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TAX UPDATE

ELECTRONIC PRESERVATION SYSTEM FOR ACCOUNT BOOKS, ETC. — PROMULGATION OF AMENDED MINISTERIAL ORDINANCE PROVIDING TRANSITIONAL MEASURES FOR ELECTRONIC TRANSACTIONS

On 27 December 2021, the amended ministerial ordinance providing the transitional measures for electronic transactions was promulgated and makes it possible for the preservation obligator to preserve output documents of the electromagnetic records related to transaction information of electronic transactions for the period from 1 January 2022 to 31 December 2023 given the condition that both of the following are satisfied:

- The competent tax office acknowledges unavoidable reasons for the failure of the preservation of the electromagnetic records related to transaction information of electronic transactions in compliance with the preservation requirements under the 2021 tax reform.
- The preservation obligor follows the request for presentation or submission of output documents of the electromagnetic records related to transaction information of electronic transactions (limited to output documents in an orderly form and in a clear state) by the National Tax Agency.

[<Background information>](#)

The 2021 tax reform made it impossible for a preservation obligor to preserve output documents, etc. of the electromagnetic records related to transaction information of electronic transactions and required the preservation obligor to preserve the electromagnetic records under certain conditions (i.e. ensuring search functionality, etc.) on or after 1 January 2022. Therefore, the preservation obligors, who currently preserve output documents, etc. of the electromagnetic records related to transaction information of electronic transactions, had been proposing establishment of the transitional measures by which preservation obligors can have sufficient time for the preparation of system development to comply with the 2021 tax reform and remove concerns on the cancellation of approval for blue return filing due to non-compliance with the requirements under the 2021 tax reform.

In light of the above circumstances, by virtue of the 2022 tax reform, transitional measures were proposed under the 2022 tax reform proposals approved by the Cabinet on 24 December 2021^(*).

^(*) The 2022 tax reform proposals also indicate, where the above transitional measures are applied, that the tax authority will pay attention to the actual situation of a preservation obligor who has difficulty to comply with the preservation requirements of the electromagnetic records under the 2021 tax reform, and will give the preservation obligor appropriate consideration by which the preservation obligor is allowed to preserve the output documents, etc. without any procedures to the competent tax office. We set out details in the KPMG Japan Tax Newsletter [‘Outline of the 2022 Tax Reform Proposals’](#) issued on 16 December 2021.

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