property and individuals. Special rules apply when sourcing asset management fees and fees from large volume professional service providers, among others. See [Tax Alert 2025-1848](#), dated 12 September 2025.

**United States: State<sup>3</sup>** – The following states have released guidance for state corporate income tax purposes on decoupling from certain provisions in the OBBBA:

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<sup>2</sup> A Tax Alert on this development is forthcoming.

<sup>3</sup> A Tax Alert has not been published on this development.



- [Alabama](#)
- [Maryland](#)
- [Rhode Island](#)

**Vietnam** – In a decree, the Ministry of Finance outlined guidance for implementing Vietnam's new qualified domestic minimum top-up tax (QDMTT) and income inclusion rule (IIR). The implementation rules largely align with the Global Anti-Base Erosion (GloBE) rules, while also providing guidance on QDMTT exclusions, applicable accounting standards, and administrative and compliance requirements, among other things. The decree is effective 15 October 2025 and applies retroactively to fiscal years beginning in or after December 2023. See [Tax Alert 2025-1816](#), dated 8 September 2025.

## Tax amnesties

This table shows tax amnesties that were announced or went into effect in the third quarter of 2025.

Jurisdiction	Amnesty period	Taxes covered	Reference
Saudi Arabia	1 July 2025 – 31 December 2025	Corporate income taxes, among others	<a href="#"><u>Tax Alert 2025-1390</u></a> , dated 7 July 2025

# Things we have our eyes on

National, state and local governments regularly change tax laws and administrative guidance to achieve fiscal objectives. Companies should monitor these developments. This section summarizes some of these potential changes.

**Bermuda** – In a public consultation, the government proposed technical amendments to the Corporate Income Tax Act, which would clarify some provisions to more closely align the act with the GloBE rules. Proposed changes would address the treatment of shock losses, allocation of adjusted creditable foreign taxes, exclusion of certain foreign exchange gains or losses from net investment hedges and adjustments related to the separately proposed Tax Credits Act, among other things. See [Tax Alert 2025-1897](#), dated 19 September 2025.

In another public consultation, the government proposed a utilities infrastructure tax credit, which could offset a company's corporate income tax liability. The credit is intended to support investment in infrastructure for electricity generation and distribution, digital communications and fuel distribution. See [Tax Alert 2025-2025-1913](#), dated 23 September 2025.

**Canada** – In draft legislation, the government proposed broadening the income deduction for scientific R&E development expenditures to include (1) capital expenditures for property acquired after 15 December 2024; or (2) lease costs incurred after that date. The government also proposed strengthening the foreign affiliate rules by preventing Canadian companies from avoiding current taxation of their foreign affiliates' undistributed profits from passive businesses.

Additionally, the draft legislation would preclude Canada's "excessive interest and financing expense limitation" rules from applying to interest and other expenses incurred before 1 January 2036, on arm's-length financing used to build or acquire certain rental properties.

The government also proposes technical amendments that would affect, among other things:

- Foreign affiliate share-for-share exchanges
- Foreign mergers
- The taxation of certain capital gains from international shipping
- The limitation on excessive interest and financing expenses
- The determination of foreign accrual tax, foreign tax credits and various surpluses for a taxpayer with a foreign affiliate that has foreign accrual property income and pays income or profits tax to a foreign jurisdiction under a domestic minimum top-up tax regime
- The determination of tax depreciation on a vessel used to earn exempt international shipping income in some tax years and non-exempt income in other tax years
- The exclusion of concessional loans as government assistance for purposes of various cost base adjustments and resource pools

See [Tax Alert 2025-1740](#), dated 22 August 2025.

In other draft legislation, the Department of Finance proposed changes to Canada's Global Minimum Tax Act (GMTA), including:

- Introducing the concept of a private investment entity and a related anti-avoidance rule to address issues that can arise from using Canadian accounting rules to compute minimum tax liabilities under Pillar Two
- Amending the rules on reallocating taxes to align with administrative guidance that the Organisation for Economic Co-operation and Development (OECD) released in June 2024
- Incorporating revised guidance on the treatment of certain deferred tax assets that arose before the application of the global minimum tax because of certain governmental arrangements or the introduction of a new corporate income tax

See [Tax Alert 2025-1908](#), dated 22 September 2025.

**Chile** – The government proposed taxing distributions to Chilean-resident companies from public investment funds and eliminating investors' current tax exemption for those distributions. Other changes include:

- Increasing the withholding tax rate on distributions from public funds to foreign investors to 20% from 10%
- Subjecting income earned within private investment funds to corporate income tax at the regular 27% rate

See [Tax Alert 2025-1601](#), dated 28 July 2025.

**Colombia** – Congress is considering a bill that would permanently increase to 15% (currently 5% until 2027) the surtax on the income of certain financial institutions, insurance companies and stockbrokers, among others, for a total corporate income tax rate of 50%. For coal and oil extraction activities, the bill would lower the threshold at which the surtax applies. Additionally, the surtax rate could increase from the current 10% to as much as 15%. This means, in certain cases, that companies in these sectors could face a total corporate income tax rate of up to 50%.

Other proposals include:

- Increasing the withholding tax on dividends paid to nonresidents to 30% from 20%
- Increasing the holding period to apply the 15% capital gains rate on the transfer of fixed assets to four years from two years
- Eliminating the deductibility of payments that were not subject to withholding tax made to companies located in tax havens and compliant with transfer pricing rules
- Treating any structuring/restructuring as an abusive transaction if it involved Colombian tax residents, is not reported to the Colombian Tax Authority and is not disclosed in the notes of the resident's financial statements

See [Tax Alert 2025-1821](#), dated 9 September 2025.

**European Union** – The European Commission recommended corporate tax incentives that EU member states could offer to encourage private investment in clean technologies and industrial decarbonization. Proposed incentives include:

- Corporate income tax credits for investments that reduce greenhouse gas emissions or improve the energy efficiency of industrial activities
- Accelerated depreciation for costs incurred in a tax period for the acquisition or lease of clean technology equipment

Member states must inform the commission by 31 December 2025, if they intend to introduce any of the incentives. See [Tax Alert 2025-1398](#), dated 8 July 2025.

**G20** – Following its July 2025 meeting in South Africa, the G20 Finance Ministers expressed support for a "balanced and practical solution" to concerns over Pillar Two global minimum taxes. See [Tax Alert 2025-1609](#), dated 28 July 2025.

**Korea, Republic of** – The Ministry of Economy and Finance proposed increasing the corporate tax rate brackets as follows:

- 10% from 9%
- 20% from 19%
- 22% from 21%
- 25% from 24%

The Ministry also proposed expanding the scope of a foreign corporation's Korean-sourced dividend income to include dividend equivalents from over-the-counter derivative transactions. Other proposals include:

- Taxing dividends that Korean corporations distribute to foreign shareholders from capital reserves to the extent that the dividends exceed the shareholder's basis in the shares
- Expanding the scope of Korean-sourced other income, to which a 22% withholding tax generally applies, to include the difference between consideration paid for an asset located in Korea and the asset's fair market value if that difference is 30% or more

See [Tax Alert 2025-1662](#), dated 6 August 2025.

**Netherlands** – In its tax plan for 2026, the Dutch government included updates to the Dutch Minimum Tax Act of 2024 to reflect OECD administrative guidance issued shortly before or after the law's enactment. If favorable for taxpayers, the changes would be retroactively effective to reporting years beginning on or after 31 December 2023. If the changes are unfavorable, the effective date would be 31 December 2025.

The Dutch government also proposed allowing a mutual fund or fund for joint account (FGRs) to choose not to be classified as an FGR for Dutch corporate income tax purposes for tax years 2025 and 2026 (possibly 2027), provided certain requirements are met. The proposal is intended to address issues arising from a new FGR definition, which took effect in January 2025 and effectively classified, as Dutch corporate taxpayers, FGRs that were previously treated as tax-transparent entities.

See [Tax Alert 2025-1869](#), dated 16 September 2025.

**Poland** – In official guidance, the Ministry of Finance discussed how to apply Poland's beneficial owner rules for withholding tax purposes. Topics addressed include:

- The definition of a beneficial owner
- The types of payments to which the beneficial ownership requirement applies
- The criteria for evaluating the economic substance of a beneficial owner's business
- The application of a look-through approach to determine if an entity besides the payment recipient is the beneficial owner of the payment

See [Tax Alert 2025-1541](#), dated 21 July 2025.

**United States: Federal** – A member of the House Ways and Means Committee proposed a high-level framework around the tax treatment of cryptocurrency. The proposals include:

- Applying the wash sale rules to digital assets
- Offering optional mark-to-market accounting for qualified traders and institutions
- Clarifying when income from staking and mining is realized and how it should be reported
- Updating charitable contributions rules to cover donations of appreciated crypto to nonprofits

See [Tax Alert 2025-1580](#), dated 25 July 2025.

Separately,<sup>4</sup> President Trump's Working Group on Digital Asset Markets released a report recommending the same proposals as the Ways and Means member. The working group's report also recommended new legislation that would characterize payment stablecoins for federal income tax purposes and modify existing income recognition and reporting rules to allow for the widespread use of stablecoins as cash equivalents. Other recommendations included publishing new administrative guidance on:

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<sup>4</sup> A Tax Alert has not been published on these proposals. For discussion of the report's recommendation on information reporting rules for cryptocurrency, see [Tax Alert 2025-1674](#), dated 11 August 2025.

- How unrealized gains and losses on certain investment assets are treated for CAMT purposes
- Whether wrapping/unwrapping transactions are taxable
- Valuation
- Non-fungible tokens

Members of the Ways and Means and Senate Finance Committees introduced a bill that would extend through 2030 the IRC Section 181 100% deduction for production costs of films, television and sound recordings in the year paid or incurred. See [Tax Alert 2025-1826](#), dated 10 September 2025.

**United States: California<sup>5</sup>** – The legislature approved a bill that would update California's conformity to the IRC. Generally, California selectively incorporates specific provisions of the IRC as of 1 January 2015. The bill would update California's specified IRC conformity date to 1 January 2025.

The bill was sent to the governor on 22 September 2025, who has 30 days to act on the measure.

**United States: Michigan<sup>6</sup>** – The state legislature is considering a bill that would update Michigan's IRC conformity date to the IRC in effect on 1 January 2025 (from 1 January 2018). Alternatively, taxpayers could opt for the IRC in effect for the tax year at issue. The bill would, among other things, also decouple from the OBBBA's modifications to the tax treatment of business interest expense, R&E expenditures, bonus depreciation and 100% depreciation for certain non-residential real property used in qualified production activities.

**United States: Texas<sup>7</sup>** – In a proposed rule, the Comptroller of Public Accounts generally proposed allowing companies to calculate their total revenue for franchise tax purposes using certain line items from their federal income tax return, rather than the 2007 version of the IRC, as historically required. If the franchise tax statute references a specific provision in the IRC, however, companies would be required to calculate the related item using the 2007 version of that IRC provision.

Other proposed changes under the franchise tax rule include:

- Requiring an entity that is disregarded for federal tax purposes to compute revenue for franchise tax purposes as if it were a corporation for federal tax purposes, unless it elects to be disregarded for Texas purposes
- Clarifying how certain exclusions from total revenue apply

**Uruguay** – The Parliament is considering a bill that would treat gains from transferring shares or equity in nonresident entities as Uruguayan-sourced under certain conditions. Other changes include:

- Applying nonresident income tax withholding to dividends paid by local companies to foreign shareholders if the foreign jurisdiction taxes the dividends and allows a credit for Uruguayan tax withheld
- Changing the tax benefit for charitable donations to 50% credit and 50% deductible expense from 70% credit and 30% deductible expense

See [Tax Alert 2025-1825](#), dated 9 September 2025.

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<sup>5</sup> A Tax Alert on this development is forthcoming.

<sup>6</sup> A Tax Alert has not been published on this development.

<sup>7</sup> A Tax Alert on this development is forthcoming.

# IASB update

## Overview of new pronouncements issued as of 16 September 2025

The table below provides an overview of the pronouncement issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) effective 16 September 2025.

New pronouncement	Effective date
International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12	Note 1
Lack of exchangeability – Amendments to IAS 21	1 January 2025
Annual Improvements Volume 11	1 January 2026
Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7	1 January 2026
Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7	1 January 2026
IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027
IFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027

Note 1 – The amendments were effective immediately upon issuance.

More details on the above pronouncements can be found in our publication [IFRS Core Tools – IFRS Update of standards and interpretations in issue 30 June 2025](#).

## Reminder of the key requirements of International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

### *Temporary exception from recognition and disclosure of deferred taxes*

The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as Pillar Two legislation and Pillar Two income taxes, respectively.

The amendments introduce a mandatory exception in IAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The IASB did not expand the scope of the temporary exception to include the measurement of deferred taxes recognized under domestic tax regimes, as an entity would not remeasure such deferred taxes to reflect Pillar Two income taxes it expects to pay when recovering or settling a related asset or liability.

The amendments note that the temporary exception provides entities with relief from accounting for deferred taxes in relation to this complex new tax legislation, allowing stakeholders time to assess the implications. It also avoids entities developing diverse interpretations of IAS 12 that could result in inconsistent application of the standard.

The IASB did not include a sunset date for the temporary exception but will monitor the implementation of the Pillar Two Model Rules to determine when to undertake further work.

### **Disclosure of application of the exception**

The amendments require an entity to disclose that it has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

## Disclosure of current tax

An entity is required to separately disclose its current tax expense (income) related to Pillar Two income taxes in the periods when the legislation is effective as this helps users of financial statements understand the relative level of those taxes.

The IASB did not provide further clarifications on when a Pillar Two top-up tax is considered to be an income tax in the scope of IAS 12, or on whether to require entities to treat all top-up taxes as if they were income taxes. An entity is required to apply judgment in determining which top-up taxes it considers to be income taxes in the entity's circumstances.

An entity with operations in a jurisdiction where Pillar Two tax legislation applies will be required to disclose Pillar Two current tax expenses in its annual financial statements. IAS 12 does not provide how such information should be presented, but our publication [\*International Tax Reform – Pillar Two disclosure in practice\*](#) offers some practical examples of these disclosures.

## Transition and effective date

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception apply immediately and retrospectively upon issue of the amendments.

## Disclosure in periods before (substantively) enacted legislation takes effect

The Amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes.

As countries around the world enacted Pillar Two legislation, in some jurisdictions that legislation was already effective in 2024, while in other jurisdictions the legislation will be effective in 2025 (or later years). In the latter case, a group may still need to make the above disclosures in its financial statements regarding Pillar Two legislation that is (substantively) enacted but not yet effective.

In some cases (e.g., when the ultimate parent entity is already in scope of Pillar Two tax legislation), the (substantive) enactment of Pillar Two tax legislation in additional jurisdictions might shift the Pillar Two tax liability within the group but not materially affect the group's overall exposure. However, in other cases, the (substantive) enactment of Pillar Two tax legislation in additional jurisdictions may bring more group entities within scope of Pillar Two and affect the group's overall exposure.

We expect that the requirement to disclose qualitative and quantitative information about an entity's exposure to Pillar Two income taxes will continue to be relevant in the future.

## EY publications

[\*\*International Tax Reform – Pillar Two disclosures in practice\*\*](#) (June 2024) EYG No. 005234-24Gbl

[\*\*Applying IFRS – International Tax Reform – Pillar Two Disclosures\*\*](#) (November 2023) EYG No. 011096-23Gbl

[\*\*IFRS Developments Issue 218: Amendments to IAS 12: International Tax Reform Pillar Two Model Rules\*\*](#) (May 2023) EYG No. 005193-23Gbl

## **Overview of the key requirements of new pronouncements effective in future periods**

### ***IFRS 18 – Presentation and Disclosure in Financial Statements***

Effective for annual periods beginning on or after 1 January 2027.

#### **Key requirements**

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements*, which replaces IAS 1 *Presentation to Financial Statements*. IFRS 18 introduces new categories and subtotals in the statement of profit or loss. It also requires disclosure of management-defined performance measures (as defined) and includes new requirements for the location, aggregation and disaggregation of financial information.

#### **Statement of profit or loss**

An entity will be required to classify all income and expenses within its statement of profit or loss into one of five categories: operating, investing, financing, income taxes, and discontinued operations. In addition, IFRS 18 requires an entity to present subtotals and totals for “operating profit or loss,” “profit or loss before financing and income taxes” and “profit or loss.”

#### **Income tax category**

An entity is required to classify in the income taxes category tax expense or tax income that are included in the statement of profit or loss applying IAS 12, and any related foreign exchange differences. Income and expenses classified in the income tax category are not subject to the requirements for classifying income and expense in the operating, investing and financing, categories. The IASB clarified that the presentation of income and expenses related to income tax in that category complies with the presentation requirements of IAS 12. Although this category does not result in a required subtotal, generally entities present profit before income taxes as a subtotal when it is applicable.

#### **Main business activities**

For the purposes of classifying its income and expenses into the categories required by IFRS 18, an entity will need to assess whether it has a ‘main business activity’ of investing in assets or providing financing to customers, as specific classification requirements will apply to such entities. Determining whether an entity has such a specified main business activity is a matter of fact and circumstances, which requires judgment. An entity may have more than one main business activity.

#### **Management-defined performance measures**

IFRS 18 introduces the concept of a management-defined performance measure (MPM), which it defines as a subtotal of income and expenses that an entity uses in public communications outside of financial statements, to communicate management’s view of an aspect of the financial performance of the entity as a whole to users. IFRS 18 requires disclosure of information about all of an entity’s MPMs within a single note to the financial statements and requires several disclosures to be made about each MPM, including how the measure is calculated and a reconciliation to the most comparable subtotal specified by IFRS 18 or another IFRS accounting standard.

#### **Location of information, aggregation and disaggregation**

IFRS 18 differentiates between “presenting” information in the primary financial statements and “disclosing” it in the notes, and it introduces a principle for determining the location of information based on identified “roles” of the primary financial statements and the notes. IFRS 18 requires aggregation and disaggregation of information to be performed with reference to similar and dissimilar characteristics. Guidance is also provided for determining meaningful descriptions, or labels, for items that are aggregated in the financial statements.

## Transition

IFRS 18, and the amendments to the other accounting standards, is effective for reporting periods beginning on or after 1 January 2027 and will apply retrospectively. Early adoption is permitted and must be disclosed.

## EY publications

[Applying IFRS: A closer look at IFRS 18 \(July 2025\)](#) EYG No. 005700-25Gbl

## **IFRS 19 - Subsidiaries without Public Accountability: Disclosures**

Effective for annual periods beginning on or after 1 January 2027.

### Key requirements

In May 2024, the IASB issued IFRS 19 Subsidiaries without Public Accountability: Disclosures (IFRS 19), which allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards.

## EY publications

[IFRS Developments Issue 226: IASB issues IFRS 19 Subsidiaries without public accountability: Disclosures](#) (May 2024) EYG No. 004381-24Gbl

[IFRS Developments Issue 241: The IASB issues amendments to IFRS 19](#) (August 2025) EYG No. 006819-25Gbl

### Other EY publications

[Good Group illustrative financial statements \(December 2025\)](#) EYG No. 007314-25Gbl

[Good Group \(International\) Limited Alternative Format - \(December 2024\)](#) (September 2024) EYG No. 007634-24Gbl

[Good Group Interim Financial Statements June 2025](#) EYG No. 001722-25Gbl

[International GAAP® Disclosure Checklist for Annual Financial Statements](#) (August 2025) EYG No. 007295-25Gbl

[International GAAP® Disclosure Checklist for Interim Financial Statements](#) (August 2025) EYG No. 007296-25Gbl

# Accounting and financial reporting implications of H.R. 1, also known as the 'One Big Beautiful Bill Act'

## Overview

President Donald Trump signed the tax legislation known as the One Big Beautiful Bill Act (the Act) into law on 4 July 2025. The Act extends or reinstates certain provisions of the 2017 Tax Cuts and Jobs Act (TCJA), includes tax relief measures, modifies certain energy tax credits granted under the Inflation Reduction Act (IRA) and sets various limits on tax deductions, among other key provisions.

Companies should carefully assess the effects of the tax law changes in the Act on their accounting for income taxes and disclosures. The **EY Technical Line - Accounting and financial reporting implications of H.R. 1, also known as the 'One Big Beautiful Bill Act'** publication summarizes the key provisions of the Act and incorporates our views on its accounting and financial reporting implications. To see the complete publication, [click here](#).

## Appendix B

# Overview of Pillar Two implementation across the world



Final legislation		Final legislation		Draft legislation	
Jurisdiction	Rules covered	Jurisdiction	Rules covered	Jurisdiction	Rules covered
European Union	QDMTT, IIR, UTPR	Kuwait	QDMTT	Curaçao	QDMTT, IIR
Australia	QDMTT, IIR, UTPR	Latvia	Filing obligations	Iceland	QDMTT, IIR
Austria	QDMTT, IIR, UTPR	Liechtenstein	QDMTT, IIR, UTPR	Lithuania	QDMTT, IIR, UTPR
Bahamas	QDMTT	Lithuania	Filing obligations	Norway	UTPR
Bahrain	QDMTT	Luxembourg	QDMTT, IIR, UTPR	South Korea	QDMTT
Barbados	QDMTT	Malaysia	QDMTT, IIR	Uruguay	QDMTT
Belgium	QDMTT, IIR, UTPR	Malta	Filing obligations		
Brazil	QDMTT	Mauritius	QDMTT		
Bulgaria	QDMTT, IIR, UTPR	Netherlands	QDMTT, IIR, UTPR		
Canada	QDMTT, IIR	New Zealand	IIR, UTPR		
Croatia	QDMTT, IIR, UTPR	North Macedonia	QDMTT, IIR, UTPR		
Cyprus*	DMTT, IIR, UTPR	Norway	QDMTT, IIR		
Czech Republic	QDMTT, IIR, UTPR	Oman	QDMTT, IIR		
Denmark	QDMTT, IIR, UTPR	Poland	QDMTT, IIR, UTPR		
Estonia	Filing obligations	Portugal	QDMTT, IIR, UTPR		
Finland	QDMTT, IIR, UTPR	Qatar	QDMTT, IIR		
France	QDMTT, IIR, UTPR	Romania	QDMTT, IIR, UTPR		
Germany	QDMTT, IIR, UTPR	Singapore	QDMTT, IIR		
Gibraltar	QDMTT, IIR	Slovakia	QDMTT		
Greece	QDMTT, IIR, UTPR	Slovenia	QDMTT, IIR, UTPR		
Guernsey	QDMTT, IIR	South Africa	QDMTT, IIR		
Hong Kong	QDMTT, IIR, UTPR	South Korea	IIR, UTPR		
Hungary	QDMTT, IIR, UTPR	Spain	QDMTT, IIR, UTPR		
Indonesia	QDMTT, IIR, UTPR	Sweden	QDMTT, IIR, UTPR		
Ireland	QDMTT, IIR, UTPR	Switzerland	QDMTT, IIR		
Isle of Man	QDMTT, IIR	Thailand	QDMTT, IIR, UTPR		
Italy	QDMTT, IIR, UTPR	Turkey	QDMTT, IIR, UTPR		
Japan	QDMTT, IIR, UTPR	United Arab Emirates	QDMTT		
Jersey***	QDMTT, IIR	United Kingdom	QDMTT, IIR, UTPR		
Kenya	QDMTT	Vietnam	QDMTT, IIR		

Source: EY BEPS Developments Tracker [Base Erosion and Profit Shifting \(BEPS\) 2.0 | EY – global](#)

Note: Developments Tracker cut-off date – As of 15 September 2025.

*Intention to implement Pillar Two*

Israel

Indicates new in Q3

**Acronyms:** IIR (Income Inclusion Rule), UTPR (Undertaxed Profits Rule), DMTT (Domestic Minimum Top-up Tax), QDMTT (Qualified Domestic Minimum Top-up Tax).

\* Cyprus has introduced DMTTs which are not anticipated to meet QDMTT status as part of the peer review.



## Last quarter's IFRS publication and webcast:

[IFRS Quarterly Tax Developments publication - June 2025](#)

[IFRS Quarterly Tax Developments Q2 webcast replay](#)

## EY publications:

[Good Group \(International\) Limited - December 2024](#)

[EY ASC 740 Guide \(September 2024\)](#)

[IFRS Core Tools - IFRS Update of standards and interpretations in issue 30 June 2024](#)

[Applying IFRS - International Tax Reform - Pillar Two Disclosures in practice \(June 2024\)](#)

[Applying IFRS – International Tax Reform – Pillar Two Disclosures \(November 2023\)](#)

[IFRS Developments Issue 218: Amendments to IAS 12: International Tax Reform Pillar Two Model Rules \(May 2023\)](#)

[Applying IFRS: A closer look at IFRS 18 \(July 2024\)](#)

[IFRS Developments Issue 226: IASB issues IFRS 19 Subsidiaries without public accountability: Disclosures \(May 2024\)](#)

## Our latest thinking:

[Six steps to prepare for the operational impact of Pillar Two](#)

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[How a decade of transparency changed the tax world](#)

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