Accounting for Income Taxes Bulletin

April 2026

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 and subscribe to receive future publications.

Featured Items

Impacts of tariffs

A significant development in the landscape of tariffs and the related accounting implications is the recent Supreme Court ruling on the tariffs imposed under the International Emergency Economic Powers Act (IEEPA). On February 20, 2026, the Supreme Court overturned the tariffs that had been imposed under the IEEPA. This ruling has created uncertainty regarding the potential for companies to receive refunds for tariffs paid under this act. A recent KPMG Report highlights potential refund scenarios and KPMG observations. Additionally, a KPMG Report summarizes the accounting method treatment to a variety of potential outcomes triggered by the decision.

We believe it is acceptable to treat the decision as a nonrecognized (Type 2) subsequent event in the financial statements that have not yet been issued as of February 20, 2026 for periods ended prior to February 20, 2026. For a Type 2 subsequent event, the financial statements are not adjusted; however, if material, disclosure is required including a description of the event and an estimate of the financial effect, or a statement that such estimate is unable to be made. For periods that ended on or after February 20, 2026, we believe it is appropriate to apply a loss recovery model to account for potential refunds, where the amount recognized is limited to the amount of the loss incurred for which recovery is probable. There is a rebuttable presumption that realization of a claim is not probable when the claim is subject to dispute.

First quarter highlights and reminders

As calendar year-end companies prepare financial statements for the interim period ended March 31, 2026, below are selected reminders on tax technical developments that may be relevant to the interim period income taxes calculations.

One Big Beautiful Bill
Tax provisions of the One Big Beautiful Bill (OBBB) that are effective for the period ending December 31, 2026 should be reflected in the estimated annual effective tax rate as of March 31, 2026 for calendar year-end taxpayers.

Corporate Alternative Minimum Tax (CAMT) guidance
The IRS has released Notice 2026-7, which provides additional interim guidance on the application of the CAMT which notably includes relief for the §174 transition adjustment permitted under OBBB.

Forthcoming Section 987 Regulations
The Treasury Department and the IRS have announced intentions to issue proposed regulations that will modify the 2024 final regulations under Section 987, which pertains to foreign currency translations. Notice 2026-17announced the forthcoming proposed regulations will allow for an election to use an equity and basis pool method for determining taxable income (loss) and foreign currency gain (loss) with respect to a qualified business unit.

The OECD's Side-by-side Package
Entities should monitor the extent to which the safe harbors and simplifications included within the OECD's Side-by-side Packagehave been enacted or are otherwise enforceable. Prior to jurisdictions adopting the package or it otherwise becoming

enforceable, U.S. headquartered groups must assess whether Pillar Two liabilities apply and, generally, include any related impact in the estimated annual effective tax rate. A recent KPMG Report provides an overview and preliminary observations on the side-by-side package.

Accounting for income taxes impacts

An entity is required to reflect the impact of changes in tax laws and rates in the interim period that includes the enactment date. Any impact on current year income taxes receivable (payable) is reflected in the estimated annual effective tax rate in the interim period that includes such enactment date, even if the law has a future effective date within the current year. The effect of changes in laws or rates on existing deferred tax assets (liabilities) or a retroactive change to income taxes receivable (payable) for an earlier annual period is excluded from the estimated annual effective tax rate calculation and recognized as a discrete event in the interim period that includes the enactment date.

When notices or proposed regulations are released, while they do not represent enacted law, additional consideration may be needed as to whether taxpayers may rely on the guidance, such as when there is explicit reliance language. To the extent entities have the choice to rely on guidance, it effectively creates an elective tax position. There is a presumption that beneficial tax positions will be claimed.

Conversely, if an entity is recognizing the benefit of a tax position that would be reversed if regulations were finalized as proposed (in other words, the notice or proposed regulations are detrimental), an entity should assess the filing position it would take if the proposed regulations or notice were never finalized. Refer to Chapter 5 and paragraph 3.116a of the KPMG Accounting for income taxes handbook for additional detail.

Updates on Accounting Matters

Accounting for tax incentives under IFRS® Accounting Standards: Key questions answered

Tax incentives are often used by governments around the world to deliver on public policies, particularly in times of heightened uncertainty. Additionally, tax incentives may involve complex rules and raise challenging accounting questions. A key consideration is which accounting standard applies to a specific tax incentive.

KPMG's new digital guide addresses common types of tax credits and answers key questions on how to determine which IFRS accounting standard to apply and appropriate accounting and presentation in the financial statements.

Guides to annual financial statements under IFRS Accounting Standards

KPMG International Standards Group 2026 guides to annual financial statements under IFRS Accounting Standards are now available. They comprise illustrative disclosures and a disclosure checklist. These updated guides reflect IFRS Accounting Standards in issue at March 20, 2026 that are required to be applied by a company with an annual reporting period beginning on January 1, 2026.

Refer to the web article for additional detail and information.

KPMG DPP Quarterly Outlook

The March 2026 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	ASU 2023-02, Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method
Brief description of standard	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
Public business entities' effective date	Fiscal years beginning after December 15, 2023 and interim periods within those fiscal years

Other entities' effective date	Fiscal years beginning after December 15, 2024 including interim periods within those fiscal years

Updated standard	ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures
Brief description of standard	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
Public business entities' effective date	Annual periods beginning after December 15, 2024
Other entities' effective date	Annual periods beginning after December 15, 2025

Updated standard	ASU 2025-12, Codification Improvements
Brief description of standard	Provides technical corrections to align the intraperiod tax allocation guidance and reference the proportional amortization method
Public business entities' effective date	Annual periods beginning after December 15, 2026, and interim periods within those annual periods
Other entities' effective date	Annual periods beginning after December 15, 2026, and interim periods within those annual periods

Updated standard	ASU 2025-10, Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities
Brief description of standard	Provides guidance on how business entities should recognize, measure, and present government grants received
Public business entities' effective date	Annual periods beginning after December 15, 2028, and interim periods within those annual periods

Other entities' effective date	Annual periods beginning after December 15, 2029, and interim periods within those annual periods

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 2025 and 2026 financial reporting by insurers.

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

Updated standard	IFRS 18 Presentation and Disclosure in Financial Statements
Brief description of standard	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
Effective date	Annual reporting periods beginning on or after January 1, 2027, with retrospective application and early adoption permitted

Updated standard	IFRS 19 Subsidiaries without Public Accountability: Disclosures
Brief description of standard	Voluntary IFRS Accounting Standard with reduced disclosure burden for subsidiaries that do not have public accountability and whose parent produces consolidated financial statements that are available for public use under IFRS Accounting Standards
Effective date	An entity may elect to apply the standard for reporting periods beginning on or after January 1, 2027, with early adoption permitted

On the Horizon

FASB codification improvements related to income taxes
During a March 2026 meeting, the FASB discussed various Codification Improvement issues and made the following tentative decisions related to income taxes:

- Update paragraph 740-10-55-38(b)(2) to clarify that a carryback refund is an example, but not the only mechanism, to realize a tax benefit in the current year through a carryback.
- Replace extraordinary gain with gain on discontinued operations in paragraph 740-20-55-9(a) to conform with the changes made by the amendments in Accounting Standards Update No. 2015-01, Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items.

The board directed the staff to draft a proposed ASU for vote by written ballot with a 75-day comment period. The FASB expects to publish a proposed ASU in the third quarter of 2026.

Other IASB projects

IFRIC project on the presentation of non-income taxes
During a November 2025 meeting, the IFRS Interpretations Committee (IFRIC or the Committee) considered whether IFRS 18 Presentation and Disclosure in Financial Statements permits entities to present taxes or charges that are not income taxes within the scope of IAS 12 in the "income tax expense (benefit)" line item or the income taxes category of the statement of profit or loss. It concluded that, under IFRS 18, only income tax expense (benefit) that is included in the statement of profit or loss applying IAS 12 (including related foreign exchange differences) can be classified in the income taxes category. Therefore, taxes or charges outside IAS 12 cannot be presented in that line item or category. At its March 2026 meeting, the Committee considered feedback on the tentative decision and concluded its discussions. The IASB will consider this agenda decision at a future meeting.

As a result of this discussion, the IFRIC decided to propose additional updates to prior agenda decisions related to production-based royalty payments payable to one taxing authority that are claimed as an allowance against taxable profit for the computation of income taxes payable to another taxing authority and taxes based on tonnage capacity. In both instances, the IFRIC clarified that the respective items are not considered income taxes within the scope of IAS 12 and therefore it would not be appropriate to include such amounts within the income tax expense (benefit) line or the income taxes category of the statement of profit or loss. During the March 2026 meeting, the Committee decided to finalize the proposed updates. The IASB will consider the Committee's decision at a future meeting.

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

In September 2024, the IASB published the 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 2025 IASB meeting, the Board decided to keep the project's objectives unchanged and proceed in redeliberating the proposals in the Exposure Draft. The IASB is currently in the process of deciding the project direction.

Exposure Draft impacting IFRS Interpretations Committee Interpretation 21 application requirements

The IASB published the Exposure DraftProvisions—Targeted Improvements on November 12, 2024, which proposes amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Exposure Draft addresses 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.

The Board met in February 2026 to continue redeliberating proposals in the exposure draft and tentatively adopted application requirements for considering the economic benefit or activity the government is seeking to levy and other clarifications including that a levy only includes non-reciprocal charges. The IASB is expected to decide the project direction during Q2 2026.

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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