



TAX UPDATES

NATIONAL TAX AGENCY — UPDATE OF Q&A ABOUT JAPANESE GROUP RELIEF SYSTEM

On 27 July 2022, the National Tax Agency (NTA) released the fourth edition of the Q&A (Japanese only) about the tax treatments, etc. of the Japanese Group Relief System (JGR).

By virtue of the 2020 tax reform, the Consolidated Tax Return Filing System was revised fundamentally to the JGR, which is applicable for fiscal years beginning on or after 1 April 2022. The NTA released the first edition of the Q&A about JGR on 3 June 2020 and has updated the Q&A twice thereafter^(*).

^(*) We set out information concerning the Q&A in the e-Tax News No.199 '[NTA — COVID-19/Japanese Group Relief System](#)' issued on 8 June 2020, No.206 '[Update of Q&A about Japanese Group Relief System](#)' issued on 25 August 2020 and No.240 '[Update of Q&A — Japanese Group Relief System](#)' issued on 2 July 2021.

The fourth edition of the Q&A adds the following five Q&As based on the 2022 tax reform, etc., and made several revisions to existing Q&As:

■ Tax book value adjustment

Where a subsidiary withdraws from the aggregation group of the JGR, the tax book value of the shares in the subsidiary is adjusted to the amount equivalent to the tax book value of the net assets of the withdrawing subsidiary ('tax book value adjustment').

By virtue of the 2022 tax reform, the 'amount corresponding to the asset adjustment account etc.' (i.e. the amount equivalent to so-called 'acquisition premium') can be added to the amount equivalent to the tax book value of the net assets of the withdrawing subsidiary under the tax book value adjustment, where certain conditions are satisfied.

The following three Q&As provide an overview of the above 2022 tax reform and explain the details of how to calculate the 'amount corresponding to the asset adjustment account etc.' with examples:

- Q63 Overview of new tax measures, which allow the addition of the 'amount corresponding to the asset adjustment account etc.' under the tax book value adjustment
- Q64 How to calculate the 'amount corresponding to the asset adjustment account etc.', where the shares in the withdrawing subsidiary were acquired gradually
- Q65 How to apply the new tax measures, where a tax qualified merger has been carried out among the withdrawing subsidiary and other subsidiaries in the aggregation group of the JGR

■ Non-deductible entertainment expenses

- Q73 How to apply the tax measures for non-deductible entertainment expenses to the companies in the aggregation group of the JGR

■ Tax credits for R&D costs

- Q76 Example form to notify other companies in the aggregation group of the JGR, where a company in the aggregation group of the JGR has applied tax credits for R&D costs and adjusted the amounts used in the calculation of the tax credits subsequently

The NTA's webpage 'Japanese Group Relief System' (Japanese only) shows a summary of information about the JGR, including the above Q&A.

Note that the above webpage also includes the link to the webpage 'Tax return forms and the flow for determining a small and medium-sized company, etc. for a company in the aggregation group of the JGR' (Japanese only), which provides a flow chart to help determination of the applicability of various tax measures for a small and medium-sized company, etc., under the JGR.

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