# Accounting for Income Taxes Bulletin

July 2026

## About this publication

This publication is issued by the Accounting for Income Taxes group in the KPMG Washington National Tax (WNT) practice 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

### Second quarter highlights and reminders

As companies prepare financial statements for interim and annual periods, below are selected reminders on tax technical developments that may be relevant to the income taxes calculations.

#### Accounting for new notices or regulations

As Treasury continues to provide implementation guidance around the One Big Beautiful Bill, the corporate alternative minimum tax, and other legislation, we may continue to see notices, proposed regulations, and final regulations issued. While notices or proposed regulations 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 recognizes 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), then an entity should assess the filing position it would take if the proposed regulations or notice were never finalized. Refer to section 5 and paragraph 3.116a of the KPMG Handbook: *Accounting for income taxes* for additional considerations.

#### The OECD's Side-by-Side Package

Entities should continue to monitor the extent to which the safe harbors and simplifications included within the Organisation for Economic Co-operation and Development's (OECD) Side-by-Side Package have been enacted or are otherwise enforceable. Prior to jurisdictions adopting the package or it otherwise becoming enforceable, groups must assess whether Pillar Two liabilities apply based on currently enacted legislation and, generally, include any related impact in the estimated annual effective tax rate and other income taxes related calculations. A KPMG Report provides an overview and preliminary observations on the Side-by-Side Package.

## Updates on accounting matters

### KPMG Quarterly Outlook

The June 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 US generally accepted accounting principles (US GAAP) standards, listed below by order of required application.

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| **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 |

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| **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 |

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| **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 |

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| **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 accounting standard updates (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 International Financial Reporting Standards (IFRS) Accounting Standards.

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| **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 |

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| **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

## Accounting for nonrefundable transferable tax credits

At the May 13, 2026 Financial Accounting Standards Board (FASB) Board meeting, the Board decided to add a project to its technical agenda to specify that nonrefundable transferable tax credits should be accounted for under ASC 740. The project may also provide guidance associated with assessing such credits for realizability.

Currently, US GAAP does not directly address how to account for nonrefundable transferable tax credits. This upcoming project has the potential to cause changes to current practice, as many companies have historically accounted for nonrefundable transferable tax credits as a government grant (typically by analogizing to IAS 20).

The FASB will begin initial deliberations at a future meeting and will start conducting outreach with preparers, practitioners, and investors.

## Other FASB projects

### FASB codification improvements related to income taxes

During a March 2026 meeting, the FASB discussed various Codification Improvement matters 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 ASU 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.

## IFRS 18 project on non-income-based taxes

At the June 23, 2026 IASB meeting, the International Accounting Standards Board (IASB) explored amending IFRS 18 *Presentation and Disclosure in Financial Statements* to require or allow an entity to classify certain non-income tax charges, such as the Saudi Arabian Zakat, in a separate category with income taxes in the statement of profit or loss. The IASB is expected to decide the project direction in a July 2026 meeting.

As a result of a November 2025 meeting, the IFRS Interpretations Committee (IFRIC) 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. Additionally, 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 IFRIC decided to finalize the proposed updates. Since then, the IASB has not yet finalized the non-income-tax agenda decision or the related tonnage tax and non-income tax updates, pending the outcome of the July 2026 IASB meeting.

## Other IASB projects

### 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 recognizing its share of an associate's net identifiable assets and liabilities at fair value, which the IASB tentatively confirmed at its April 22, 2026 meeting.

The IASB will continue redeliberating the proposals in the Exposure Draft at a future meeting.

### Exposure Draft impacting IFRS Interpretations Committee Interpretation 21 application requirements

The IASB published the 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 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*.

At the May 18, 2026 meeting, the IASB tentatively decided on the application requirements for considering the economic benefit or activity the government is seeking to levy. The IASB will decide the project direction, including whether to carry out further work, prior to making a final decision on possible application requirements.

# Other items of interest

## Updated tariff guidance with new information on potential IEEPA refunds and new guidance provided on sales of tariff refund claims

KPMG has updated its guide on tariffs to provide additional information on the accounting for potential refunds of International Emergency Economic Powers Act (IEEPA) tariffs from both the suppliers' and customers' perspectives and the sale of tariff refund claims.

Additionally, the KPMG International Standards Group (ISG) has released an article to assist companies with determining whether and when to recognize a refund for the IEEPA tariffs under IFRS Accounting Standards. The article also includes other potential impacts on financial reporting that companies may need to take into consideration.

## KPMG Learning – Executive education

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## 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*