



Accounting for Income Taxes Bulletin

October 2024

About this publication

This publication is issued by the KPMG Accounting for Income Taxes group in Washington National Tax (WNT) to highlight developments and other items of interest to professionals involved with accounting for income taxes matters. See the web version and previous editions [here](#) and subscribe to receive future publications [here](#).

FEATURED ITEMS

UPDATES ON ACCOUNTING AND AUDITING MATTERS

ON THE HORIZON

OTHER ITEMS OF INTEREST

RESOURCES

FEATURED ITEMS

Accounting for income taxes handbook updates

KPMG has updated its *Accounting for income taxes* handbook to include new and updated guidance and interpretations. Among other things, the July 2024 edition:

- Removed guidance related to tax credits that is now addressed in KPMG Handbook: [Tax credits](#);

- Removed guidance and revised examples to reflect the adoptions of Accounting Standards Updates (ASU) 2016-02, 2016-13, 2017-04, 2017-11 and 2019-12;
- Added new guidance related to income tax disclosures that will be effective upon the adoption of ASU 2023-09;
- Added new guidance for:
 - The settlement of a target's share-based payment awards in a business combination (paragraph 6.130),
 - Deferred taxes related to assets and liabilities for safeguarding digital assets (paragraph 9.082b),
 - Intraperiod tax allocations of the effect of changes in estimate of the tax basis of assets (paragraph 9.070), and
 - Policy choices for looking through a pass-through entity (paragraph 10.100).

Refer to KPMG Handbook: [Accounting for income taxes](#) for more information.



UPDATES ON ACCOUNTING AND AUDITING MATTERS

Pillar Two updates

- **GloBE top-up taxes impact on impairment assessments**

The KPMG Global IFRS Institute updated its [frequently asked questions](#) to reflect considerations related to the impact of upcoming changes in tax laws on impairment assessments. The updated guidance, question 5, inquires whether a company should reflect the impact of GloBE top-up taxes in the discount rate if these taxes have been incorporated into the cash flow projection.

- **Updates to Insights into IFRS**

Updates to KPMG's views regarding the accounting for top-up taxes released over the past year were included in the recently issued 21st edition of [Insights into IFRS](#).

KPMG DPP quarterly outlook

The September 2024 [Quarterly Outlook](#) summarizes major accounting and financial reporting developments that may affect entities in the current period or in the near term.

Remember recent pronouncements

Professionals should be mindful of certain recently updated U.S. GAAP standards, listed below by order of required application.

Updated standard	Brief description of standard	Public business entities' effective date	Other entities' effective date
ASU 2017-04, <i><u>Simplifying the Test for Goodwill Impairment</u></i>	Provides guidance, among others, on the income tax effects from tax deductible goodwill when measuring goodwill impairment loss	Annual and interim impairment tests for periods beginning after December 15, 2019 for SEC filers other than smaller reporting companies	Annual and interim impairment tests for periods beginning after December 15, 2022
ASU 2023-02, <i><u>Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method</u></i>	Permits reporting entities to elect to account for tax equity investments, regardless of the program from which the income tax credits are received, using the proportional amortization method if certain conditions are met	Fiscal years beginning after December 15, 2023 and interim periods within those fiscal years	Fiscal years beginning after December 15, 2024 including interim periods within those fiscal years
ASU 2023-09, <i><u>Income Taxes (Topic 740):</u></i>	Requires certain annual	Annual periods beginning after	Annual periods beginning after

<i>Improvements to Income Tax Disclosures</i>	disclosures about income taxes, primarily related to the rate reconciliation and income taxes paid information, as well as certain other amendments to improve the effectiveness of income tax disclosures	December 15, 2024	December 15, 2025
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See the KPMG Financial Reporting View (FRV) [Accounting standards effective dates](#) page for a full list of recently issued ASUs.

Additionally, see the FRV summary of new and revised [insurance statutory accounting standards](#) for 2023 and later.

Professionals should be mindful of the recently updated IFRS[®] Accounting Standards.

Updated standard	Brief description of standard	Effective date
<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)</i>	Narrows the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences (for example, leases and decommissioning provisions)	Annual reporting periods beginning on or after January 1, 2023, with earlier application permitted
<i>International Tax Reform —Pillar Two Model Rules</i>	Provides a mandatory temporary exception to	Immediately for certain aspects and annual

<u>(Amendments to IAS 12)</u>	the requirements to recognize and disclose information about deferred tax assets and liabilities related to Pillar Two top-up taxes and introduces targeted disclosure requirements for affected entities	reporting periods beginning on or after January 1, 2023 for other aspects
<u>IFRS 18, Presentation and Disclosure in Financial Statements</u>	Includes guidance on allocating income tax effects to non-GAAP management performance measures (MPMs) and requires foreign exchange differences on foreign currency denominated assets and liabilities arising from income taxes to be included in the income taxes category.	Annual reporting periods beginning on or after January 1, 2027, with retrospective application and early adoption permitted.



ON THE HORIZON

Financial Accounting Standards Board (FASB) projects

Accounting for Government Grants

The FASB's Accounting for Government Grants [project](#) is intended to create recognition, measurement and presentation requirements for government grants received by business entities. The Board previously decided to leverage the accounting framework within IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. The Board has made tentative decisions related to disclosures (including confirmation that an entity should be required to provide annual disclosures in Accounting Standards Codification (ASC) 832 for grants within the scope of this project). It is expected that the proposed ASU will permit an entity to apply the amendments either prospectively to grants that either are not completed as of the effective date or are entered into after the effective date,

or retrospectively. The FASB expects to publish a proposed ASU in the fourth quarter of 2024 with a 90-day comment period.

See the KPMG [Defining Issues](#) for more information.

FASB codification improvements related to income taxes

At the September 18, 2024 FASB Board [meeting](#), the Board deliberated on various Codification improvement issues as part of its Codification Improvements (Evergreen) project that are expected to provide clarification to the Codification without undue incremental costs to preparers or users of financial statements. Included in the proposed amendments are items aligning intraperiod tax allocation guidance within ASC 740 and updating real estate guidance to refer to the use of the proportional amortization method to investments made primarily for the purpose of receiving income tax credits and other tax credit benefits. The Board directed the Staff to draft a proposed ASU for vote by written ballot with a 90-day comment period. The FASB expects to publish a proposed ASU in the fourth quarter of 2024.

Insurance statutory accounting projects

KPMG [reports](#) on actions taken and discussions held about ongoing projects on conference calls and at the Summer 2024 meeting of the National Association of Insurance Commissioners, which includes exposed revisions to guidance related to the new market tax credits as well as income tax disclosures.

Exposure Draft impacting Pillar Two disclosures under IFRS 19

In July 2024, the International Accounting Standards Board (IASB) published an [Exposure Draft](#) proposing amendments to its newest Standard issued in May 2024, IFRS 19 *Subsidiaries without Public Accountability: Disclosures*, that would reduce disclosure requirements from new or amended IFRS Accounting Standards issued between February 2021 and May 2024.

The proposals would retain the temporary exception to the recognition of deferred taxes related to pillar two income taxes and the targeted disclosure requirements for affected entities as included within [International Tax Reform—Pillar Two Model Rules \(Amendments to IAS 12 Income Taxes\)](#); however, the disclosure objective would be removed. Once feedback through the comment process is obtained, if the IASB agrees to proceed, any amendments to the requirements would be effective at the same time as IFRS 19 itself (January 1, 2027, with early adoption permitted).

The Exposure Draft is open for comment until November 27, 2024.

Exposure Draft proposes examples to report the effects of uncertainties in financial statements

In July 2024, the IASB published an [Exposure Draft](#) *Climate-related and Other Uncertainties in the Financial Statements*, which proposes eight examples illustrating how an entity applies the requirements in IFRS Accounting Standards to report the effects of climate-related and other uncertainties in its financial statements.

One example illustrates how an entity might need to disclose information about assumptions it makes about the future even if other IFRS Accounting Standards do not require such disclosure. In Example 5, the entity operates in a jurisdiction whose government has announced regulations that would restrict the entity's ability to operate and generate profits in that jurisdiction in the future. While the announced regulation does not relate to taxation, it could significantly affect the entity's profitability and, therefore, its ability to recover its deferred tax assets. IAS 12 does not require an entity to disclose information about the assumptions used in determining the extent to which it is probable that taxable profit will be available against which unused tax losses can be utilised. However, in the proposed example, the entity would disclose information about the assumption of when the regulation will become effective and the effect that assumption has on the recognition of the deferred tax asset.

The Exposure Draft is open for comment until November 28, 2024.

Exposure Draft proposes deferred taxes within equity method investments under IFRS Accounting Standards

In September 2024, the IASB published an [Exposure Draft](#) *Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures (revised 202x)*, which includes proposed amendments to help companies report on such investments applying the equity method. The amendments propose that an investor would account for and include in the carrying amount of its investment in an associate, a deferred tax asset (liability) arising from recognising its share of an associate's net identifiable assets and liabilities at fair value.

The Exposure Draft is open for comment until January 20, 2025.

Potential replacement of International Financial Reporting Interpretations Committee (IFRIC) Interpretation 21 application requirements

As a part of its *Provisions – Targeted Improvements* project, the IASB met on April 25 and June 20, 2024 to [discuss](#) possible amendments to IAS 37 *Provisions*,

Contingent Liabilities and Contingent Assets. The Board is addressing the apparent contradictions within the principles in IAS 37 for identifying liabilities, which have resulted in inconsistent and, sometimes, unsatisfactory application requirements. The Board unanimously agreed to replace the requirements supporting the present obligation recognition criterion with new requirements based on concepts in the Conceptual Framework for Financial Reporting and then withdrawing IFRIC 21 *Levies*.

The IASB expects to publish an Exposure Draft in November 2024.



OTHER ITEMS OF INTEREST

KPMG Learning – Executive Education

KPMG offers CPE-eligible curriculum covering current and emerging technical accounting topics, including accounting for income taxes, to build skills and confidence in a variety of areas of accounting.

View the catalog of KPMG digital [self-studies](#).



RESOURCES

- [KPMG Handbook: Accounting for income taxes](#)
- [KPMG Handbook: Tax credits](#)
- [Financial Reporting View](#)
- [TaxNewsFlash](#)
- [Chief Tax Officer Insights](#)
- [Insights into IFRS®](#)
- [KPMG Handbook: IFRS® compared to US GAAP](#)

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