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TAX UPDATE

NATIONAL TAX AGENCY – PUBLICATION OF Q&As ON JAPANESE INCOME INCLUSION RULE

By virtue of the 2023 tax reform, the Japanese Income Inclusion Rule ('J-IIR') which is equivalent to one of the Global Anti-Base Erosion Rules ('GloBE Rules') of 'Pillar 2' agreed by the OECD/G20 Inclusive Framework on BEPS, was enacted.

On 25 December 2023, the National Tax Agency released the Q&As (Japanese only) related to the J-IIR, since the J-IIR will be applied to Japanese companies for fiscal years beginning on or after 1 April 2024.

The Q&As (74 pages in total) provide explanation of the J-IIR using 20 questions (15 items) for the following categories:

- I Enterprise Groups, etc.
- II Specified Multinational Enterprise (MNE) Groups, etc.
- III Ownership Interest
- IV Calculation of Net GloBE Income
- V Adjusted Covered Tax
- VI Top-up Tax
- VII Transitional CbCR Safe Harbour

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