



Accounting for Income Taxes Bulletin

July 2025

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 web version and previous editions [here](#) and subscribe to receive future publications [here](#).

Featured Items

Accounting for income taxes implications of the One Big Beautiful Bill Act

On July 4, 2025, President Trump signed the One Big Beautiful Bill Act into law. The bill generally makes certain tax provisions of the 2017 Tax Cuts and Jobs Act permanent, makes several adjustments to current tax law, and will restore several expired business tax benefits. The bill also introduces several new tax benefits proposed by the president during the campaign, such as 100 percent bonus depreciation for new manufacturing facilities, phases out certain energy tax credits and adjusts taxes on income earned by certain non-U.S. subsidiaries and from exports.

The bill incorporates provisions that may impact an entity's accounting for income taxes process and the measurement of income taxes related balances. The tax effects of certain changes in tax laws are reflected in the financial statements beginning in the interim period that includes the July 4th date of enactment while others may impact the financial statements in a later period in which the laws become effective.

As entities assess the impact of the provisions, there may be elements for which it is not entirely clear how the taxing authority or a court would interpret the provisions. Accordingly, entities may also consider the impact the provisions will have on accounting for uncertainty in income taxes. If tax positions arise that are expected to

be reported on a tax return that are not highly certain to be sustained upon examination based on the technical merits, an entity should assess the tax position in accordance with the recognition and measurement criteria within ASC 740 to determine the appropriate amount of tax benefit to be reflected within the financial statements.

See [Accounting for income taxes implications of “One Big Beautiful Bill Act”](#) for preliminary KPMG analysis and observations of both the House bill and Senate bill. For KPMG analysis and observations regarding sector or industry-specific provisions in the bill, refer to [KPMG reports by topic](#).

Getting ready to adopt ASU 2023-09: Improvements to income tax disclosures

The most recent [Hot Topic: Income tax disclosures](#) (November 2024) published by the KPMG WNT Accounting for Income Taxes group and Department of Professional Practice (DPP) provides analysis, interpretations and observations of matters included in the ASU. The publication highlights the new disclosure requirements in [Accounting Standards Update \(ASU\) 2023-09—Income Taxes \(Topic 740\): Improvements to Income Tax Disclosures](#) and addresses common questions encountered when implementing the ASU.

As a reminder, adoption of the ASU may require consultation with internal and external stakeholders including accounting and financial reporting, investor relations and external auditors, amongst others. With several accounting policy choices available upon adoption of the new ASU, tax departments should take action now to coordinate and align with all stakeholders to ensure a seamless transition to the new income taxes disclosures.

This ASU is effective for public business entities for fiscal years beginning after December 15, 2024 and for all other entities for fiscal years beginning after December 15, 2025. Refer to the Hot Topic for a summary of the guidance in the ASU on a topic-by-topic basis and for KPMG observations based on our current understanding. The document includes discussion and detailed examples about disaggregation of the effective tax rate reconciliation, income taxes paid, and pretax income (loss) and income tax expense (benefit), both from continuing operations.

Updates On Accounting Matters

New KPMG Handbooks

DPP released a new [KPMG Handbook: *Investment companies*](#) providing guidance and interpretations for investment companies, with practical examples, on the presentation and disclosure of income taxes and highlights areas where the accounting follows a tax basis.

See the [KPMG handbooks page](#) for all available handbooks.

IFRS Accounting – Pillar Two taxes in financial reports

Many countries are introducing a global minimum top-up tax as part of the international tax reform (Pillar Two tax) and companies are assessing the accounting, presentation and disclosure impacts on financial reports.

See the updated KPMG Pillar Two tax [digital guide](#) to navigate key issues related to presentation and disclosure, impairment assessments, interim reporting and recharges.

KPMG DPP Quarterly Outlook

The June 2025 [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 2023-02, Investments— Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using	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	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

<u>the Proportional Amortization Method</u>	proportional amortization method if certain conditions are met		those fiscal years
ASU 2023-09, <u>Income Taxes (Topic 740): Improvements to Income Tax Disclosures</u>	Requires certain annual 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	Annual periods beginning after December 15, 2024	Annual periods beginning after December 15, 2025

See the KPMG Financial Reporting View (FRV) [ASU 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 2024 and 2025 financial reporting by insurers.

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

Updated standard	Brief description of standard	Effective date
<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) codification improvements

On January 22, 2025, the FASB issued a [proposed ASU](#) as part of its Codification Improvements (Evergreen) project that provides 34 targeted improvements addressing technical corrections, unintended Codification applications, clarifications, and minor enhancements. 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 income tax benefits. The FASB is expected to begin redeliberations as comments were due April 22, 2025. See the KPMG [comment letter](#) for additional detail on certain items within the proposed ASU.

FASB invites stakeholders to comment on future agenda priorities

The FASB published an [Invitation to Comment](#) that gives stakeholders the opportunity to provide feedback on its future standard-setting agenda. Among the items included are the derecognition of transferable credits and the challenges on the accounting for renewable energy partnerships. See the KPMG [comment letter](#) on suggested areas for the FASB to focus its efforts in the near and medium term.

Forthcoming FASB ASU on accounting for government grants

On November 19, 2024, the FASB released a [proposed ASU](#) regarding accounting for government grants by business entities. Under the proposed ASU, a government grant would be recognized when it is probable that the business entity will comply with the grant conditions and receive the grant. The ASU would apply to all business entities that receive a government grant; however, it would not apply to transactions within the scope of ASC 740.

Under the proposal, entities may elect either a prospective or retrospective transition approach.

During its June 25, 2025 meeting, the Board discussed feedback received on the proposed ASU and completed its redeliberations. The Board directed the staff to draft a Final Accounting Standards Update for vote by written ballot.

See the KPMG [Defining Issues](#) article for additional discussion on the proposed ASU.

International Accounting Standards Board (IASB) projects

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. At the June IASB meeting, the Board decided to keep the project's objectives unchanged and proceed in redeliberating the proposals in the Exposure Draft.

Exposure Draft impacting Pillar Two disclosures under IFRS 19

In July 2024, the 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).

Comments were due on November 27, 2024. See the KPMG IFRG Limited [comment letter](#) on disclosing Pillar Two income taxes and the tax effect of management-defined performance measures under IFRS 19. A final amendment is expected in August 2025.

Exposure Draft impacting IFRS Interpretations Committee (IFRIC) Interpretation 21 application requirements

The IASB published an [Exposure Draft](#) *Provisions – Targeted Improvements* on November 12, 2024, which proposes amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The Exposure Draft addresses the apparent

contradictions within the principles in IAS 37 for identifying liabilities, which have resulted in inconsistent and, sometimes, unsatisfactory application requirements. The Exposure Draft would replace the requirements supporting the present obligation recognition criterion with new requirements based on concepts in the Conceptual Framework for Financial Reporting and then withdraw IFRIC 21, *Levies*.

Comments were due on March 12, 2025. See the KPMG IFRG Limited [comment letter](#) for additional insights on the project.

Other Items Of Interest

Import tariffs – Key considerations for engagement teams

Rapidly evolving trade and tariff policies have led to uncertainty about the applicability and duration of tariffs, which poses challenges in preparing estimates, assumptions and projected financial information, including those estimates and judgments used in the accounting for income taxes, among other areas.

Refer to the [Effects of Tariffs on Financial Reporting](#) FRV webpage for additional accounting impacts of tariffs. Additionally, [KPMG Handbook: Accounting for economic disruption](#), includes questions to ask and summaries of key areas of financial reporting that can be most susceptible to economic uncertainty – including the effects or potential effects of tariffs.

35th Annual Accounting & Financial Reporting Symposium

KPMG's premier conference covering accounting and financial reporting hot topics for financial executives will be held December 3rd and 4th in Las Vegas, Nevada. [Register now](#) to experience two days of learning and networking at the iconic Ceasars Palace. Discover the latest developments and innovative ideas to help you navigate the rapidly evolving business environment.

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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