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TAX UPDATE

NATIONAL TAX AGENCY — LEAFLET RELATED TO THE AMENDMENTS TO THE ELECTRONIC PRESERVATION SYSTEM FOR ACCOUNT BOOKS, ETC.

By virtue of the 2021 tax reform, the requirements of the electronic preservation system for national tax-related account books/documents and the scanner preservation system for national tax-related documents, etc. were drastically amended.

On 31 May 2021, the National Tax Agency released the leaflet (Japanese only) which explains the outline of those amendments and also includes previously unavailable information from relevant laws as follows:

[Pre-approval system by the competent tax office]

The pre-approval system by the competent tax office is abolished for national tax-related account books/documents for the electronic preservation system and the scanner preservation system that are maintained or preserved on or after 1 January 2022.

The leaflet provides the following information:

- Where a company intends to receive the approval by the competent tax office to preserve the national tax-related account books/documents, which satisfy the requirements under the pre-amended laws even on and after 1 January 2022, the company should submit the application form to the competent tax office by 30 September 2021.

[Reduced rate of additional tax for understatement]

Where a company, which preserves the electromagnetic records of the national tax-related account books that satisfy strict requirements (similar requirements under the pre-amended laws), submits a certain notification form for application of the measure for the special national tax-related account books to the competent tax office in advance and files an amended tax return or receives a reassessment on tax related to the matters recorded in those books, the rate of additional tax for understatement levied on the omission of the declaration related to such recorded matters is reduced by 5%. (This amendment is applicable to

national tax for which the statutory tax return filing due date is on or after 1 January 2022.)

The leaflet provides the following information:

- Where a company newly preserves the electromagnetic records of the national tax-related account books, a certain notification form of the measures must be submitted to the competent tax office by the statutory tax return filing due date of the first taxable period in which the reduced rate of additional tax for understatement is applied.
- Where a company had already received the approval by the competent tax office to preserve electromagnetic records of the national tax-related account books, which satisfy the requirements of the special national tax-related account books, a certain notification form of the measures must be submitted to the competent tax office in order to be subject to the reduced rate of additional tax for understatement.

[Validity of approval received before 1 January 2022]

The leaflet provides the following information:

- The effectiveness of approval for the preservation system for national tax-related account books/documents by electromagnetic records and the scanner preservation system for national tax-related documents by the competent tax office received before 1 January 2022 is valid unless a cancellation form of the approval is submitted (or the approval is revoked by the competent tax office). Therefore, the national tax-related account books/documents must be continuously preserved in accordance with the requirements under the pre-amended laws during the valid period of the approval.
- Accordingly, where a company, which had already received the approval for the above systems by the competent tax office under the pre-amended laws, starts to maintain and preserve the national tax-related account books/documents in accordance with the requirements under the amended laws on or after 1 January 2022, the company must take necessary procedures, e.g. the submission of a cancellation form to the competent tax office, etc.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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