



# Accounting for Income Taxes Bulletin

July 2022



Featured items



Updates on accounting matters



On the Horizon



Other items of interest







## Featured items

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### **Updates to the KPMG *Accounting for income taxes* handbook**

KPMG recently updated its handbook, *Accounting for income taxes*, to add interpretive guidance, including new examples, on several accounting for income taxes matters on items, including events in the subsequent events period, state pass-through entity taxes, and investment tax credits, amongst other updates.

A brief summary of the revisions since the August 2021 edition are reflected in the preface within the publication.



# Updates on accounting matters

## KPMG DPP quarterly outlook

The June 2022 [Quarterly Outlook](#) summarizes major accounting and financial reporting developments that may affect companies in the current period or in the near term. The Q2 2022 publication addresses the latest on ESG and recent SEC and FASB developments.

## Remember recent pronouncements

Professionals should be mindful of certain recently updated US GAAP standards, listed by order of required application.

Updated Standard	Brief Description of Standard	Public Business Entities Effective Date	Other Entities Effective Date
ASU 2017-04, <i>Simplifying the Test for Goodwill Impairment</i>	Provides guidance, amongst others, on the income tax effects from tax deductible goodwill when measuring goodwill impairment loss	Annual and interim impairment tests for periods beginning after December 15, 2019 for SEC filers other than smaller reporting companies	Annual and interim impairment tests for periods beginning after December 15, 2022
ASU 2019-12, <i>Simplifying the Accounting for Income Taxes</i>	Removes specific exceptions to the general principles of ASC 740 and improves financial statement preparers' application of income tax-related guidance and simplifies GAAP for certain income tax items	Fiscal years beginning after December 15, 2020, and interim periods within those fiscal years	Fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022
ASU 2021-10, <i>Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance</i>	Requires certain annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy	Annual periods beginning after December 15, 2021	Annual periods beginning after December 15, 2021

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

Updated Standard	Brief Description of Standard	Effective Date
<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)</i>	Narrows the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences (for example, leases and decommissioning provisions)	Annual reporting periods beginning on or after January 1, 2023, with earlier application permitted





### Targeted improvements to income tax disclosures

At a May meeting, the FASB discussed potential [disclosure improvements](#) to income taxes paid and the rate reconciliation. The Board directed the staff to further explore approaches to the disaggregation of income taxes paid by jurisdiction and the disclosure of individual reconciling items in the rate reconciliation on the basis of a quantitative threshold and specific categories of reconciling items, such as the foreign rate differential by jurisdiction. No decisions were made at this meeting.

### EITF 21-A, Accounting for investments in tax credit structures using the proportional amortization method

[Issue No. 21-A, Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method](#), was discussed at a June Emerging Issues Task Force (EITF) meeting. At the meeting, the EITF tentatively decided to expand the proportional amortization method beyond low-income housing tax credit (LIHTC) investments such that it can be elected on a tax-credit-program-by-tax-credit-program basis to investments in tax credit structures that meet the criteria outlined in ASC 323-740-25-1. In addition to other clarifications, the EITF tentatively decided that the significant influence criteria would be evaluated in relation to the operations of the underlying project and that entities should apply the flow-through method to tax equity investments that qualify for and are accounted for using the proportional amortization method. The EITF reached consensus-for-exposure for an Accounting Standards Update which will be presented to the FASB Board for ratification at a July meeting. See a June [KPMG Defining Issues report](#) for additional details on the project.

### SEC proposed climate reporting and assurance rules

In June, the comment period related to the Securities and Exchange Commission's (SEC) proposed set of [rules](#) to mandate climate-related disclosures in registrant filings ended. The proposed rules include new financial statement disclosures and new disclosures in other parts of registration statements and annual reports. The proposal indicates a phased transition starting in fiscal year 2023.

The proposal includes requirements to disclose disaggregated information about the financial impacts related to transition activities, such as tax credits that support the reduction of greenhouse gas emissions. The threshold for reporting such impacts is proposed at one percent of the total line item for the relevant fiscal year, meaning that if the aggregate impact of the transition activities exceeds one percent of a particular line item, such as income tax expense, the proposal would require the impact to be disclosed.

### Other FASB projects

The FASB's *Accounting for Government Grants, Invitation to Comment* project to solicit feedback on whether the requirements in IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance* should be incorporated into US GAAP continues in the research phase. In June, the FASB published an [Invitation to Comment](#) to give stakeholders the opportunity to provide feedback on whether IAS 20 represents a workable solution for improving US GAAP as it relates to the accounting for government grants. Comments are due by September 12, 2022.

At a [May meeting](#), the FASB Board decided to not add to its technical agenda a project on backwards tracing for income taxes.

At a [June meeting](#), the FASB Board decided to deprioritize and remove the Identifiable Intangible Assets and Subsequent Accounting for Goodwill project from its technical agenda.



## Other items of interest

### **KPMG learning – executive education**

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View the catalog of KPMG [virtual seminars](#) and digital [self-studies](#).

### **Resources**

- KPMG's Accounting for Income Taxes Publication
- Financial Reporting View
- TaxNewsFlash
- Chief Tax Officer Insights
- KPMG Executive Education
- KPMG U.S.
- Insights into IFRS
- IFRS compared to U.S. GAAP





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