



Accounting for Income Taxes Bulletin

October 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

Third quarter highlights and reminders

As organizations prepare financial statements for interim and annual periods, the following are key reminders on recent tax technical developments that may affect income taxes related accounts and calculations.

Accounting for new notices or regulations

As the US Treasury and state regulatory agencies continue to provide implementation guidance around the One Big Beautiful Bill (OB BB), Pillar 2, corporate alternative minimum tax, and other legislation, we may continue to see notices, proposed regulations, final regulations or other administrative guidance 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 track 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. Until jurisdictions adopt the package or it otherwise becomes effective, groups must determine whether Pillar Two liabilities arise based on legislation that is currently enacted and, as a general matter, reflect any related effects in the estimated annual effective tax rate and other income tax calculations. A [KPMG Report](#) provides an overview and preliminary observations on the Side-by-Side Package.

Updates to KPMG Accounting Publications

In September 2026, KPMG's Department of Professional Practice (DPP) released an updated version of the KPMG [handbook](#) on Tax credits. This update includes new and updated interpretations based on experiences encountered with companies accounting for tax credits.

The KPMG International Standards Group (ISG) recently released the 23rd edition of [Insights into IFRS® – Our latest thinking](#), which has been updated for new guidance on applying the exception for domestic minimum top-up tax before its qualified status is formally confirmed and upcoming changes required by IFRS 18, the new presentation accounting standard, on the presentation of income and non-income-based taxes.



Updates on accounting matters

Updated KPMG Investment Company guide

In August 2026, DPP released an updated version of the KPMG [handbook](#), Investment companies. This update includes the addition of Question 6.3.40 regarding the application of ASU 2023-09, *Improvements to Income Tax Disclosures*, to investment companies.

IFRS for SMEs Educational Module 29 Income Tax released

In August 2026, the IASB released [Educational Module 29 – Income Taxes](#) as part of its series of modules to provide support to anyone learning about, applying, or reading financial statements using the IFRS for SMEs Accounting Standards. This module covers accounting for current and deferred taxes, including the recognition and measurement requirements for income taxes, as well as the presentation and disclosure requirements of income taxes within the financial statements.

KPMG Quarterly Outlook

The September 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.

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, <i>Income Taxes (Topic 740): Improvements to Income Tax Disclosures</i>
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, <i>Codification Improvements</i>
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, <i>Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities</i>
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.

Updated standard	IFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i>
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

Updated standard	IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>
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



On the horizon

Financial Accounting Standards Board (FASB) projects

Codification Improvements

On September 2, 2026, the FASB issued a [proposed ASU](#) as part of its Codification Improvements (Evergreen) [project](#) that provides targeted improvements to address technical corrections and unintended Codification applications, as well as clarifications and minor enhancements.

The proposed amendments related to income taxes are as follows:

- Update paragraph 740-10-55-38(b)(2) to clarify that a carryback resulting in a refund of income taxes paid is an example, but not the only mechanism, to realize a tax benefit in the current year through a carryback.
- Replace extraordinary gain with a 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.

Comments are due by November 19, 2026.

Accounting for nonrefundable transferable tax credits

At the May 13, 2026 FASB Board meeting, the FASB added 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 some 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 is in the process of conducting outreach with preparers, practitioners, and investors.

National Association of Insurance Commissioners (NAIC) projects

SSAP No. 101 and INT 18-03 projects on updates for the OBBB

During the Summer meeting of the NAIC, the Statutory Accounting Principles Working Group announced revisions to SSAP No. 101 to update tax guidance resulting from the OBBB, and to nullify INT 18-03. The proposed changes would remove the Repatriation Transition Tax disclosures and Alternative Minimum Tax credit disclosures from the Annual Statement as these provisions ended in 2026 or no longer exist, respectively. The proposed changes would also add a disclosure requirement for the amount of Net Controlled Foreign Corporations Tested Income, formerly known as Global Intangible Low-Taxed Income which was made permanent by the OBBB. A [KPMG report](#) provides additional detail on the items proposed.

Comments were due October 2, 2026 and the updates are expected to be effective January 1, 2027.

International Accounting Standards Board (IASB) projects

IFRS 18 project on non-income-based taxes

At the July 21, 2026 IASB meeting, the IASB further [discussed](#) alternative approaches for amending IFRS 18 Presentation and Disclosure in Financial Statements to require an entity to classify certain non-income-based taxes, such as the Saudi Arabian Zakat, in the income taxes category of the statement of profit or loss.

The IASB tentatively decided to propose amendments to IFRS 18 that would require an entity to classify, in the income taxes category of the statement of profit or loss, tax charges imposed by a government as a direct substitute for income taxes only if legislation specifies that an entity pays either an income tax or a specified tax charge. Further, the IASB tentatively decided to propose specific disaggregation and disclosure requirements for an entity that classifies tax charges other than income taxes in the income taxes category.

At the September 23, 2026 meeting, the IASB tentatively decided to allow early adoption, to require retrospective adoption and to include proposed amendments to IFRS 19 to add similar requirements to disclose the nature and amount of specific tax charges and the effect of those charges on management-defined performance measures.

The IASB [expects](#) to publish an exposure draft in the fourth quarter of 2026 which is anticipated to have a 120 day comment period.

Other IASB projects

Updates to the IFRS Interpretations Committee (IFRIC) agenda decisions for IFRS 18

As a result of a November 2025 meeting, the IFRIC decided to propose 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 tentatively 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 a March 2026 IFRIC meeting, the IFRIC recommended finalizing the proposed updates; however, the IASB deferred making a final decision until finalizing its project on non-income-based taxes.

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 has concluded its technical discussion on the topic and expects to issue the revised IAS 28 in the first half of 2027.

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 a September 2026 meeting, the IASB discussed the application of the obligation condition, the past-event condition and various other matters.

The IASB expects to finalize the amendments in the first half of 2027.



Other items of interest

36th Annual Accounting & Financial Reporting Symposium

KPMG's premier conference covering accounting hot topics for financial executives will be held December 2 and 3 in Las Vegas, Nevada. [Register now](#) to experience two days of learning and networking at Fontainebleau Las Vegas. Discover the latest developments and ideas, including multiple sessions on income taxes, 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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