Accounting for income taxes considerations related to budget resolutions in the UK

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The United Kingdom (UK) is currently in the process of enacting its annual finance bill. As a result, many are considering if the proposed changes related to corporate income taxes are viewed as currently enacted. This article addresses accounting for income taxes considerations of the recent budget resolutions in the UK.

Background

On November 3, 2026, the UK's House of Commons approved a number of budget resolutions to be included in Finance Bill 2026-2027. One of those items was ways and means resolution 7 that would temporarily double the banking surcharge rate from three percent to six percent. This increase would apply for accounting periods starting on or after January 1, 2027, and ending before April 1, 2028, with apportionment procedures for periods that do not align with those dates. Additionally, the House of Commons approved ways and means resolution 39 that would implement the OECD's side-by-side safe harbour. Both of these and certain other resolutions were declared to have immediate statutory effect under the Provisional Collection of Taxes Act 1968.

The Provisional Collection of Taxes Act 1968 permits certain tax changes[1] for which a resolution is passed by the House of Commons, to take legal effect prior to the completion of the legislative process of the relevant Finance Bill. The law sets time limits and conditions for how long these resolutions can operate, and requires repayments or adjustments if Parliament later changes, rejects, or fails to enact the measures.

Accounting for changes in tax laws

ASC 740-10-25-47 requires the effect of a change in tax laws or rates to be recognized at the date of enactment. The date of enactment is considered to be the date the legislation becomes law, even if the final steps required to enact the law may be considered perfunctory.

In the UK, legislation does not become law until it receives Royal Assent from the King. For example, while the banking surcharge may be enforceable under the Provisional Collection of Taxes Act, if no further action is taken, the enforceability is rescinded and any corporate income tax liability is adjusted as if the law were never applicable. Consequently, given the remaining actions that are necessary to create a durable change in the law, we believe it is not considered enacted for US GAAP purposes.

Conclusion

Because Finance Bill 2026-2027 has not yet received Royal Assent, we believe the UK budget resolutions should not be considered enacted for US GAAP purposes under ASC 740. The effects of the temporary increase in the banking surcharge and the side-by-side safe harbour are recognized under US GAAP

[1] The tax changes may include renewing, varying, or abolishing income tax, corporation tax, value added taxes, or customs and excise duties.

once Finance Bill 2026-2027 receives Royal Assent which will represent the date the legislation becomes law.

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