



Improvements to Income Tax Disclosures

FASB | IASB Education Meeting

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Project Objective and Scope

In December 2023, Accounting Standards Update 2023-09—Income Taxes (Topic 740): Improvements to Income Tax Disclosures was issued.

Objective

To improve the transparency and decision usefulness of income tax disclosures

Scope

Focus primarily on the following income tax information:

- (a) the rate reconciliation table**
- (b) income taxes paid.**

Retains several generally supported amendments in the 2019 revised proposed Update

Rate Reconciliation

Public Business Entities

are required to disclose, on an annual basis, tabular rate reconciliation information (both percentages and reporting currency) by the specific categories, with accompanying qualitative disclosures and further disaggregation:

- **State and local income tax, net of federal income tax effect**
 - Qualitative disclosure about the states that make up the majority of the effect
- **Foreign tax effects**
 - Separately disclose reconciling items by jurisdiction (country) and by nature, based on a quantitative threshold of 5 percent
 - Except: the tax effects related to changes in unrecognized tax benefits are permitted to be disclosed in aggregate for all jurisdictions
- **Enactment of changes in new tax laws or rates enacted in the current period**
- **Effect of cross-border tax laws***
- **Tax credits***
- **Changes in valuation allowances**
- **Nontaxable or nondeductible items***
- **Changes in unrecognized tax benefits**

*Separately disclose reconciling items by nature, based on a quantitative threshold of 5 percent, within these categories and for other items that do not fall within any specific category

Entities other than public business entities are required to qualitatively disclose the nature and effect of specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate

All reconciling items must be presented on a gross basis unless the rate reconciliation guidance specifically permits net presentation

Income Taxes Paid

Disaggregate by federal (national), state, and foreign taxes (annual basis).

Disaggregate by individual jurisdiction on the basis of a quantitative threshold of 5 percent of total income taxes paid (annual basis).

Net of refunds received.

*Disclosures are applicable to **all** entities*

Transition and Effective Date

Transition

- Prospective transition with a retrospective option

Effective Date

- Public business entities: Annual periods beginning after December 15, 2024
- Entities other than public business entities: Annual periods beginning after December 15, 2025
- Early adoption permitted