

Report on recent US international tax developments - 29 December 2017

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Final US tax reform legislation [H.R. 1](#) became law on 22 December 2017, bringing with it a comprehensive overhaul of the US tax system. All companies are now reviewing how to respond to the new requirements that will affect many areas of their businesses, including financial statements, tax accounting, supply chain, capital structure, and liquidity. Among the more pressing concerns are the income tax accounting consequences of the new legislation.

From a financial reporting perspective, the enactment of H.R. 1 requires companies, under Accounting Standards Codification (ASC) 740, *Income Taxes*, to recognize the effects of changes in tax laws and rates on deferred tax assets and liabilities and the retroactive effects of changes in tax laws (including the one-time transition tax) in the period in which the new legislation is enacted. The enactment date in the United States is the date the bill becomes law, which is when the President signs the bill, i.e., 22 December 2017.

Under US GAAP (Generally Accepted Accounting Principles), these financial statement effects of changes in tax law are recorded as a discrete item and part of tax expense or benefit in continuing operations, regardless of the category of income or loss to which the deferred taxes relate. Under IFRS (International Financial Reporting Standards), the tax effects related to deferred taxes must be backwards traced to the component of income to which they relate.

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