

KPMG Japan e-Tax News

No.310 2 July 2024

Tax Update

2024 Tax Reform Related Information and Information Published by the National Tax Agency

1. 2024 Tax reform — Promulgation of Cabinet Orders and Ministerial Ordinances for the 'Reporting System for Automatic Exchange of Information on Crypto-Assets, etc. Transactions Related to Non-Residents'

By virtue of the 2024 tax reform, a reporting system, which obliges crypto-asset exchange service providers, etc. in Japan to report information on crypto-assets, etc. transactions related to non-residents to the tax authorities, was established for the purpose of automatic exchange of information on crypto-assets, etc. transactions related to non-residents among tax authorities of each country under tax treaties, etc.

On 21 and 28 June 2024, the cabinet orders and the ministerial ordinances regarding the reporting system were promulgated by the Official Gazette Extra, respectively.

2. National Tax Agency — Publication of the guidelines for preparation of the reporting matters related to the Specified MNE Group, etc. under the GloBE Information Return

By virtue of the 2023 tax reform, new tax measures equivalent to the Income Inclusion Rule (hereinafter the 'J-IIR'), which is one of the parts of the Global Anti-Base Erosion Rule of 'Pillar 2' agreed by the OECD/G20 Inclusive Framework on BEPS (hereinafter the 'IF'), were enacted. In addition, in line with the establishment of the J-IIR, the GloBE Information Return System (hereinafter the 'Reporting System') was also established, which requires a Japanese company belonging to the specified Multinational Enterprise (MNE) group, etc. to provide certain matters related to the specified MNE group, etc. (hereinafter the 'Reporting Matters') in English to the competent tax office.

The Reporting System has been established based on the model rules and commentary approved by the IF, and international agreement requires that the Reporting Matters must be provided in an internationally uniform format.

On 28 June 2024, the National Tax Agency published the guidelines for preparation of the Reporting Matters (Japanese only) for reference.

The guidelines consist of the following three parts:

- I. Introduction
 - II. Japanese translation of data points indicated in 'Annex A1. Data points' of the 'Tax Challenges Arising from the Digitalisation of the Economy – GloBE Information Return (Pillar Two)' approved by the IF in July 2023
 - III. Guidelines for preparation of the Reporting Matters
- 3. National Tax Agency — Update of the Q&As regarding the Electronic Preservation System for Account Books, etc.**

On 28 June 2024, the National Tax Agency updated the Q&As (Japanese only) regarding the following matters:

- (i) Preservation system for national tax-related account books and documents by electromagnetic records
- (ii) Scanner preservation system for national tax-related documents
- (iii) Preservation system for electromagnetic records related to transaction information of electronic transactions

For example, the updated Q&As in (iii) above reflect the contents of the 'March 2024 version of the Frequently Asked Questions' (Japanese only), which had been organized and consolidated as additional questions frequently asked after the publication of the June 2023 version of the Q&As.

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