



## TAX UPDATE

### COVID-19 RELATED INFORMATION (OFFICIAL ANNOUNCEMENT FROM NATIONAL TAX AGENCY)

#### 1. Amendments to administrative guidance of corporation tax, etc.

The National Tax Agency released the amendments to the administrative guidance of corporation tax, etc. (issued on 13 April 2020, Japanese only).

Based on the amendments, support for business counter-parties (forgiveness of trade receivables or providing low-interest loans, etc.), should not be treated as donations or entertainment expenses under the corporation tax law, etc., where the business counter-parties have financial difficulties due to the decrease in sales, etc. in circumstances non-attributable to their own negligence, such as immigration restrictions or request to refrain from going out due to the spread of new influenza infection, etc. (including new coronavirus infection) to which the revised law of special measures against new influenza, etc. is applied.

#### 2. FAQ about the procedures for extension of filing and payment due dates for inheritance tax by individual application

The National Tax Agency released the 'FAQ about the procedures for extension of filing and payment due dates for inheritance tax by individual application' (Japanese only) on 14 April 2020.

For the tax payer who has difficulties in filing tax returns and payment of taxes by the relevant due dates due to the effect of new coronavirus infection, the following two FAQs (Japanese only) have been already released:

- FAQ about the procedures for extension of filing and payment due dates for individual income tax, gift tax and individual consumption tax by individual application (We set out details in the e-Tax News No.190 ['Flexible Approach for filing Due Dates'](#) issued on 6 April 2020.)
- FAQ about the procedures for extension of filing and payment due dates for corporation tax, local corporation tax, consumption tax and withholding income tax by individual application (We set out details in the e-Tax News No.193 ['COVID-19 Related Information'](#) issued on 10 April 2020.)

The similar four questions as the above FAQs are provided in the newly released FAQ. The FAQ states that the individual extension of filing and payment due dates will be allowed by individual application, where the heir,

etc. cannot file tax returns and pay taxes by due dates for unavoidable reasons due to the effect of new coronavirus infection.

### 3. Update of 'FAQ about the tax treatments for the tax filing and tax payment procedures, etc. relating to COVID-19'

The National Tax Agency released 'the FAQ about the tax treatments for the tax filing and tax payment procedures, etc. relating to COVID-19' (Japanese only) on 25 March 2020, which covers various tax treatments in relation to the spread of new coronavirus infection, and has been updating the FAQ continuously. The FAQ was updated again on 13 and 16 April 2020 and some Q&As were revised or newly added.

The updated FAQ includes the allowed cases of individual extension of filing and payment due dates under the declaration of a state of emergency and the contents in other FAQs released from the National Tax Agency (all Japanese only) about the procedures for extension of filing and payment due dates for each tax item (individual income tax, etc., corporation tax, etc. and inheritance tax).

Furthermore, ten Q&As (six Q&As for corporation tax, three Q&As for individual tax, one Q&A for Tax Measures proposed in the Emergency Economic Measures for COVID-19) are newly added to a category called '5 Tax treatment relating to new coronavirus infection'. For example, the following treatments for corporation tax are explained:

- The examples of qualified and non-qualified tax losses due to disaster for the purpose of application of the tax loss carry back rule (Q2)
- The conditions for the tax treatment of costs paid in relation to new coronavirus infection as costs other than donations under the corporation tax law, such as the costs of masks provided by companies for free to business counterparties, etc. (Q3~5)
- Instruction that the reduction of directors' compensation due to business downturn, etc. caused by new coronavirus infection can be qualified as a deductible revision of directors' compensation by business downturn under the corporation tax law (Q6~7)

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