

# ***Global Tax Accounting Services***

## **Around the world: When to account for tax law changes**

*April 2015*



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***This is the third edition of our global publication on tax law enactment and substantive enactment dates. This edition has been updated to include information on 17 additional jurisdictions. It also reflects any changes in our understanding of the lawmaking processes of jurisdictions presented in the previous edition.***

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# *Background*

Keeping track of tax law changes around the world has increasingly become a challenge for businesses. Companies are rapidly expanding their geographic footprint at a time when the evolution and developments in jurisdictional tax laws are undergoing nearly constant change. Naturally, changes in tax law have an impact on tax planning, tax return preparation and, ultimately, tax cash flows. Those consequences, however, are often preceded by the impact of such changes on company financial reporting.

Companies reporting under US Generally Accepted Accounting Principles (US GAAP) or International Financial Reporting Standards (IFRS) need to understand when a change in tax law impacts the measurement of current and deferred income taxes — that is, they must understand in which reporting period the effects of a change in the law are to be recorded. Reporting groups should have procedures in place to ensure that the relevant financial accounting standard is properly applied. Failure to properly apply the relevant standard may result in current and deferred income taxes being misstated and reveal a weakness in controls.

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# *Requirements for tax law changes*

Under US GAAP, Accounting Standards Codification (ASC) 740, Accounting for Income Taxes requires companies to measure current and deferred income taxes based on the tax laws that are *enacted* as of the balance sheet date of the relevant reporting period. With respect to deferred tax assets and liabilities, that means measurement is based upon enacted law that is expected to apply when the temporary differences are expected to be realised or settled. As a result, even legislation having an effective date considerably in the future will typically cause an immediate financial reporting consequence. Legislation is considered enacted, as required by US GAAP, when the law has been subjected to the full legislative process.

Under IFRS, International Accounting Standard (IAS) 12, Income Taxes requires companies to measure current and deferred income taxes based on the tax laws that are *enacted* or *substantively enacted* as of the balance sheet date of the relevant reporting period. The International Accounting Standards Board (IASB) has indicated that substantive enactment is achieved when any future steps in the enactment process will not change the outcome. In this context, *will not* does not mean *cannot*. Rather, it is necessary to assess whether the further steps in the enactment process are steps that historically have affected the outcome and whether there are any other factors that indicate that those steps are substantive.

In some cases, enactment and substantive enactment will occur at the same point in a legislative process. If the respective dates differ, it is naturally possible that they will occur in different reporting periods. Awareness and identification of the relevant milestones in a jurisdiction's legislative process are therefore essential to complying with the applicable financial accounting standard.

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# ***A global tool for keeping track of relevant accounting dates***

The point at which a new law is considered enacted for US GAAP purposes or substantively enacted for IFRS purposes depends upon each particular jurisdiction's lawmaking process. It is therefore important to understand the lawmaking process on a country-by-country (as well as on a state, provincial or other jurisdictional) basis. For example, in some countries or territories, the announcement of a change in tax law by the government may have the effect of actual enactment, even if certain formalities of the legislative process have yet to take place. In such cases, the law may be considered substantively enacted under IFRS, even though it may not yet be considered enacted under US GAAP. These and other situations can result in substantive enactment and enactment occurring in different reporting periods.

It should also be noted that many countries or territories require a change in law to be published in a gazette or similar publication once final approval has been obtained. Such a step may or may not be a requirement for the legislation to be considered enacted under US GAAP, depending upon the nature of the particular jurisdiction's process. If publication is merely ministerial or administrative and there is no further legislative action or veto power that could prevent or reverse the enactment process, enactment would have occurred.

To assist companies in monitoring global legislative proposals and processes, PwC's Global Tax Accounting Services team presents a summary of the points of *enactment* and *substantive enactment* in the legislative process of selected jurisdictions throughout the world. This information is intended to provide a starting point in determining when a change in local ~~country~~ tax law should be reflected in current and deferred income taxes and may be a helpful platform for the development or refinement of an effective controls process. Additional advice should be sought, however, particularly in situations where the standard legislative process for a specific country or territory is not followed.

This information is based on our understanding of each jurisdiction's current laws, governing procedures and practices as of February 2015. We note that such laws, procedures and practices are subject to change and that a more detailed examination in respect to any particular jurisdiction could lead to a different conclusion.

# Application by jurisdiction

Jurisdiction	Substantive enactment	Enactment
<i>Albania</i>	Upon approval by the Parliament.	Upon publication in the official gazette.
<i>Argentina</i>	Upon presidential signature, or after 10 days from approval by Congress without presidential rejection.	Upon publication of the tax bill in the official gazette.
<i>Armenia</i>	Upon signature of the president.	Upon publication in the official journal.
<i>Australia</i>	Generally upon passage through both houses of Parliament, unless in rare circumstances where there is no significant uncertainty about the outcome of a tax bill.	Upon royal assent of the bill.
<i>Austria</i>	Upon certification (i.e., signature) of the president.	Upon publication of the bill in the official gazette.
<i>Azerbaijan</i>	Upon signature of the president.	Upon official publication of the law. The law shall be officially published within 72 hours after it is signed by the president.
<i>Belgium</i>	Upon acceptance of the draft bill by the Chamber.	Upon ratification of the bill by the monarch.
<i>Bolivia</i>	Upon promulgation by the president.	Upon publication of the tax bill in the official gazette.
<i>Bosnia &amp; Herzegovina</i>	Federation of Bosnia and Herzegovina: upon approval by the Parliament of the federation. Republic of Srpska: upon approval by the National Assembly of the Republic of Srpska.	Upon publication in the official gazette.
<i>Brazil</i>	For ordinary legislation: upon approval of the text by the Senate and the Congress, sanctioned by the president (or the remaining text after partial vetoes). For provisional measures: upon publication of the text by the president for consideration by the Senate and the Congress (usually effective as of the publication date and permitted only for specific matters of national urgency and relevance).	For ordinary legislation: upon publication of the law, except if otherwise stated (retroactive effect is not allowed). For provisional measures: upon conversion of the measure into ordinary law.
<i>Bulgaria</i>	After the second reading in the Parliament.	Upon promulgation of the law (i.e., the act of issuing a decree by the president by virtue of which the legislative act is published in the official gazette).
<i>Cambodia</i>	For laws: upon signature of the King. For sub-decrees: upon signature of the prime minister. For prakas: upon signature of the minister of the Ministry of Economy and Finance.	For laws: upon signature of the King. For sub-decrees: upon signature of the prime minister. For prakas: upon signature of the minister of the Ministry of Economy and Finance.

Jurisdiction	Substantive enactment	Enactment
<i>Canada</i>	If there is a majority government – when detailed draft legislation has been tabled for first reading in the Parliament; if there is a minority government – once the proposals have passed third reading in the House of Commons.	Upon royal assent of the bill.
<i>Chile</i>	Upon signature of the president.	Upon publication of the legislation in the official gazette.
<i>China</i>	For tax laws: upon passage by the National People's Congress. For tax regulations: upon passage by the state council.	For tax laws: upon signature of the president and publication. For tax regulations: upon signature of the premier of the state council and publication.
<i>Colombia</i>	Upon signature of the president.	Upon publication in the official gazette.
<i>Costa Rica</i>	Upon signature of the president.	Upon publication in the official gazette.
<i>Croatia</i>	Upon promulgation (i.e., signing) of the law by the president.	Upon publication in the official gazette.
<i>Cyprus</i>	Upon approval by the Parliament.	Upon publication in the official gazette.
<i>Czech Republic</i>	Upon signature of the president.	Upon publication of the legislation in the Collection of Laws.
<i>Denmark</i>	Upon approval by the Parliament.	Upon publication in Lovtidende.
<i>Dominican Republic</i>	Upon signature of the president.	Upon publication in the official gazette.
<i>Ecuador</i>	Upon approval by the president, or thirty days after the approval of the National Assembly, if the president has not signed the law within that period.	Upon publication in the official gazette.
<i>Egypt</i>	Upon approval by the Parliament sanctioned by the president.	Upon publication in the official gazette.
<i>El Salvador</i>	Upon signature of the president.	Upon publication in the official gazette.
<i>Estonia</i>	Upon signature of the president.	Upon publication in the (electronic) official gazette.
<i>Finland</i>	Upon approval by the Parliament.	Upon signature of the president.
<i>France</i>	Upon adoption by the two assemblies and after validation by the Constitutional Council or after expiration of the period to refer the law to the Constitutional Council.	Upon publication in the official bulletin.
<i>Georgia</i>	Upon signature of the president.	Upon publication in the official journal.
<i>Germany</i>	Upon passage by the Upper and Lower houses of the Parliament.	Upon signature of the federal president.
<i>Ghana</i>	Upon signature of the president.	Upon publication in the official gazette.
<i>Gibraltar</i>	Upon approval by the Parliament.	Upon royal assent of the bill.



Jurisdiction	Substantive enactment	Enactment
<i>Greece</i>	Upon final voting by the Parliament on the bill's articles in their totality (although different procedures may apply for special legislative acts).	Upon publication in the official gazette.
<i>Guatemala</i>	Upon signature of the president.	Upon publication in the official gazette.
<i>Honduras</i>	Upon approval by the National Congress.	Upon publication in the official gazette.
<i>Hong Kong</i>	After the third reading of the proposals by the Legislative Council.	Upon publication in the official gazette.
<i>Hungary</i>	Upon signature of the president of the Parliament and of the republic.	Upon publication of the legislation in the official gazette.
<i>India</i>	Upon passage by both houses of Parliament.	Upon signature of the president and publication in the official gazette.
<i>Indonesia</i>	Upon mutual agreement of the bill by the president and the Parliament.	Upon signature of the president or thirty days after the mutual agreement if the bill has not been signed by the president within that period.
<i>Ireland</i>	Upon passage of a bill by Dáil Eireann (House of Representatives).	Upon signature of the president.
<i>Israel</i>	Upon approval of the law in the third reading at the Knesset (the Israeli Parliament).	Upon signature of the officials authorized by the Israeli laws.
<i>Italy</i>	Upon signature of the president.	Upon signature of the president.
<i>Japan</i>	Upon passage by the Diet.	Upon passage by the Diet.
<i>Jordan</i>	Upon ratification by the King of a bill passed by the Senate and the House of Deputies or six months after it is passed by both houses if not ratified/referred back by the King during that period. Upon approval by a two-thirds majority of both houses if a bill is referred back by the King.	Upon ratification by the King of a bill passed by the Senate and the House of Deputies or six months after it is passed by both houses if not ratified/referred back by the King during that period. Upon approval by two-thirds majority of both houses if a bill is referred back by the King.
<i>Kazakhstan</i>	Upon signature of the president.	Upon signature of the president.
<i>Kenya</i>	Upon passage of the bill by the Parliament.	Upon signing of the bill into an Act of Parliament by the president.
<i>Korea</i>	Upon promulgation by the president (i.e., publication of the law in the official gazette) or upon a successful override of a presidential veto by the National Assembly.	Upon promulgation by the president (i.e., publication of the law in the official gazette) or upon a successful override of a presidential veto by the National Assembly.
<i>Kuwait</i>	Upon signature of the Amir of Kuwait.	Upon publication of the tax decree in the official gazette.
<i>Latvia</i>	Upon signature of the president.	Upon official publication in the electronic newspaper (Latvijas Vēstnesis).
<i>Lebanon</i>	Upon approval by the Parliament.	Upon publication in the official gazette.
<i>Liberia</i>	Upon signature of the president.	Upon publication in the official gazette.

Jurisdiction	Substantive enactment	Enactment
<i>Libya</i>	Upon approval of a bill by the General National Council.	Upon publication in the official gazette.
<i>Lithuania</i>	Upon approval by the president or upon approval by the speaker of Seimas, if the president has not signed the law.	Upon publication of the legislation in the official public register of legal acts.
<i>Luxembourg</i>	Upon ratification of the bill by the Grand-Duc.	Upon publication of the bill in the official gazette.
<i>Macedonia</i>	Upon signature of the president.	Upon publication in the official gazette.
<i>Malaysia</i>	Upon announcement by the minister of finance during the annual budget speech.	Upon royal assent.
<i>Malta</i>	For acts/primary legislation: upon assent by the president in accordance with the Constitution. The above acts may delegate powers to relevant ministers for the separate enactment of legal notices/subsidiary legislation.	In all cases: upon publication in the official gazette.
<i>Mauritius</i>	Upon passage in the Legislative Assembly by majority vote.	Upon assent by the president.
<i>Mexico</i>	Upon signature of the president.	Upon publication of the tax bill in the official gazette.
<i>Mongolia</i>	For laws: upon approval by the Parliament. For regulations, decrees and resolutions: upon approval by authorities (ministries, agencies).	For laws: upon publication of the law in the state bulletin. For regulations, decrees and resolutions: upon registration in the state registry, and publication in the state bulletin.
<i>Montenegro</i>	Upon approval by the Parliament.	Upon publication of the bill in the official gazette.
<i>Namibia</i>	For changes in tax rates not inextricably linked to other changes in tax laws: upon announcement in the minister of finance's Budget Statement provided the minister clearly indicates the effective dates of the new rates, otherwise it will be substantively enacted from the date the effective dates are published in the official gazette. For changes in tax rates inextricably linked to other changes in tax laws and for all other changes to tax laws: upon approval by the Parliament and signature of the president.	Upon publication in the official gazette.
<i>Netherlands</i>	Upon approval by both houses of Parliament.	Upon publication of the law in the official gazette.
<i>New Zealand</i>	After the third reading in the House of Parliament.	Upon royal assent of the bill.
<i>Nicaragua</i>	Upon signature of the president.	Upon publication in the official gazette.
<i>Nigeria</i>	Upon signature of the president.	Upon publication in the official gazette.

Jurisdiction	Substantive enactment	Enactment
<i>Norway</i>	Upon approval by the Parliament.	Upon approval by the King in the Council of State.
<i>Oman</i>	Upon issuance of a royal decree.	Upon publication of the royal decree in the official gazette.
<i>Palestinian Territories (West Bank and Gaza)</i>	Upon signature of the president.	Upon publication of the legislation in the Palestinian official gazette.
<i>Panama</i>	Upon approval by the National Assembly's president and the country president.	Upon publication in the official gazette.
<i>Peru</i>	Upon approval of the bill by the president or upon approval by the president of the Congress if the president does not sign the bill within 15 days.	Upon publication of the bill in the Diario Oficial El Peruano.
<i>Philippines</i>	Upon approval and passage of the proposed law by both the Senate and the House of Representatives and the signing thereof into law by the president. If the president does not act on a proposed law submitted to him, it will lapse into law after 30 days of receipt. If the president vetoes a proposed law, it shall be returned to the House of Representatives who can override the veto of the president by a 2/3rds vote.	Upon approval and passage of the proposed law by both the Senate and the House of Representatives and the signing thereof into law by the president. If the president does not act on a proposed law submitted to him, it will lapse into law after 30 days of receipt. If the president vetoes a proposed law, it shall be returned to the House of Representatives who can override the veto of the president by a 2/3rds vote.
<i>Poland</i>	Upon signature of the president.	Upon publication of the legislation in the Polish journal of laws.
<i>Portugal</i>	Upon passage of the bill by the National Assembly (law) or the Council of Ministries (decree-law).	Upon publication in the official gazette.
<i>Puerto Rico</i>	Upon signature of the governor of Puerto Rico.	Upon signature of the governor of Puerto Rico.
<i>Qatar</i>	Upon ratification by the Emir of Qatar.	Upon publication in the official gazette.
<i>Romania</i>	For laws: upon signature of the president. For emergency ordinances: upon signature of the prime minister and relevant ministers, and transmission to the Parliament.	Upon publication in the official gazette.
<i>Russia</i>	Upon signature of the president.	Upon publication of the law on the official website for legal information <a href="http://www.pravo.gov.ru">www.pravo.gov.ru</a> or in the official media (Rossiyskaya gazeta, Parlamentskaya gazeta, or Sobranie Zakonodatelstva of RF).
<i>Rwanda</i>	For taxation laws, upon signature of the president, Minister of Justice and Minister in charge. For ministerial orders, upon signature of the Minister of Justice and the Minister in charge.	In all cases, upon publication in the official gazette.

Jurisdiction	Substantive enactment	Enactment
	For Commissioner General rules, upon signature of the Commissioner General.	
<i>Saudi Arabia</i>	Upon approval by the King.	Upon publication in the official gazette.
<i>Serbia</i>	Upon approval by the Parliament.	Upon publication in the official gazette.
<i>Singapore</i>	Upon announcement by the minister of finance during the annual budget speech.	Upon presidential assent of the bill.
<i>Slovak Republic</i>	Upon approval by the president.	Upon publication in the Collection of Laws (Zbierka zákonov).
<i>Slovenia</i>	Upon signature of the president.	Upon publication in the official gazette.
<i>South Africa</i>	For changes in tax rates not inextricably linked to other changes in the tax laws: upon announcement in the minister of finance's Budget Statement. For changes in tax rates inextricably linked to other changes in the tax laws and for all other changes to tax laws: upon approval by the Parliament and signature of the president.	Upon signature of the president.
<i>Spain</i>	For ordinary legislation: upon approval by the Parliament (the Congress of Deputies and the Senate). For urgent accelerated legislation: Upon approval by the Board of Ministers.	For ordinary legislation: upon publication of the bill in the official gazette, the day after ratification by the monarch. For urgent accelerated legislation: upon publication of the royal decree law in the official gazette, the day after ratification by the monarch.
<i>Sweden</i>	Upon approval by the Parliament (Riksdagen).	Upon approval by the Parliament (Riksdagen).
<i>Switzerland</i>	Upon approval by the respective parliament, i.e., federal, cantonal or communal and after the expiration of the applicable delay for a referendum against the law change (which is usually 90 or 100 days after the approval by the parliament). In case a referendum is held, a tax law change is substantively enacted after the (successful) vote at the referendum.	Upon approval by the respective parliament (or following - if any - the vote on the referendum). In some cases the power to finally and formally enact the tax law change is delegated to the government which can decide on the enactment, or the enactment depends on certain criteria (e.g., indebtedness of a canton).
<i>Taiwan</i>	Upon passage by the Legislative Yuan.	Upon promulgation by a presidential decree (i.e., announcement on the website of the office of the president).
<i>Tanzania</i>	Upon approval by the Parliament.	Upon publication in the official gazette.
<i>Thailand</i>	Upon signature of the monarch or issuance of a Royal Decree.	Upon signature of the monarch or issuance of a Royal Decree.
<i>Tunisia</i>	Upon approval by the Parliament.	Upon signature of the president.
<i>Turkey</i>	Upon approval by the Parliament.	Upon signature of the president of the Republic of Turkey and publication of the bill in the daily official gazette.
<i>Turkmenistan</i>	Upon signature of the president.	Upon publication in the official media.

Jurisdiction	Substantive enactment	Enactment
<i>Uganda</i>	Upon assent by the president or, for certain tax rate changes, when the bill has been circulated and there is a Provisional Collection Order issued by the minister of finance.	Upon publication of the statutory instrument that sets out the effective date of the new law in the official gazette.
<i>Ukraine</i>	Upon signature of the president.	Upon publication in the official gazette.
<i>United Kingdom</i>	Upon passage of a resolution under the Provisional Collection of Taxes Act by the House of Commons or after the third reading in the House of Commons.	Upon royal assent of the bill.
<i>United States</i>	Upon signature of the president or upon a successful override of a presidential veto by both houses of Congress.	Upon signature of the president or upon a successful override of a presidential veto by both houses of Congress.
<i>Uruguay</i>	Upon promulgation of the bill by the president, or after 10 days from approval by Congress without presidential rejection, or after a successful override of a presidential veto.	Upon publication in the official gazette.
<i>Uzbekistan</i>	Upon signature of the president.	Upon publication in the official media.
<i>Venezuela</i>	Upon promulgation by the president.	Upon publication in the official gazette.
<i>Vietnam</i>	Upon passage by the National People's Congress for tax laws and upon passage by the state government for tax decrees.	Upon publication in the official gazette.
<i>Zambia</i>	If there is a majority government, when the legislation has been tabled for the first reading in the Parliament; if there is a minority government, once the proposals have passed the third reading in the Parliament.	Upon publication in the official gazette.
<i>Zimbabwe</i>	Upon announcement in the finance minister's budget speech.	Upon publication in the official gazette.

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# *Let's talk*

It is our intention to update this publication from time to time, and we therefore welcome comments and experiences from our readers. Your input with respect to the conclusions reached, with reference to the jurisdictions included as well as others, will help inform all readers. To offer your feedback, or for additional information, please contact:

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