

Quarterly tax developments

Things to know about this quarter's tax developments and related US GAAP accounting implications

June 2025

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The better the question.
The better the answer.
The better the world works.



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Welcome to our June 2025 Quarterly tax developments publication, which focuses on income tax developments that could affect US GAAP accounting.

Here we describe certain tax developments previously summarized in 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, the most challenging 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. However, this publication is not a comprehensive list of all changes in tax law and other events that may affect income tax accounting.

This edition covers certain enacted and effective tax legislation, as well as regulatory developments, legislative proposals and other items identified through 11 June 2025, except as noted.

We list EY publications that you can access through our [Tax News Update website](#), if you are registered. Anyone interested in registering should contact Amy Herlihy at amy.herlihy@ey.com.

See our [previous editions](#) for additional tax developments.

Tax developments

Legislation enacted in the second quarter for US GAAP purposes

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 enacted. Additionally, companies must reflect the effects of an enacted change in tax laws or rates on taxes currently payable or refundable for the current year in their annual effective tax rate computation in the period the changes are enacted. If an interim change is significant, temporary differences may need to be estimated as of the enactment.

Federal, state and territories

Arkansas – On 16 April 2025, Arkansas enacted legislation adopting market-based sourcing for receipts from the sale of services and intangible property and a bright-line economic nexus threshold of \$250,000 for nonresident corporations and partnerships. The legislation also adopts a “throwout” rule, which excludes certain receipts from a company’s apportionment calculation. Other changes include:

- ▶ Allowing telecommunications companies, internet providers, cable television providers and other television services providers to use the cost of performance method when sourcing most sales to Arkansas
- ▶ Generally requiring anyone requesting an alternative apportionment method, whether the taxpayer or the government, to prove that Arkansas’ current allocation and apportionment methods do not accurately reflect the taxpayer’s business activities in the state and that the proposed alternative method is reasonable
- ▶ Aligning the state’s definitions of “business” and “nonbusiness” income with the definitions of “apportionable” and “nonapportionable” income in the Multistate Tax Compact (MTC)
- ▶ Redefining “receipts” to exclude certain hedging and cash or securities transactions
- ▶ Modifying the definition of “taxable in another state” for allocation and apportionment purposes

The changes are effective for tax years beginning on or after 1 January 2026. See [Tax Alert 2025-1011](#), dated 8 May 2025.

Georgia – On 15 April 2025, Georgia enacted legislation that reduces the corporate income tax rate to 5.19% (from 5.39%), effective for tax years beginning on or after 1 January 2025. The law retains provisions that provide for a 0.10% rate reduction annually, beginning in 2026 (previously 2025), until the rate reaches 4.99%. The additional rate reductions are contingent on certain revenue thresholds being met. See the [State and Local Tax Weekly for 18 April 2025 and 25 April 2025](#).

Idaho – On 4 April 2025, Idaho enacted legislation clarifying that the previously enacted reduction in the corporate income tax rate to 5.3% from 5.695% applies to each tax year commencing on and after 1 January 2025. See the [State and Local Tax Weekly for 4 April 2025 and 11 April 2025](#).

Illinois* – On 16 June 2025, Illinois enacted legislation modifying its income tax and certain tax credits, among other things. Key changes include:

- ▶ Requiring combined filers to include Illinois receipts from nexus and non-nexus group members when apportioning income to Illinois (i.e., the *Finnigan* method)
- ▶ Limiting the state deduction for gross global intangible low-taxed income (GILTI) to a flat 50% (previously a 100%, 65% or 50% deduction applied depending on the level of ownership in the foreign subsidiary)
- ▶ Reducing the number of exceptions to the requirement to include interest and intangible expenses paid to related parties in the Illinois tax base

* A Tax Alert on this development is forthcoming.

- ▶ Potentially increasing how much interest expense paid to related parties must be included in the Illinois tax base by attributing the IRC Section 163(j) limitation on deductions for business interest expense first to interest paid to unrelated parties and the remainder, if any, to interest expense paid to foreign related parties
- ▶ Specifying how to allocate or apportion gains from the sale of interests in a pass-through entity (effective upon enactment)
- ▶ Creating the Advancing Innovative Manufacturing for Illinois tax credit based on an agreement and award from the Department of Commerce and Economic Opportunity (effective for tax years beginning on or after 1 January 2026)
- ▶ Limiting the availability of the Economic Development for a Growing Economy tax credit by raising the thresholds taxpayers must meet to qualify (effective upon enactment for agreements signed on or after 16 June 2025)

Unless otherwise indicated, the changes are effective for tax years ending on or after 31 December 2025.

Indiana – On 16 April 2025, Indiana enacted legislation allowing taxpayers to assign any part of the film and media production tax credit that they may claim, provided certain requirements are met. Taxpayers may make only one assignment of the credit and may not receive more than the value of the credit part assigned. Other changes include:

- ▶ Prohibiting assignees from reassigning any part of the credit to another taxpayer
- ▶ Capping any single credit at \$250,000 and the aggregate at \$2 million per year (effective 1 July 2025)
- ▶ Extending the credit's expiration date four years to 1 July 2031

Unless otherwise noted, the changes apply to tax years beginning after 31 December 2025. See the [State and Local Tax Weekly for 18 April 2025 and 25 April 2025](#).

Kansas – On 10 April 2025, Kansas enacted legislation reducing state income tax on the income of banks, trust companies, and savings and loan associations, provided certain revenue thresholds are met. The budget director would determine and announce reduced rates (if applicable) each August beginning in 2025.

After reductions to individual income tax rates reach 4%, the Secretary of Revenue will compute decreases to the corporate surtax rate, which would be reduced until the combined normal corporate tax and surtax rate equals 4%. The normal tax rate for financial institutions and for trust companies and savings and loan associations will decrease until the combined normal tax and surtax rates equals 2.6% for banks and 2.62% for trust companies and savings and loan associations. The change is effective as of 1 July 2025. See the [State and Local Tax Weekly for 4 April 2025 and 11 April 2025](#).

On 24 April 2025, Kansas enacted legislation adopting a single sales factor formula and market-based sourcing for purposes of apportioning sales of services and intangible property. The changes are effective for tax years beginning on or after 1 January 2027. Additionally, the law creates a deferred tax impact deduction that may be claimed by publicly traded companies on their relevant Kansas tax return if the imposition of the single sales factor apportionment formula results in (1) an aggregate increase in the taxpayer's net Kansas deferred tax liability (DTL), (2) an aggregate decrease in its net Kansas deferred tax assets (DTA) or (3) its net Kansas DTA becoming a net DTL.

If the taxpayer is a unitary group required to file a combined report, the deferred tax impact deduction is calculated using net DTAs or DTLs of the combined reporting group. Taxpayers that plan to take the deferred tax impact deduction must file a statement with the Secretary of Revenue on or before 1 July 2027, specifying the total amount of the deferred tax impact deduction that they plan to claim.

The legislation also permits future reductions in the corporate rate, provided certain revenue thresholds are met. The initial rate reduction could take effect for tax years beginning after 31 December 2028. See [Tax Alert 2025-0994](#), dated 7 May 2025.



New York – On 9 May 2025, New York enacted legislation extending the state’s Excelsior Jobs program for 10 years to 2039. Under the program, taxpayers may claim income tax credits for creating new jobs in the state, making qualified investments, and research and development (R&D).

The legislation also extends program eligibility to the semiconductor industry, with additional benefits for semiconductor supply chain projects, including:

- ▶ A jobs tax credit of up to 7% of the gross wages paid, per job
- ▶ An investment tax credit of up to 3% of the cost or other basis for federal income tax purposes of the qualified investment
- ▶ An R&D tax credit of up to 7% of qualified R&D expenditures attributable to activities conducted in New York state

The law also creates two tax credit programs: a semiconductor R&D project program and a semiconductor manufacturing workforce training incentive program.

The changes are effective immediately and apply retroactively to tax years beginning on or after 1 January 2025. See [Tax Alert 2025-1100](#), dated 20 May 2025.

Texas – On 17 June 2025, Texas enacted legislation replacing its existing R&D franchise tax credit with a new R&D franchise tax credit that aligns with federal research credit calculations reported on the federal tax return. The new credit is computed as 8.722% (previously 5%) of new and increasing qualified research expenses (QREs) incurred in the state (i.e., new and increasing R&D in Texas), or 10.903% (previously 6.25%) if the research is performed by a public or private institute of higher education. QREs are defined as the QREs that are reported on IRS Form 6765 and attributable to research conducted in Texas. The changes are effective for franchise tax reports originally due on or after 1 January 2026. See [Tax Alert 2025-1301](#), dated 19 June 2025.

IRC conformity

The chart below 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, the date of conformity and IRC provisions to which the state decided not to conform. Additional information on the state’s IRC conformity can be found in the cited reference.

State	Enactment date	Date of conformity	Effective date	Reference
Georgia	14 May 2025	1 January 2025	Tax years beginning on or after 1 January 2024	A Tax Alert is not yet available on this development.
Hawaii	29 May 2025	31 December 2024	Tax years beginning after 31 December 2024	A Tax Alert is not yet available on this development.
South Carolina	22 May 2025	31 December 2024	Effective upon enactment	A Tax Alert is not yet available on this development.
Vermont	21 May 2025	31 December 2024	Retroactive to 1 January 2025 and applicable to tax years beginning on and after 1 January 2024	A Tax Alert is not yet available on this development.

International

Cyprus – On 16 April 2025, Cyprus enacted legislation applying a 17% withholding tax on dividends paid to associated companies in low-tax jurisdictions (i.e., jurisdictions whose corporate tax rate is less than half of Cyprus’s current rate of 12.5%). The legislation also denies deductions for interest and royalties paid to associated companies in low-tax jurisdictions. These changes are effective for tax years beginning on or after 1 January 2026.

Other changes include:

- ▶ Strengthening the existing rules for withholding tax on payments to associated companies registered in jurisdictions included on Annex I of the list of noncooperative tax jurisdictions maintained by the European Union (EU) by broadening the definition of “associated companies”
- ▶ Introducing a general anti-abuse rule to counteract arrangements lacking commercial substance that are primarily designed to circumvent the application of the defensive measures

See [Tax Alert 2025-0895](#), dated 15 April 2025.

Hong Kong – On 23 May 2025, Hong Kong enacted legislation treating foreign companies that redomicile into Hong Kong as incorporated there for tax purposes, enabling them to qualify as Hong Kong residents under income tax treaties. Although re-domiciled companies will not incur Hong Kong profits tax until they commence business there, certain pre-re-domiciliation expenditures may be deductible, provided certain requirements are met. The changes are effective upon enactment. See [Tax Alert 2025-1224](#), dated 9 June 2025.

New Zealand – On 22 May 2025, New Zealand enacted an optional 20% upfront deduction for all new depreciable assets, including commercial buildings, certain land improvements and mining expenditures. To be considered new, the assets would have to be either (1) brand new, (2) new in use or (3) second-hand imports. The change is effective immediately from 22 May 2025 and applies to current periods for qualifying assets (i.e., newly acquired). See [Tax Alert 2025-1153](#), dated 29 May 2025.

Oman – On 13 April 2025, Oman enacted a 10-year exemption from corporate income taxes, among other things, for qualifying businesses operating in a special economic zone (SEZ) and free zone. For activities of a special nature, the exemption may be renewed for two similar periods. The exemption does not apply to banks, financial institutions, insurance or reinsurance companies, telecommunication service providers, contracting companies, or businesses in the road transportation and maritime transportation domains. The changes are effective beginning 14 April 2025. See [Tax Alert 2025-0998](#), dated 7 May 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 (for instance, reduced rates may apply to certain categories of investors, capital gains from immovable property or property-rich companies may be taxable). All of the following tax treaty changes were effective in the second calendar quarter, except where indicated.

Countries 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 July 2025 in Bangladesh).
Ecuador	United Kingdom	Provides general withholding tax rates of 10% on dividends, interest and royalties; exempts capital gains from tax (effective 1 January 2025 or 1 April 2025 or 6 April 2025 for certain UK taxes).

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 also may affect your current or deferred tax accounting.

Federal, state and territories

Federal – In a notice, the Internal Revenue Service (IRS) and the Treasury Department revised the safe harbor for determining applicable corporation status for purposes of the corporate alternative minimum tax. Under the revised safe harbor, the thresholds for determining applicable corporation status increase to \$800 million (from \$500 million) and \$80 million (from \$50 million), as applicable. See [Tax Alert 2025-1244](#), dated 12 June 2025.

The US Tax Court held that the IRS could use the income method under IRC Section 482's transfer pricing regulations to value a payment that an Irish subsidiary made to its US parent under a cost-sharing arrangement. In reaching that conclusion, the Court determined that the cost-sharing regulations under IRC Section 482 were valid under the US Supreme Court's holding in *Loper Bright Enters. v. Raimondo*, and that the income method was a valid approach for valuing the subsidiary's payment. In this case, however, the IRS incorrectly implemented the regulations by using the wrong inputs in its calculations. See [Tax Alert 2025-1196](#), dated 5 June 2025.

Michigan – In a notice, the Department of Treasury described the state's new R&D tax credit, which is created for tax years beginning on and after 1 January 2025. Topics covered by the notice include credit eligibility requirements and the process for claiming the credit. See the [State and Local Tax Weekly for 4 April 2025 and 11 April 2025](#).

New York – The Supreme Court for Albany County rejected a trade association's challenge to the constitutionality of a final corporate franchise tax regulation identifying protected and unprotected internet activities under P.L. 86-272, which prohibits state taxation of out-of-state businesses whose only connection to the state is soliciting orders for sales of tangible personal property. The court reasoned that P.L. 86-272 does not prohibit New York state from identifying and regulating which internet activities exceed the solicitation of orders, nor does it "broadly tax any and all internet sales." In upholding the regulation's constitutionality, the court also held that tax authorities could not apply the regulation retroactively to 2015 and that it may only be applied prospectively from when issued (i.e., as of December 2023). See [Tax Alert 2025-1023](#), dated 9 May 2025.

Tax amnesties

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

Jurisdiction	Amnesty period	Taxes covered	Reference
Indiana	The second half of 2025 or sometime in 2026 for a period determined by the Department of Revenue lasting no more than eight weeks	Corporate income taxes due before 1 January 2023, among others	Tax Alert 2025-1121 , dated 22 May 2025

International

Algeria – In an order, the government identified new categories of fixed assets eligible for depreciation and the assets' corresponding depreciation period. See [Tax Alert 2025-1141](#), dated 28 May 2025.

Australia – The Australian Taxation Office (ATO) updated its Pillar Two website to include guidance on how Australia's corporate tax system interacts with Pillar Two, among other things. See [Tax Alert 2025-1138](#), dated 28 May 2025.

In a draft Practical Compliance Guideline, the ATO outlined the transfer pricing analysis that a company is expected to perform to evidence that its total debt borrowing in Australia from inbound cross-border transactions with related parties is arm's-length, thereby allowing interest expense to be deducted under Australia's thin capitalization rules. The guideline also offers ways to mitigate the transfer-pricing risk around these transactions. See [Tax Alert 2025-1184](#), dated 3 June 2025.



Brazil – In a provisional measure, the government increased the taxation of interest on net equity payments to 20% from 15%. A 5% withholding tax also applies to income from certain financial investments in real estate and agribusiness. Both changes are effective from 1 January 2026.

Other changes include:

- ▶ Introducing a fixed 17.5% withholding tax rate on income from financial investments, replacing prior rates ranging from 22.5% to 15%
- ▶ Allowing losses on financial investments from 1 January 2026 to be offset against gains from other financial investments
- ▶ Aligning the rules for foreign hedges with the rules for local hedges and extending the beneficial treatment previously reserved for market hedges to over-the-counter hedges

The changes will not be enacted for US GAAP purposes until the provisional measure is converted into law by the Brazilian Congress. See [Tax Alert 2025-1243](#), dated 12 June 2025.

Germany – The Federal Fiscal Court (BFH) held that a German pharmaceutical distributor's income could be adjusted to reflect income that it should have received from its foreign parent for indirect benefits that the parent received from the distributor's marketing of drugs sold by the parent and parallel importers (i.e., unrelated competitors of the foreign parent that buy the same drugs as the German distributor from the foreign parent's non-German affiliates and distribute them at lower prices than the German distributor's). In doing so, the BFH reversed a lower court ruling, which favored the distributor on the grounds that sales by parallel importers did not benefit the foreign parent and the distributor lacked leverage to demand remuneration from its parent for benefits from sales made by parallel importers. See [Tax Alert 2025-1024](#), dated 9 May 2025.

Nigeria – In an executive order, the government introduced a performance-based tax credit designed to encourage competitiveness and efficiency in the upstream petroleum sector. Licensees and lessees in the sector may claim the credit against their liability for the petroleum profit tax if their actual operating costs fall below the regulator's benchmark for the relevant year. The credit may not exceed 20% of the company's tax liability for the year and must be used within three years. See [Tax Alert 2025-1185](#), dated 3 June 2025.

Peru – In a ruling, the tax authority clarified the term "digital services" for purposes of corporate tax law, which deems income from digital services to be Peruvian-source income that is subject to a 30% withholding tax. According to the ruling, "digital services" only includes services that are automatic with no human intervention, delivered online and reliant on the internet. Services involving human intervention do not qualify as digital services. See [Tax Alert 2025-1033](#), dated 9 May 2025.

Turkey – In a presidential decree, the government extended for three months until 31 July 2025 the application of a 0% withholding tax rate on income and gains from government bonds, treasury bonds and certain lease certificates. The extension applies to income from bonds and lease certificates acquired from 22 December 2021 through 31 July 2025. See [Tax Alert 2025-1078](#), dated 16 May 2025.

Things we have our eyes on

National, state and local governments continue to seek to increase their revenues. Companies should continue to monitor developments in this area. Some of these potential tax law changes are summarized here.

Federal, state and territories

Federal – The US House of Representatives passed a reconciliation bill with tax provisions and revenue offsets meant to accompany extensions of Tax Cuts & Jobs Act provisions expiring at the end of 2025. Business-related provisions would:

- ▶ Reduce the deduction for GILTI to 49.2% (10.668% rate) from 50% (10.5% rate) and make it permanent
- ▶ Reduce the deduction for foreign-derived intangible income (FDII) to 36.5% (13.335% rate) from 37.5% (13.125% rate) and make it permanent
- ▶ Increase the rate for the base erosion and anti-abuse tax (BEAT) to 10.1% from 10% and make it permanent
- ▶ Introduce IRC Section 899, which would increase applicable tax rates and expand BEAT rules to foreign persons tax resident in, or controlled by tax residents of, “discriminatory” foreign countries
- ▶ Reinstate bonus depreciation, expensing for research and experimental (R&E) expenditures under IRC 174 and previously higher limits on deductions for interest expense under IRC Section 163(j), retroactively from 2025 through 2029
- ▶ Significantly change executive compensation deductions
- ▶ Repeal various clean energy credits enacted under the Inflation Reduction Act

See Tax Alerts [2025-1053](#), dated 14 May 2025; [2025-1068](#), dated 15 May 2025; [2025-1069](#), dated 15 May 2025; [2025-1074](#), dated 16 May 2025; [2025-1075](#), dated 16 May 2025; [2025-1085](#), dated 16 May 2025; [2025-1110](#), dated 21 May 2025; [2025-1111](#), dated 22 May 2025; [2025-1120](#), dated 22 May 2025; [2025-1143](#), dated 28 May 2025; [2025-1159](#), dated 29 May 2025; [2025-1172](#), dated 2 June 2025.

Following House passage, the Senate Finance Committee released the tax portion of the reconciliation bill. The Senate Finance Committee text largely mirrors the House-passed bill but includes the following differences, among others:

- ▶ Eliminates allocation of most expenses for GILTI foreign tax credit (FTC) purposes
- ▶ Increases the GILTI FTC by allowing up to 90% (from 80%) of the foreign taxes properly attributable to GILTI income as an FTC
- ▶ Reduces GILTI deduction to 40% (14% rate after FTC haircut) for tax years beginning after 31 December 2025
- ▶ Eliminates net deemed tangible income return currently utilized in determining a US shareholder’s GILTI inclusion
- ▶ Reduces FDII deduction to 33.34% (14% rate) for tax years beginning after 31 December 2025
- ▶ Limits expense apportionment for FDII to directly related expenses
- ▶ Eliminates the reduction of FDII for deemed tangible income return
- ▶ Excludes from FDII gain from the sale of property of a type that gives rise to rents or royalties and passive income
- ▶ Increases BEAT rate to 14%
- ▶ Reduces the base erosion percentage threshold to 2%
- ▶ Provides a new exception for base erosion payments subject to a sufficient level of foreign tax

- ▶ Delays effective date of proposed Section 899 by one year
- ▶ Makes bonus depreciation permanent for eligible property acquired after 19 January 2025
- ▶ Makes permanent expensing of domestic R&E expenditures paid or incurred in tax years beginning after 31 December 2024
- ▶ Permanently adds back depreciation, amortization and depletion in computing the 30% limitation on deductions for interest expense under IRC Section 163(j) (i.e., earnings before interest, taxes, depreciation and amortization (EBITDA) instead of earnings before interest and taxes (EBIT)), effective for tax years beginning after 31 December 2024
- ▶ Excludes Subpart F and GILTI (and any associated IRC Section 78 gross up) in computing the 30% limitation on deductions for interest expense under IRC Section 163(j), effective for tax years beginning after 31 December 2025

See Tax Alerts [2025-1275](#), dated 17 June 2025; [2025-1330](#), dated 23 June 2025; [2025-1331](#), dated 23 June 2025; [2025-1332](#), dated 23 June 2025; and [2025-1336](#), dated 24 June 2025;

Separately, a member of the House Ways and Means Committee introduced a bill that would preclude pharmaceutical companies from deducting marketing and advertising expenses for prescription and other drugs on television, radio, social media and other common platforms. Another committee member introduced a bill that would boost domestic medical manufacturing activity by providing incentives in economically distressed areas of the US and its possessions. See [Tax Alert 2025-0967](#), dated 30 April 2025.

Alaska – The legislature passed a bill that would replace the state's current cost of performance method for sourcing sales of services and intangible property with market-based sourcing. The bill would also align the state's definitions of business and nonbusiness income with the MTC's definitions of apportionable and non-apportionable income. Other changes include adopting a single sales factor apportionment formula for highly digitized businesses. If enacted, these changes would be effective 1 January 2026. See [Tax Alert 2025-1046](#), dated 12 May 2025.

California* – The legislature is considering a bill that would require financial institutions to adopt single sales factor apportionment, among other changes. The governor is expected to sign the legislation by 30 June 2025.

International

Bermuda – In a public consultation, the government proposed technical amendments to the Corporate Income Tax Act, which would clarify some provisions and better align others with the global anti-base erosion rules. Proposed changes would affect unit-linked insurance, short-term portfolio shareholdings, intra-year taxable loss offsets and entities that are considered Bermuda constituent entities for only part of a fiscal year, among other things. See [Tax Alert 2025-1236](#), dated 11 June 2025.

Gibraltar – The government proposed updating the definition of tax avoidance and authorizing the Commissioner of Revenue to counteract or disregard tax benefits from a tax avoidance arrangement. See [Tax Alert 2025-0890](#), dated 14 April 2025.

Kenya – The Parliament is considering Finance Bill 2025, which would expand the definition of the term royalty to include regular payments for the use of software through a distributor. The bill also seeks to introduce a five-year cap on the deductibility of tax losses. Other proposals include:

- ▶ Defining the term “related person” consistently across various income tax provisions
- ▶ Expanding the scope of the significant economic presence tax (SEPT) to include income derived or accrued from Kenya through a business carried out via the internet or an electronic network and repealing the SEPT exemption for nonresidents with an annual turnover of less than KES5 million
- ▶ Allowing expenditures incurred in the construction of a public sports facility to be deducted
- ▶ Introducing an Advance Pricing Agreement framework

* A Tax Alert on this development is forthcoming.

- ▶ Limiting the income tax exemption for gains from a property transfer within a SEZ to transfers made by licensed developers, enterprises or operators within a SEZ
- ▶ Eliminating the 100% capital allowance (i.e., expensing) for certain activities and substituting the standard capital allowance (i.e., depreciation) available for qualifying capital expenditures
- ▶ Repealing the 15% preferential tax rate for companies that construct at least 100 residential units annually and companies that assemble motor vehicles locally (for the first five years)
- ▶ Clarifying that withholding tax paid on qualifying dividends and interest is a final tax

See [Tax Alert 2025-1057](#), dated 14 May 2025.

New Zealand – In its 2025 budget, the government announced potential reforms that would allow taxpayers to deduct 100% of interest on third-party limited-recourse debt for eligible infrastructure projects. An alternative proposal would apply for all projects, depending on the type of debt arrangement, and would be an alternative to the thin capitalization rule. See [Tax Alert 2025-1153](#), dated 29 May 2025.

OECD – In a statement released after its meeting in Cape Town, South Africa, the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) indicated that member jurisdictions recognize the importance of Pillar Two and plan to continue pursuing its implementation. Negotiations around Pillar One will also continue. See [Tax Alert 2025-0887](#), dated 14 April 2025.

United Kingdom – His Majesty's Revenue & Customs (HMRC) proposed removing the UK's transfer-pricing exemption for medium-sized enterprises so that medium-sized and large businesses would need to implement arm's-length pricing for all cross-border transactions. Other proposals include:

- ▶ Exempting transactions between UK corporations from transfer pricing rules, with targeted safeguards for HMRC to apply transfer pricing to counteract tax arbitrage
- ▶ Aligning UK rules for permanent establishments with the OECD's definition
- ▶ Bringing the diverted profits tax within the scope of UK corporation tax

See [Tax Alert 2025-0974](#), dated 1 May 2025.



Appendix A

Companies should consider the effects of the current economic environment and tariffs on their accounting and financial reporting

Overview

Companies should consider the effects of the current economic environment, including tariffs imposed by the US and other countries outside of the US, on their accounting and financial reporting. Tariffs are a form of taxes levied by governments, often as a fixed percentage of the value of imported goods, that are designed to increase the cost of foreign product imports, making them less competitive compared to domestic products.

President Donald Trump in April announced tariffs on a wide range of goods, including a 10% base rate on all imports, with higher rates for certain countries. President Trump said the tariffs were intended to address trade imbalances. The US Court of Appeals for the Federal Circuit stayed a decision by the US Court of International Trade that found the Trump administration had not met the legal requirements to levy the tariffs and scheduled oral arguments for later this summer. Because trade policy is constantly evolving, companies should monitor changes for potential effects.

Since tariffs are generally based on a percentage of the value of a product, they are not accounted for as an income tax and are capitalizable costs (e.g., inventory; property, plant and equipment). This publication highlights certain accounting and reporting considerations related to the tariffs. To see the complete publication, [click here](#).

Appendix B

Overview of Pillar Two implementation across the world

Final legislation	
Jurisdiction	Rules covered
European Union	QDMTT, IIR, UTPR
Australia	QDMTT, IIR, UTPR
Austria	QDMTT, IIR, UTPR
Bahamas	QDMTT
Bahrain	QDMTT
Barbados	QDMTT
Belgium	QDMTT, IIR, UTPR
Brazil	QDMTT
Bulgaria	QDMTT, IIR, UTPR
Canada	QDMTT, IIR
Croatia	QDMTT, IIR, UTPR
Cyprus***	QDMTT, IIR, UTPR
Czech Republic	DMTT, IIR, UTPR
Denmark	QDMTT, IIR, UTPR
Estonia	Filing obligations
Finland	QDMTT, IIR, UTPR
France	QDMTT, IIR, UTPR
Germany	QDMTT, IIR, UTPR
Gibraltar	QDMTT, IIR
Greece	QDMTT, IIR, UTPR
Guernsey	QDMTT, IIR
Hong Kong	HKMTT, IIR, UTPR
Hungary	QDMTT, IIR, UTPR
Indonesia	QDMTT, IIR, UTPR
Ireland	QDMTT, IIR, UTPR
Isle of Man	QDMTT, IIR
Italy	QDMTT, IIR, UTPR
Japan	IIR, QDMTT, UTPR
Jersey***	IIR
Kenya	QDMTT

Final legislation	
Jurisdiction	Rules covered
Kuwait	QDMTT
Latvia	Filing obligations
Liechtenstein	QDMTT, IIR, UTPR
Lithuania	Filing obligations
Luxembourg	QDMTT, IIR, UTPR
Malaysia	QDMTT, IIR
Malta	Filing obligations
Mauritius*	QDMTT
Netherlands	QDMTT, IIR, UTPR
New Zealand	IIR, UTPR
North Macedonia	QDMTT, IIR, UTPR
Norway	QDMTT, IIR
Oman	QDMTT, IIR
Poland	QDMTT, IIR, UTPR
Portugal	QDMTT, IIR, UTPR
Qatar	QDMTT, IIR
Romania	QDMTT, IIR, UTPR
Singapore	QDMTT, IIR
Slovakia	QDMTT
Slovenia	QDMTT, IIR, UTPR
South Africa	QDMTT, IIR
South Korea	IIR, UTPR
Spain	QDMTT, IIR, UTPR
Sweden	QDMTT, IIR, UTPR
Switzerland	QDMTT, IIR
Thailand	QDMTT, IIR, UTPR
Turkey	QDMTT, IIR, UTPR
United Arab Emirates	QDMTT
United Kingdom	QDMTT, IIR, UTPR
Vietnam	QDMTT, IIR

Draft legislation	
Jurisdiction	Rules covered
Canada	UTPR
Curaçao	QDMTT, IIR
Lithuania	QDMTT, IIR, UTPR
Norway	UTPR

Intention to implement Pillar Two

Israel

Indicates new in Q2

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

* Mauritius has enacted a law incorporating an initial provision placeholder for the introduction of Pillar Two. Detailed legal provisions and regulations regarding how these countries will implement Pillar Two are expected to be developed in the future.

** The United States is not included in the implementation overview above since this jurisdiction does not yet have final or draft legislation and has not yet indicated an intention to implement Pillar Two into domestic law. Additionally, the OECD is not included as it does not possess legislative authority.

*** Jersey and Cyprus have introduced DMTT status as part of the peer review.

Source: EY BEPS Developments Tracker

Note: Developments Tracker cut-off date – As of 11 June 2025

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