



TAX UPDATE

NATIONAL TAX AGENCY – REVISION OF ADMINISTRATIVE GUIDANCE FOR TAX AGENTS

By virtue of the 2021 Tax reform, the tax agent system was expanded. The amendment will make it possible for the tax authority to appoint a tax agent where a taxpayer, who has to appoint a tax agent, did not submit a notification of a tax agent by the date designated by the tax authority.

Under the amended tax law, the tax authority can appoint the following as a tax agent, for example:

- (1) A person who has a close relationship under a contract with the taxpayer about the taxable basis of national tax, etc. or the factual basis for calculation of the tax amount, etc.
- (2) An enterprise which provides a place for transactions using an Electronic Data Processing System and other transactions conducted continuously or repeatedly by the taxpayer
- (3) A company which has a relationship with the taxpayer whereby either of them holds directly or indirectly 50 percent or more of the other company's issued shares, or any other special relationship

This amendment will come into force on 1 January 2022.

Corresponding to the above amended tax law, the National Tax Agency released the revised administrative guidance for tax agents (as of 2 December, Japanese only) on 9 December, that includes the following new guidance:

Guidance No.10

This guidance indicates that the following will be included in the scope of 'a person who has a close relationship' in (1) above:

- A person/company who had a contractual relationship regarding a transaction that caused taxation for the taxpayer in the past, and still has the contractual relationship (e.g. Real estate management companies that sublease real estate owned by the taxpayer^(*))
- A person/company who had a contractual relationship regarding a business that caused taxation for the taxpayer in the past, and still has

the contractual relationship (e.g. Joint partners of the taxpayer's business^(*))

- A person/company who had a contractual relationship regarding a transaction or a business that caused taxation for the taxpayer in the past, and does not have the contractual relationship at present, but still has a close contact relationship with the taxpayer (e.g. Real estate brokers that maintain regular contact with the taxpayer^(*))

^(*) These examples are described in the 'Explanation of the 2021 tax reform' (Japanese only) released by the Ministry of Finance (MOF).

Guidance No.11

This guidance indicates the following examples of the scope of 'an enterprise which provides a place for transactions using an Electronic Data Processing System and other transactions conducted continuously or repeatedly' in (2) above:

- An enterprise which provides a place for transactions conducted with a large number of people as a platform operator will be included.
- An enterprise which only conducts one-off transaction intermediation with the taxpayer will not be included.

<Supplemental information>

A detailed explanation of 'special relationship' in (3) above is described in the 'Explanation of the 2021 tax reform' released by the MOF with image diagrams.

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KPMG Tax Corporation

info-tax@jp.kpmg.com

home.kpmg/jp/tax-en