

KPMG Japan Tax Newsletter

26 December 2024

OUTLINE OF THE 2025 TAX REFORM PROPOSALS

I. Corporate Taxation	
1. Tax Measures to Secure Financial Resources for Strengthening Defense Capability (Special Defense Corporation Tax).....	2
2. Taxation of Leasing	4
3. Special Measures for Reduced Corporation Tax Rate for Small and Medium-Scale Companies	7
II. International Taxation	
1. Global Minimum Tax.....	8
2. Controlled Foreign Company (CFC) Regime	21
III. Consumption Tax (Taxation of Leasing)	22
IV. Individual Taxation (Personal Reliefs, etc.) ^(*)	24
V. Preservation System for Electromagnetic Records related to Transaction Information of Electronic Transactions	28

The ruling coalition (the Liberal Democratic Party and Komeito) agreed on the 'Outline of the 2025 Tax Reform Proposals' ('Proposal') on 20 December 2024. We have set out below brief summaries of the main points of the Proposal.

The Proposal itself is only an indicative outline and is unclear with respect to some of the contemplated changes. The details of the tax reform will be unveiled in the bills revising the tax laws and the succeeding amended tax laws, cabinet orders and ministerial ordinances. Please note that the final tax reform could differ from the Proposal depending on the outcome of discussions in the Diet.

^(*) On 28 February 2025, the ruling coalition submitted the additional reform bills regarding basic deduction in personal reliefs, etc., to the Diet. Please refer to the Tax Newsletter '[2025 Tax Reform Bills - Additional Reform Bills Regarding Basic Deduction](#)' issued on 6 March 2025.

I. Corporate Taxation

1. Tax Measures to Secure Financial Resources for Strengthening Defense Capability (Special Defense Corporation Tax)

The 'Outline of the 2023 Tax Reform Proposals' stated that corporation tax, income tax and tobacco tax would be increased in phases over multiple years toward 2027 in order to secure financial resources for the drastic strengthening of Japan's defense capability.

The 'Outline of the 2024 Tax Reform Proposals' stated that tax measures to secure financial resources for strengthening defense capabilities would be implemented in accordance with the 'Outline of the 2023 Tax Reform Proposals' and provided certain direction regarding tobacco tax. In addition, the supplementary provisions of the amended tax law under the 2024 tax reform clearly stated that the necessary legislative measures would be taken at an appropriate time based on the results of the required examinations of income tax, corporation tax and tobacco tax, taking into account the need to secure financial resources for strengthening defense capabilities in each fiscal year up to 2027.

By virtue of the 2025 tax reform, measures for corporation tax and tobacco tax will be provided, while the measure for income tax will be examined continuously, taking into account the impact from raising the so-called 'JPY1.03 million threshold' and other situations.

(1) Introduction of special defense corporation tax

With regard to a measure for corporation tax, 'special defense corporation tax', which will be imposed on corporation tax as a new additional tax at the rate of 4 percent for the time being, will be introduced as follows:

	Special defense corporation tax
Taxpayers	Companies subject to corporation tax on income for each fiscal year
Calculation of tax amount	<p>The amount of special defense corporation tax = (Corporation tax as tax base^(*1) – JPY5 million per annum^(*2)) x 4%</p> <p>The following tax credits will be applied to the tax amount calculated above:</p> <ul style="list-style-type: none">• Foreign tax credit• Credit for an amount equivalent to foreign tax adjusted upon distribution• Credit for an amount equivalent to the amount of creditable income tax, etc.• Credit for special defense corporation tax due to correction of overstatement based on falsified accounting
Filing and tax payment	<ul style="list-style-type: none">• The due dates for filing and tax payment will be the same as those for corporation tax on income for each fiscal year.• Companies which are required to file interim returns for corporation tax on income for each fiscal year must file interim returns for special defense corporation tax. (In case where there is an amount of interim payment that cannot be deducted at the time of filing a final return, the amount of interim payment equivalent to that amount will be refunded.)• The special measures for electronic filing will be the same as those for corporation tax on income for each fiscal year.

Timing of application	Special defense corporation tax will be imposed from fiscal years beginning on or after 1 April 2026. Note that the filing requirement of interim returns for special defense corporation tax will be applied to taxable fiscal years beginning on or after 1 April 2027.
-----------------------	--

(*) Corporation tax as tax base will be the amount of corporation tax (excluding penalty taxes) on income for each fiscal year calculated without applying the following:

- Income tax credit
- Foreign tax credit
- Credit for an amount equivalent to foreign tax adjusted upon distribution
- Credit for corporation tax due to correction of overstatement based on falsified accounting
- Tax credit for measures related to the specified products strengthening infrastructure for industrial competitiveness under the special measures for promoting domestic production in strategic fields, and addition of corporation tax in the case of overstatement based on falsified accounting of companies applying the Japanese group relief system related to the same measures
- Credit for an amount equivalent to the amount of creditable income tax, etc.

(*) JPY5 million per annum (basic deduction) will be deducted from the amount of corporation tax as tax base, with consideration given to small and medium-scale companies. For companies applying the Japanese group relief system, the amount of basic deduction will be calculated by allocating JPY5 million per annum in proportion to the amount of corporation tax as tax base of each company in the aggregation group.

In addition to the above, the question and inspection of the tax authority, penalties, etc. will be the same as those for corporation tax on income for each fiscal year, and other necessary measures will be provided.

(2) Impact on effective corporate tax rate

With the introduction of special defense corporation tax, the effective corporate tax rates will be increased by approximately 0.9 percent for companies subject to size-based business tax and by approximately 0.84 – 0.85 percent for companies NOT subject to size-based business tax, as follows:

Classification of company	Effective corporate tax rate			
	Current tax law (Fiscal years beginning before 1 April 2026)		Proposal (Fiscal years beginning on or after 1 April 2026)	
	Standard tax rate	Tokyo tax rate	Standard tax rate	Tokyo tax rate
Companies subject to size-based business tax	29.74%	30.62%	30.64%	31.52%
Companies NOT subject to size-based business tax	33.58%	34.59%	34.43%	35.43%

The above effective corporate tax rates are calculated based on the following assumptions:

- Business tax and special business tax are treated as deductible expenses.
- Tax rates applied to taxable income in excess of JPY8 million per annum are used.
- The basic deduction of JPY5 million per annum, which is deducted in the calculation of special defense corporation tax, is not taken into account.

2. Taxation of Leasing

On 13 September 2024, the Accounting Standards Board of Japan (ASBJ) released the Accounting Standard for Leases (ASBJ Statement No.34) and Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No.33) (hereinafter the 'New Lease Accounting Standards').

Under the New Lease Accounting Standards, generally a lessee will treat all lease transactions as the acquisition of the right-of-use assets and recognize it on the balance sheet with recording depreciation expense on right-of-use assets and the interest expense on lease liabilities, regardless of whether the lease transaction is classified as a finance lease transaction or an operating lease transaction under the current accounting standard for leases.

In principle, the New Lease Accounting Standards will be applied from the beginning of the consolidated fiscal year and fiscal year beginning on or after 1 April 2027. However, early application from the beginning of the consolidated fiscal year and fiscal year beginning on or after 1 April 2025 is permitted.

In response to the above, by virtue of the 2025 tax reform, the tax treatment of lease transactions will be amended as follows:

(Please refer to 'III. Consumption Tax (Taxation of Leasing)' for the treatment of consumption tax.)

(1) Treatment under the corporation tax law

(i) Lessee side

(a) Operating lease transactions

Where a company leases assets under an operating lease transaction^(*1) in each fiscal year, the amount for which the payment obligation was determined, out of the amount to be paid^(*2) by the company under the contract for the transaction, will be included in deductible expenses of the company in the fiscal year including the date of determination.

^(*1) Operating lease transactions mean leases of assets other than lease transactions (finance lease transactions).

^(*2) The amount paid includes the amount of expenses required for leasing the assets and the amount of expenses directly required for using the assets for business, excluding the amount of cost of sales, cost of completed construction and other similar costs related to the revenue for the fiscal year, the amount of expenses required to acquire fixed assets, and the amount of expenses treated as deferred assets.

(b) Non-ownership transfer lease transactions

In the case of non-ownership transfer lease transactions, the lessee is required to calculate the depreciation amount of the lease asset for the fiscal year using the straight-line method over the lease period.

By virtue of the 2025 tax reform, with respect to depreciation of the lease assets under a non-ownership transfer lease transaction contract concluded on or after 1 April 2027, the guaranteed residual value included in the acquisition cost will not be deducted in the calculation of depreciation using the straight-line method over the lease period as follows, and the lease asset will be able to be depreciated to JPY1 (memorandum value) at the end of the lease period:

Calculation of depreciation using the straight-line method over the lease period		
Current tax law	$\text{Depreciation limit} = \frac{(\text{Acquisition cost of lease asset} - \text{Guaranteed residual value})}{\text{Number of months in the lease period}} \times \text{Number of months of the lease period in the fiscal year}$	
Proposal	$\text{Depreciation limit} = \frac{\text{Acquisition cost of lease asset}}{\text{Number of months in the lease period}} \times \text{Number of months of the lease period in the fiscal year}$	

Note that with respect to lease assets (limited to those whose acquisition cost includes a guaranteed residual value) under a non-ownership transfer lease transaction contract concluded by 31 March 2027, transitional measures will be provided to allow depreciation using the amended straight-line method over the lease period for fiscal years beginning on or after 1 April 2025.

(ii) Lessor side

In the case of lease transactions, the income amount for each fiscal year is calculated on the assumption that the lease assets were sold at the time of delivery of the lease assets (hereinafter the 'Lease Transfer') from the lessor to the lessee. However, the lessor is allowed to calculate the income amount by a deferred payment standard under the 'special provisions for accounting period to which revenue and expense relating to lease transfer are attributed'.

By virtue of the 2025 tax reform, this 'special provisions for accounting period to which revenue and expense relating to lease transfer are attributed' will be abolished, and the following transitional measures will be provided:

[Transitional measures]

- A company that made Lease Transfers before 1 April 2025 will be able to calculate the amount of revenue and expenses by the deferred payment standard for Lease Transfers made in the fiscal years beginning before 1 April 2027.
- Where a company ceases to apply the deferred payment standard in the fiscal years beginning between 1 April 2025 and 31 March 2027, the remaining deferred lease profits will be recognized equally over 5 years.

In addition to the above, necessary measures will be provided.

(2) Treatment under the local tax law

In the case where a company leases land or houses under an operating lease transaction in each fiscal year and there is any amount to be paid by the company as consideration for the leasehold rights, etc. under the contract for the transaction, the amount included in deductible expenses in the calculation of income for corporation tax purposes will be treated as the rent included in deductible expenses for the fiscal year for the purpose of the calculation of the taxable base of the added value component under the size-based business tax.

In addition to the above, necessary measures will be provided.

Furthermore, in line with the amendments of the treatment under the corporation tax law described in (1) above, necessary measures will be provided for corporate inhabitant tax and business tax.

3. Special Measures for Reduced Corporation Tax Rate for Small and Medium-Scale Companies

The special measures for a reduced corporation tax rate for small and medium-scale companies will be extended by 2 years, taking into account the situation of small and medium-scale companies facing salary increases and rising prices, while tax rate under the special measures for small and medium-scale companies with extremely high income will be raised by 2 percent as follows:

Taxable income		Corporation tax rate	
		Current tax law (Applicable period for special measures: Fiscal years beginning on or before 31 March 2025)	Proposal (Applicable period for special measures: Fiscal years beginning on or before 31 March 2027)
Taxable income in excess of JPY8 million per annum		23.2%	23.2%
Taxable income up to JPY8 million per annum	Principle	19%	19%
	Special measures (*1)(*2)	Fiscal years in which taxable income is more than JPY1 billion Fiscal years in which taxable income is JPY1 billion or less	17% 15%

(*1) The special measures are not applied for small and medium-scale companies whose average taxable income for the preceding 3 years is over JPY1.5 billion.

(*2) Under the Proposal, the special measures will not be applied for small and medium-scale companies which apply the Japanese group relief system.

[Definition of key terms]

- Small and medium-scale companies: companies whose stated capital is JPY100 million or less at the end of the fiscal year, except for the following cases:
 - (i) where 100 percent of the shares of the company are directly or indirectly held by one large company (a company whose stated capital is JPY500 million or more, etc.)
 - (ii) where 100 percent of the shares of the company are directly or indirectly held by two or more large companies in a 100 percent group

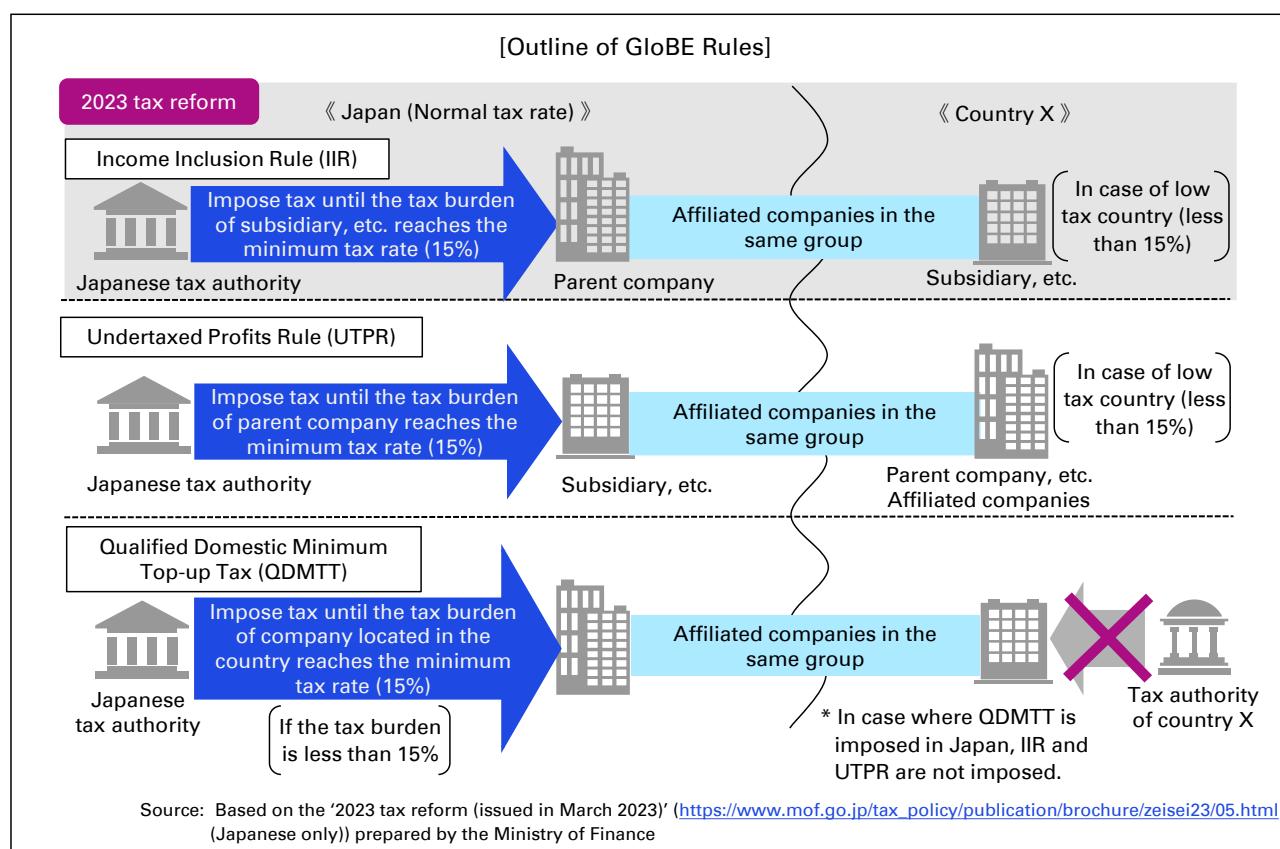
II. International Taxation

1. Global Minimum Tax

In order to deal with the Global Minimum Tax agreed by the OECD/G20 Inclusive Framework on BEPS in October 2021, the 2023 tax reform introduced the 'corporation tax on international minimum tax amount for each applicable fiscal year' (hereinafter the 'Japanese IIR'), etc. which is equivalent to the Income Inclusion Rule (hereinafter the 'IIR').

In addition, the 'Outline of the 2024 Tax Reform Proposals' indicated that the Undertaxed Profits Rule (hereinafter the 'UTPR') and Qualified Domestic Minimum Top-up Tax (hereinafter the 'QDMTT'), which are the two systems of Global Minimum Tax other than the IIR, will be considered for legislation on or after the 2025 tax reform based on international discussions.

In response to the above proposal, the 2025 tax reform will move forward with the legislation of Global Minimum Tax in line with the international agreements in order to deal with the progress of economic globalization and digitalization and ensure fair competitive conditions among companies. The measures equivalent to the UTPR and the QDMTT will be established and the Japanese IIR, etc. will be amended.



(1) Corporation tax on international minimum tax residual amount for each applicable fiscal year

In order to deal with the UTPR in the Global Minimum Tax, the 'corporation tax on international minimum tax residual amount for each applicable fiscal year' (national tax) will be introduced.

The UTPR is a system under which, when the effective tax rate (hereinafter the 'ETR') in the country where an ultimate parent company (hereinafter the 'UPE'), etc. of the Specified Multinational Enterprise (hereinafter the 'MNE') Group, etc. is located is below the minimum tax rate (15%), the country where a subsidiary, etc. is located imposes tax on the subsidiary, etc. until the tax burden reaches the minimum tax rate (15%). For example, the UTPR serves as a backstop in the case where the UPE, etc. is not sufficiently taxed under the IIR in the country where the UPE, etc. is located.

(i) Outline

(A) Taxpayers and scope of taxation

With respect to the international minimum tax residual amount for each applicable fiscal year, the 'corporation tax on international minimum tax residual amount for each applicable fiscal year' will be imposed on the following companies:

- A Japanese company that is a constituent company, etc. of the Specified MNE Group, etc.
- A foreign company that is a constituent company, etc. of the Specified MNE Group, etc. and has a permanent establishment, etc. (limited to those located in Japan (the same applies to (i) to (iii) below.))

(B) Tax base ('international minimum tax residual amount')

The 'international minimum tax residual amount' for a Japanese company, which is the tax base under the measure, will be calculated as follows:

['Group's international minimum tax residual amount in Japan' for each applicable fiscal year of a Japanese company that is a constituent company, etc. of the Specified MNE Group, etc.]	x	Total ratio of [W] and [X]
---	---	----------------------------

[W]: [Ratio of the number of employees, etc. of the Japanese company^(*) to the total number of employees, etc. of constituent companies, etc. located in Japan] x 50%

[X]: [Ratio of the amount of tangible assets of Japanese company^(*) to the total amount of tangible assets of constituent companies, etc. located in Japan] x 50%

(If there are investment companies, etc. or flow through companies, etc. of the Specified MNE Group, etc., [W] and [X] will be calculated with certain adjustments.)

(*) Limited to those located in Japan

The same will apply to the international minimum tax residual amount for a foreign company that is a constituent company, etc. of the Specified MNE Group, etc. and has a permanent establishment, etc.

[Definition of key terms]

Group's international minimum tax residual amount in Japan	['Group's international minimum tax residual amount' of the Specified MNE Group, etc. for each applicable fiscal year] \times Total ratio of [Y] and [Z]
[Y] ^{(*)1}	[Ratio of the total number of employees, etc. of the constituent companies, etc. located in Japan to the total number of employees, etc. of constituent companies, etc. located in Japan or in certain countries/jurisdictions that impose taxes equivalent to the 'corporation tax on international minimum tax residual amount for each applicable fiscal year'] \times 50%
[Z] ^{(*)1}	[Ratio of the total amount of tangible assets of the constituent companies, etc. located in Japan to the total amount of tangible assets of constituent companies, etc. located in Japan or in certain countries/jurisdictions that impose taxes equivalent to the 'corporation tax on international minimum tax residual amount for each applicable fiscal year'] \times 50%
Group's international minimum tax residual amount ^{(*)2}	The amount remaining after deducting the 'international minimum tax amount', etc. of the constituent companies, etc. and joint ventures, etc. of the Specified MNE Group, etc. and certain amount from the 'group's international minimum tax amount' of the Specified MNE Group, etc. for each applicable fiscal year

^{(*)1} If there are investment companies, etc. or flow through companies, etc. of the Specified MNE Group, etc., [Y] and [Z] will be calculated with certain adjustments.

^{(*)2} Exemption criteria will be provided. (Under the exemption criteria, if the applicable fiscal year subject to assessment of the Specified MNE Group, etc. begins within 5 years after the beginning date of the first applicable fiscal year in which the group became a Specified MNE Group, etc. and is in an applicable fiscal year in which the group is in the early stage of international business activities, etc., the 'group's international minimum tax residual amount' of the applicable fiscal year will be treated as zero.)

(C) Calculation of tax amount, filing and tax payment, etc.

■ Calculation of tax amount

The 'corporation tax on international minimum tax residual amount for each applicable fiscal year' will be calculated as follows:

The 'corporation tax on international minimum tax residual amount for each applicable fiscal year' =
['international minimum tax residual amount for each applicable fiscal year'] \times 90.7%

■ Filing and tax payment

- The filing and payment of the 'corporation tax on international minimum tax residual amount for each applicable fiscal year' will be required within 1 year and 3 months (1 year and 6 months in certain cases) from the day following the end of each applicable fiscal year. (However, if there is no 'international minimum tax residual amount', which is the tax base, the filing will not be required.)
- The special measures for electronic filing, etc. will be the same as those for the corporation tax on income for each fiscal year, and other necessary measures will be provided.

■ Others

- The 'corporation tax on international minimum tax residual amount for each applicable fiscal year' will not be subject to the blue-form tax return system.
- The question and inspection of the tax authority and penalties, etc. will be the same as those for the corporation tax on income for each fiscal year, and other necessary measures will be provided.

(D) Timing of application

The 'corporation tax on international minimum tax residual amount for each applicable fiscal year' will be applied to a company for applicable fiscal years beginning on or after 1 April 2026.

(ii) Amendments to the local corporation tax on specified standard corporation tax amount**(A) Scope of taxation**

The amount of 'corporation tax on international minimum tax residual amount for each applicable fiscal year' (excluding penalty taxes) of a constituent company, etc. of the Specified MNE Group, etc. will be added to the scope of the taxation of 'local corporation tax on specified standard corporation tax amount' (national tax). In addition, the name of the measure will be changed to 'local corporation tax on specified standard corporation tax amount related to the international minimum tax amount, etc.' (national tax).

(B) Others

The calculation of the tax amount, filing and tax payment, question and inspections of the tax authority and penalties, etc. will be the same as those for the current 'local corporation tax on the specified standard corporation tax amount', and other necessary measures will be provided.

(C) Timing of application

The above amendments will be applied to the 'local corporation tax on specified standard corporation tax amount related to the international

minimum tax amount, etc.' of a company for taxable fiscal years beginning on or after 1 April 2026.

(III) Amendments to the measure for providing information on reporting matters etc. of the Specified MNE Group, etc.

(A) Outline of the amendments

A Japanese company (excluding those located outside Japan) that is a constituent company, etc. of the Specified MNE Group, etc. must provide information on reporting matters, etc. of the Specified MNE Group, etc. via e-Tax to the competent tax office within 1 year and 3 months (1 year and 6 months in certain cases) from the day after the end of each applicable fiscal year.

By virtue of the 2025 tax reform, a foreign company, that is a constituent company, etc. of the Specified MNE Group, etc. and has a permanent establishment, etc., will be added to the scope of persons obligated to provide such information and certain matters related to the 'international minimum tax residual amount' will be added to the scope of matters that must be provided (i.e. 'reporting matters, etc. of the group's international minimum tax amount, etc.').

In addition to the above, other necessary measures will be provided.

(B) Timing of application

The above amendments will be applied to the 'reporting matters, etc. of the group's international minimum tax amount, etc.' related to the applicable fiscal years beginning on or after 1 April 2026.

In accordance with the amendments in (i) to (iii) above, necessary measures will be provided and will be applied to the 'corporation tax on international minimum tax residual amount' for applicable fiscal years beginning on or after 1 April 2026.

(2) Corporation tax on domestic minimum top-up tax amount for each applicable fiscal year

In order to deal with the QDMTT in the Global Minimum Tax, the 'corporation tax on domestic minimum top-up tax amount for each applicable fiscal year' (national tax) will be introduced.

The QDMTT is a system under which, when the ETR in the country where companies, etc. of the Specified MNE Group, etc. are located, is below the minimum tax rate (15%), the country where the companies, etc. are located imposes tax on the companies, etc. until the tax burden reaches the minimum tax rate (15%). The QDMTT is provided for under the domestic tax laws of each country and serves as a defensive measure against the IIR and UTPR taxation by other countries due to the fact that the ETR of companies, etc. located in a country is below the minimum tax rate (15%).

(I) Outline

(A) Taxpayers and scope of taxation

With respect to the domestic minimum top-up tax amount for each applicable fiscal year, the 'corporation tax on domestic minimum top-up tax amount for each applicable fiscal year' will be imposed on the following companies:

- A Japanese company that is a constituent company, etc. of the Specified MNE Group, etc.
- A Japanese company that is a joint venture, etc. of the Specified MNE Group, etc.
- A foreign company that is a constituent company, etc. of the Specified MNE Group, etc. and has a permanent establishment, etc. (limited to those located in Japan (the same applies to (i) to (iii) below.))
- A foreign company that is a joint venture, etc. of the Specified MNE Group, etc. and has a permanent establishment, etc.

(B) Tax base ('domestic minimum top-up tax amount')

The 'domestic minimum top-up tax amount', which is the tax base under the measure, is listed for each of the following classification of company:

Classification of company	Domestic minimum top-up tax amount
<ul style="list-style-type: none"> • A Japanese company that is a constituent company, etc.^{(*)1} of the Specified MNE Group, etc. • A Japanese company that was a constituent company, etc.^{(*)1} of the Specified MNE Group, etc. in the past applicable fiscal year, but is not its constituent company, etc. in the current applicable fiscal year 	A domestic minimum top-up tax amount ^{(*)2} of the constituent company, etc.
<ul style="list-style-type: none"> • A Japanese company that is a joint venture, etc.^{(*)1} of the Specified MNE Group, etc. • A Japanese company that was a joint venture, etc.^{(*)1} of the Specified MNE Group, etc. in the past applicable fiscal year, but is not its joint venture, etc. in the current applicable fiscal year 	A domestic minimum top-up tax amount ^{(*)3} of the joint venture, etc.

(*)1 Limited to those located in Japan

(*)2 In the case of a foreign company, etc. that is a constituent company, etc. of the Specified MNE Group, etc. and has a permanent establishment, etc., the 'domestic minimum top-up tax amount of the constituent company, etc.' will be the 'domestic minimum top-up tax amount of the permanent establishment of the constituent company, etc.' and will be calculated in the same manner as the 'domestic minimum top-up tax amount of the constituent company, etc.'

(*)3 In the case of a foreign company, etc. that is a joint venture, etc. of the Specified MNE Group, etc. and has a permanent establishment, etc., the 'domestic minimum top-up tax amount of the joint venture, etc.' will be the 'domestic minimum top-up tax amount of the permanent establishment of the joint venture, etc.' and will be calculated in the

same manner as the 'domestic minimum top-up tax amount of the joint venture, etc.'

Note that the 'domestic minimum top-up tax amount of the joint venture, etc.' will be basically calculated in the same manner as the 'domestic minimum top-up tax amount of the constituent company, etc.'

[Definition of key terms]

Domestic minimum top-up tax amount of the constituent company, etc.	The amount specified below for each category as follows:		
	Domestic ETR of the Specified MNE Group, etc. < Minimum tax rate (15%) and There is an amount of domestic group net income of the Specified MNE Group, etc.		
	Total amount of the following ^(*)1)		
	(a) 'Group domestic minimum top-up tax amount for the current applicable fiscal year'		Ratio calculated taking into account the contribution of the Japanese company for the 'group domestic minimum top-up tax amount for the current applicable fiscal year'
	(b) 'Recalculated group domestic minimum top-up tax amount' for each past applicable fiscal year		Ratio calculated taking into account the contribution of the Japanese company for the 'recalculated group domestic minimum top-up tax amount' for each past applicable fiscal year
	(c) 'Domestic minimum top-up tax amount on undistributed income' of a Japanese company (limited to the investment companies, etc.)		
	Domestic ETR of the Specified MNE Group, etc. ≥ Minimum tax rate (15%) and There is an amount of domestic group net income of the Specified MNE Group, etc.		
	Total amount of the following ^(*)2)		
	(a) 'Recalculated group domestic minimum top-up tax amount' for each past applicable fiscal year		Ratio calculated taking into account the contribution of the Japanese company for the 'recalculated group domestic minimum top-up tax amount' for each past applicable fiscal year
	(b) 'Domestic minimum top-up tax amount on undistributed income' of a Japanese company (limited to the investment companies, etc.)		
	There is no amount of domestic group net income of the Specified MNE Group, etc.		
	Total amount of the following ^(*)3)		
	(a) 'Recalculated group domestic minimum top-up tax amount' for each past applicable fiscal year		Ratio calculated taking into account the contribution of the Japanese company for the 'recalculated group domestic minimum top-up tax amount' for each past applicable fiscal year
	(b) 'Domestic minimum top-up tax amount on undistributed income' of a Japanese company (limited to the investment companies, etc.)		

Domestic ETR	(a)/(b) (a) Domestic group adjusted taxes (the total amount of the domestic adjusted taxes of all constituent companies, etc. located in Japan) (b) Domestic group net income (the amount remaining after deducting the total amount of the individually calculated loss for all constituent companies, etc. located in Japan from the total amount of the individually calculated income for all constituent companies, etc. located in Japan)
Group domestic minimum top-up tax amount for the current applicable fiscal year	Following amounts: The amount remaining after deducting the substantial carve-out amount related to Japan from the domestic group net income \times [Minimum tax rate (15%) – Domestic ETR]
Recalculated group domestic minimum top-up tax amount	The amount calculated as being less than the 'group domestic minimum top-up tax amount for the current applicable fiscal year' for the past fiscal year, where recalculation is required with regard to the 'group domestic minimum top-up tax amount for the current applicable fiscal year' for the past fiscal year
Domestic minimum top-up tax amount on undistributed income	The amount calculated as the domestic minimum top-up tax amount corresponding to the portion of the individually calculated income for the Japanese company that has not been distributed to other constituent companies, etc.

(*1) Where a Japanese company that was a constituent company, etc. (limited to those located in Japan) of the Specified MNE Group, etc. in the past applicable fiscal year and that is not a constituent company, etc. in the applicable fiscal year, the amount specified in (b) will be applied.

(*2) Where a Japanese company that was a constituent company, etc. (limited to those located in Japan) of the Specified MNE Group, etc. in the past applicable fiscal year and that is not a constituent company, etc. in the applicable fiscal year, the amount specified in (a) will be applied.

(*3) Where a Japanese company that was a constituent company, etc. (limited to those located in Japan) of the Specified MNE Group, etc. in the past applicable fiscal year and that is not a constituent company, etc. in the applicable fiscal year, the amount specified in (a) will be applied.

In addition, if the domestic group adjusted taxes are less than zero and the amount by which it is less than zero exceeds the specific adjusted taxes by country related to Japan, a certain amount will be added to the total of (a) and (b).

In addition to the above, in the same manner as the 'corporation tax on international minimum tax amount for each applicable fiscal year', the

exemption criteria related to the amount of income, etc., transitional safe harbor using the information stated in certain country-by-country reporting and other special measures will be provided. And in the same manner as the 'corporation tax on international minimum tax residual amount for each applicable fiscal year', the exemption criteria for the early stage of international business activities will be provided (please refer to '(*2) of the [Definition of key terms] in (1)(i)(B)').

(C) Calculation of tax amount, filing and tax payment, etc.

■ Calculation of tax amount

The 'corporation tax on domestic minimum top-up tax amount for each applicable fiscal year' will be calculated as follows:

The 'corporation tax on domestic minimum top-up tax amount for each applicable fiscal year' =
[domestic minimum top-up tax amount for each applicable fiscal year] x 75.3%

■ Filing and tax payment

- The filing and payment of the 'corporation tax on domestic minimum top-up tax amount for each applicable fiscal year' will be required within 1 year and 3 months (1 year and 6 months in certain cases) from the day following the end of each applicable fiscal year. (However, if there is no 'domestic minimum top-up tax amount', which is the tax base, the filing will not be required.)
- The special measures for electronic filing, etc. will be the same as those for the corporation tax on income for each fiscal year, and other necessary measures will be provided.

■ Others

- The 'corporation tax on domestic minimum top-up tax amount for each applicable fiscal year' will not be subject to the blue-form tax return system.
- The question and inspection of the tax authority and penalties, etc. will be the same as those for the corporation tax on income for each fiscal year, and other necessary measures will be provided.

(D) Timing of application

The 'corporation tax on domestic minimum top-up tax amount for each applicable fiscal year' will be applied to a company for applicable fiscal years beginning on or after 1 April 2026.

(ii) Introduction of the local corporation tax on specified standard corporation tax amount related to the domestic minimum top-up tax amount

(A) Scope of taxation

The 'local corporation tax on specified standard corporation tax amount related to the domestic minimum top-up tax amount' (national tax) will be imposed on the specified standard corporation tax amount related to the

domestic minimum top-up tax amount for each taxable fiscal year of a company that is a constituent company, etc. or joint venture, etc. of the Specified MNE Group, etc.

(B) Calculation of tax amount, filing and tax payment, etc.

■ Calculation of tax amount

The 'local corporation tax on specified standard corporation tax amount related to the domestic minimum top-up tax amount' will be calculated as follows:

The 'local corporation tax on specified standard corporation tax amount related to the domestic minimum top-up tax amount' =

[specified standard corporation tax amount related to the domestic minimum top-up tax amount for each applicable fiscal year] x 247 / 753

The 'specified standard corporation tax amount related to the domestic minimum top-up tax amount' will be the amount of 'corporation tax on domestic minimum top-up tax amount for each applicable fiscal year' (excluding penalty tax).

■ Filing and tax payment

- The filing and tax payment of the 'local corporation tax on specified standard corporation tax amount related to the domestic minimum top-up tax amount' will be required within 1 year and 3 months (1 year and 6 months in certain cases) from the day following the end of each taxable fiscal year.
- The special measures for electronic filing, etc. will be the same as those for the local corporation tax on standard corporation tax amount, and other necessary measures will be provided.

■ Others

- The question and inspection of the tax authority and penalties, etc. will be the same as those for the local corporation tax on standard corporation tax amount, and other necessary measures will be provided.

(C) Timing of application

The 'local corporation tax on specified standard corporation tax amount related to the domestic minimum top-up tax amount' will be applied to a company for taxable fiscal years beginning on or after 1 April 2026.

(III) Introduction of the measure for providing information on reporting matters of the group domestic minimum top-up tax amount

(A) Outline

A company subject to the measure for providing information must provide the reporting matters of the group domestic minimum top-up tax amount via e-Tax to the competent tax office within 1 year and 3 months

(1 year and 6 months in certain cases) from the day after the end of each applicable fiscal year.

[Definition of key terms]

A company subject to the measure for providing information	<p>Following companies:</p> <ul style="list-style-type: none"> • A Japanese company that is a constituent company, etc.^(*) of the Specified MNE Group, etc. • A Japanese company that is a joint venture, etc.^(*) of the Specified MNE Group, etc. • A foreign company that is a constituent company, etc. of the Specified MNE Group, etc. and has a permanent establishment, etc. • A foreign company that is a joint venture, etc. of the Specified MNE Group, etc. and has a permanent establishment, etc. • A certain company that was a constituent company, etc. or joint venture, etc. of the Specified MNE Group, etc. in the past applicable fiscal year
Reporting matters of the group domestic minimum top-up tax amount	<p>Following matters, etc.:</p> <ul style="list-style-type: none"> • The name of UPE, etc. of the Specified MNE Group, etc. • The country where the constituent companies, etc. of the MNE Group, etc. are located • Information regarding the domestic minimum top-up tax amount of the Specified MNE Group, etc., and other necessary information • A statement on application of the exemption criteria related to the amount of income, etc.

(*) Limited to those located in Japan

(B) Exemption from obligation to provide reporting matters

Where the tax authority of the country where the UPE (or the designated providing company, etc. if a certain company has been designated) of the Specified MNE Group, etc. is located is able to provide Japan with the reporting matters of the group domestic minimum top-up tax amount, a company subject to the measure for providing information will be exempted from the obligation to provide them.

(C) Others

Exemption from the obligation to provide reporting matters of the group domestic minimum top-up tax amount when there are multiple companies obligated to provide them, provision of the matters regarding the UPE, etc. and penalties, etc. will be the same as those in the current measure for providing information on reporting matters etc. of the Specified MNE Group, etc.

(D) Timing of application

The above measures will be applied to the reporting matters of the group domestic minimum top-up tax amount related to the applicable fiscal years beginning on or after 1 April 2026.

In accordance with the measures in (i) to (iii) above, necessary measures will be provided and will be applied to the 'corporation tax on domestic minimum top-up tax amount' for applicable fiscal years beginning on or after 1 April 2026.

(3) Corporation tax on international minimum tax amount for each applicable fiscal year (Japanese IIR)

The following amendments will be made to the Japanese IIR, and other necessary measures will be provided:

(I) Adjusted covered taxes

Among the amount of the covered taxes related to the amount of net profit or loss of a constituent company, etc., the deferred corporate income taxes will be added to the calculation of the amount included in the amount of the adjusted covered taxes (amount added as a pushdown), etc. of the other constituent company, etc. subject to the Controlled Foreign Company (CFC) Regime, etc.

(II) Recalculated international minimum tax by country

In the calculation of a group's international minimum tax amount, for example, in certain cases where the deferred corporate income taxes recorded in the past applicable fiscal year are determined to be excessive, such amount must be added as the recalculated international minimum tax by country.

By virtue of the 2025 tax reform, the special provisions concerning the method of reversal of the deferred tax liability will be established with regard to the measure to reduce the portion of the adjusted covered taxes related to the deferred tax liability recorded in the past applicable fiscal year that has not been reversed by the end of the applicable fiscal year after 5 applicable fiscal years from the past applicable fiscal year.

(III) Amount of net profit or loss

The amount of net profit or loss, which is the basis of the amount of individually calculated income, etc., is calculated by making certain adjustments to the amount of net profit or loss after tax.

The amount of net profit or loss after tax is an accounting amount calculated based on the accounting book value. However, adjustments of the book value are required in certain cases that cause distortions in the calculation of the ETR. Among these adjustments, the following measures will be amended:

- The transactions with joint ventures, etc. will be added to the scope of adjustment measures that are deemed to have been conducted at arm's length prices for the transaction amount where a transaction is conducted between a constituent company, etc. and other constituent companies, etc. which are located in different countries.

- The sales transactions of the assets between a constituent company, etc. and another constituent company, etc. located in the same country are deemed to have been conducted at arm's length prices for the seller. The purchaser will be added to the scope of this measure.

In addition, certain adjustments must be made when there is an allocation from the flow through company. Among the adjustments, the following measure will be amended:

- In the application of the special measure for the amount of net profit or loss related to the flow through company, etc., where there is another flow through company, etc. between the distributed company, etc., and the flow through company, etc., it will be required that the income of another flow through companies, etc. and the flow through companies, etc. must be treated as the income of their members under the laws and regulations of the country where the distributed company, etc. is located.

(4) Local tax

The amount of 'corporation tax on international minimum tax residual amount for each applicable fiscal year' in (1) above and 'corporation tax on domestic minimum top-up tax amount for each applicable fiscal year' in (2) above will not be included in the amount of corporation tax which is the basis of the calculation of corporate inhabitant tax, and other necessary measures will be provided.

2. Controlled Foreign Company (CFC) Regime

The Controlled Foreign Company (CFC) Regime will coexist with 'Pillar 2' mentioned in '1. Global Minimum Tax' and even after the introduction of 'Pillar 2', the importance of the CFC regime as a measure preventing tax avoidance through foreign subsidiaries will not change.

Based on the consideration of the additional administrative burdens on companies resulting from the introduction of 'Pillar 2', amendments to the CFC regime were made under the 2023 and 2024 tax reform. The 2025 tax reform will also make additional amendments as follows:

- Under the current tax law, the amount equivalent to the taxable amount, etc. for each fiscal year of the CFC is treated as income of its Japanese shareholder company and included in taxable income for each fiscal year of the Japanese shareholder company including the day "2 months" after the end of the fiscal year of the CFC. By virtue of the 2025 tax reform, "2 months" will be amended to "4 months".
- The following documents will be excluded from the scope of the documents related to the CFC which are currently required to be attached to the tax returns or preserved:
 - (i) Statements of changes in shareholders' equity and statements of appropriation of profit or loss
 - (ii) Details of accounts related to balance sheet and statements of profit and loss

The above amendments will be applied for the taxable amount, etc. of the CFC (limited to that for fiscal years ending on or after 1 February 2025 of the CFC) for fiscal years beginning on or after 1 April 2025 of the Japanese shareholder company.

In addition, transitional measures will be provided that allow the Japanese shareholder company to apply the CFC regime to the taxable amount, etc. of the CFC (limited to that for fiscal years ending between 1 December 2024 and 31 January 2025 of the CFC) for fiscal years beginning before 1 April 2025 of the Japanese shareholder company in a fiscal year of the Japanese shareholder company beginning on or after 1 April 2025 including the day "4 months" after the end of the fiscal year of the CFC.

Note that similar amendments will be made to related measures such as the Corporate Inversion Rules and necessary measures will be provided for corporate inhabitant tax and business tax, etc. in line with the above amendments of national tax.

III. Consumption Tax

Taxation of Leasing

On 13 September 2024, the Accounting Standards Board of Japan (ASBJ) released the Accounting Standard for Leases (ASBJ Statement No.34) and Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No.33) (hereinafter the 'New Lease Accounting Standards').

Under the New Lease Accounting Standards, generally a lessee will treat all lease transactions as the acquisition of the right-of-use assets and recognize it on the balance sheet with recording depreciation expense on the right-of-use assets and interest expense on lease liabilities, regardless of whether the lease transaction is classified as a finance lease transaction or an operating lease transaction under the current accounting standard for leases.

In principle, the New Lease Accounting Standards will be applied from the beginning of the consolidated fiscal year and fiscal year beginning on or after 1 April 2027. However, early application from the beginning of the consolidated fiscal year and fiscal year beginning on or after 1 April 2025 is permitted.

In response to the above, by virtue of the 2025 tax reform, the tax treatment of lease transactions will be amended. (Please refer to 'I.2. Taxation of Leasing' for the treatment of corporation tax and local tax.)

Under the consumption tax law, lease transactions are treated as asset transfer transactions. Therefore, a business operator as a lessor of lease transaction is obliged to pay consumption tax on the transfer of the lease asset (hereinafter the 'Lease Transfer') in the taxable period including the date of delivery of the lease asset in principle.

However, in case where a deferred payment standard is applied to the Lease Transfer for corporation tax purposes under the 'special provisions for accounting period to which revenue and expense relating to lease transfer are attributed', the 'special provisions for the timing of asset transfer related to lease transfer' are applicable for consumption tax purposes that allow the recognition of taxable sales on the Lease Transfer in line with the timing of revenue recognition by the deferred payment standard applied for corporation tax purposes.

By virtue of the 2025 tax reform, this 'special provisions for the timing of asset transfer related to lease transfer' will be abolished, and the following transitional measures will be provided:

[Transitional measures]

- A business operator, that made the transfer of assets that fall under the Lease Transfers before 1 April 2025, will be able to calculate the amount of consideration for the transfer of assets by the deferred payment standard for the years or fiscal years beginning before 1 April 2030.

- Where a business operator ceases to apply the deferred payment standard in a year or fiscal year beginning on or after 1 April 2025, the remaining balance of the installment payments will be treated as the amount of consideration for the transfer of assets in equal installments over 10 years.

IV. Individual Taxation

Personal Reliefs, etc.

By virtue of the 2025 tax reform, the following personal reliefs, etc. will be amended in order to adjust the tax burden during the inflation phase and deal with working hours adjustments.

The ruling coalition, the Liberal Democratic Party and Komeito, had reached an agreement with the Democratic Party For the People (hereinafter the 'DPFP') to raise the so-called 'JPY1.03 million threshold' (tax-free threshold of income tax) from 2025 aiming to reach JPY1.78 million that was insisted on by the DPFP. However, the Proposal stated that the tax-free threshold of income tax will be raised to JPY1.23 million by increasing the basic deduction and employment income deduction by JPY100,000, respectively. Note that the discussion on this matter will continue among the relevant parties and the contents of the amendments to personal reliefs, etc. described below may change depending on the progress of future discussions.

(1) Increase of basic deduction

Regarding the basic deduction, in response to the income tax issue that the effective tax burden increases as prices rise due to the fixed amount of the basic deduction, the deduction amount for individuals whose amount of total income is JPY23.5 million or less will be increased by JPY100,000 in light of the raising trend in prices as follows:

(JPY)

Amount of total income	Basic deduction	
	Current tax law	Proposal
Up to 23,500,000	480,000	580,000
Excess over 23,500,000		480,000
Up to 24,000,000	320,000	320,000
Excess over 24,000,000		320,000
Up to 24,500,000	160,000	160,000
Excess over 24,500,000		160,000
Up to 25,000,000	0	0
Excess over 25,000,000		0

The basic deduction for inhabitant tax purposes will not be amended and it will remain at the current JPY430,000 (for the amount of total income of JPY24 million or less).

Corresponding to this amendment, the amendments of the withholding tax on public pensions, etc. and other necessary measures will be provided.

The above amendments will be applied from 2025 for national income tax purposes. With regard to withholding tax on salaries and public pensions,

etc., the above amendments will be applied to those paid on or after 1 January 2026.

(2) Increase of employment income deduction

Regarding the employment income deduction, the deduction amount will increase if the salary increases along with the rising prices. However, the deduction amount will not increase even if the salary increases in case where the minimum fixed amount for employment income deduction is applied. In order to adjust the tax burden during the inflation phase and deal with working hours adjustments, the minimum fixed amount for the employment income deduction will be increased from JPY550,000 to JPY650,000 as follows:

(JPY)

Gross salary (A)	Employment income deduction	
	Current tax law	Proposal
Up to 1,625,000	550,000	
Excess over 1,625,000 Up to 1,800,000	(A) × 40% – 100,000	650,000
Excess over 1,800,000 Up to 1,900,000	(A) × 30% + 80,000	
Excess over 1,900,000 Up to 3,600,000		(A) × 30% + 80,000
Excess over 3,600,000 Up to 6,600,000	(A) × 20% + 440,000	(A) × 20% + 440,000
Excess over 6,600,000 Up to 8,500,000	(A) × 10% + 1,100,000	(A) × 10% + 1,100,000
Excess over 8,500,000	1,950,000	1,950,000

Similar amendments will be made for inhabitant tax purposes as well.

These amendments will be applied from 2025 for national income tax purposes and from 2026 for inhabitant tax purposes.

In addition to the above, necessary measures will be provided.

(3) Introduction of special deduction for specified relative

In response to the criticism that current tax system is one of the reasons for the working hours adjustments of part-time employment especially for university students under the current severe labor shortage situation, 'special deduction for specified relative' will be introduced to the parents, etc. of college-aged children, etc.

'special deduction for specified relative' will be the deduction system in which the following amount is deducted from the resident taxpayer's gross income for the year, where the resident taxpayer has a relative aged between 19 and 22 who resides in the resident taxpayer's household (excluding the resident taxpayer's spouse and a person treated as family employees of a blue-form tax return taxpayer, and limited to those whose

total income is JPY1.23 million or less) and is not treated as dependent relative qualified for deduction. A similar system will be introduced for inhabitant tax purposes as well. (With regard to inhabitant tax, the following amount is deducted from the resident taxpayer's gross income for the previous year.)

(JPY)

Amount of total income of specified relative	Amount of deduction	
	Income tax	Inhabitant tax
Excess over 580,000 Up to 850,000	630,000	450,000
Excess over 850,000 Up to 900,000	610,000	
Excess over 900,000 Up to 950,000	510,000	410,000
Excess over 950,000 Up to 1,000,000	410,000	
Excess over 1,000,000 Up to 1,050,000	310,000	310,000
Excess over 1,050,000 Up to 1,100,000	210,000	210,000
Excess over 1,100,000 Up to 1,150,000	110,000	110,000
Excess over 1,150,000 Up to 1,200,000	60,000	60,000
Excess over 1,200,000 Up to 1,230,000	30,000	30,000

Under this new system, where the amount of total income of the relative aged between 19 and 22 is JPY850,000 (equivalent to JPY1.5 million in salary income in the case of salary income only) or less, the amount of deduction for the resident taxpayer will be the same amount as the specified dependent relative deduction (JPY630,000)^(*). Even if the amount of total income of the relative is over JPY850,000, a gradually decreasing amount of deduction will be applicable until the amount of total income of the relative reaches JPY1.23 million as shown in the above table.

^(*) Under the current tax law, in order to apply the specified dependent relative deduction for JPY630,000, it is required that the amount of total income is JPY480,000 or less (equivalent to JPY1.03 million in salary income in the case of salary income only).

The above amendments will be applied from 2025 for national income tax purposes and from 2026 for inhabitant tax purposes. For salaried employees, these amendments will be applicable in the year-end adjustment for 2025, and other necessary transitional measures will be provided.

In addition, the above amendments will be applied at the time of withholding for salaries or public pensions, etc. paid on or after 1 January 2026, in case where the amount of deduction exceeds a certain amount, and other necessary measures will be provided.

(4) Other amendments related to the above amendments

- Regarding the spouse deduction, the threshold amount of total income of a spouse who resides in the taxpayer's household will be increased from JPY480,000 to JPY580,000.
- Regarding the dependent deduction, the threshold amount of total income of a dependent relative will be increased from JPY480,000 to JPY580,000.
- Regarding the single parent deduction, the threshold amount of gross income of a child who resides in the single parent's household will be increased from JPY480,000 to JPY580,000.
- Regarding the working student deduction, the threshold amount of total income of a working student will be increased from JPY750,000 to JPY850,000.
- In addition to the above, other necessary measures will be provided.

Similar amendments will be made for inhabitant tax purposes, and these amendments will be applied from 2025 for national income tax purposes and from 2026 for inhabitant tax purposes.

V. Preservation System for Electromagnetic Records related to Transaction Information of Electronic Transactions

Where a preservation obligor of national tax-related account books and documents regarding income tax (excluding withholding income tax) and corporation tax carries out electronic transactions in which transaction information is received and transmitted by electromagnetic methods, the transaction information must be preserved by electromagnetic records, etc.

In case where electromagnetic records related to transaction information of electronic transactions are preserved, it is easier to reproduce and falsify such records and their traces are less likely to be left compared to the case where the documents, etc. are preserved on paper. From a viewpoint of restraining such reproduction and falsification, the 2021 tax reform introduced the measures to increase the rate of heavy penalty tax, which is imposed on undeclared income related to the recorded matters, by 10 percent, where the taxpayer has filed a tax return after the filing due date based on concealed or falsified information recorded in the electromagnetic records of the electronic transactions for income tax (excluding withholding income tax), corporation tax and consumption tax purposes.

By virtue of the 2025 tax reform, from the viewpoint of dealing with digitalization from transactions to those accounting and taxation, where the 'specified electromagnetic records' satisfy the following requirements^{(*)1} (limited to the case where a notification has been submitted for the 'specified electromagnetic records' in advance), the 'specified electromagnetic records' will be excluded from the scope of increase in heavy penalty tax by 10 percent^{(*)2} and other necessary measures will be provided:

[Requirements]

Requirement to prevent falsification of electronic transaction information	The preservation obligor must receive, transmit and preserve the matters of the electromagnetic records related to transaction information of electronic transactions by the 'specified computer processing system' which is able to confirm the fact and details of the correction or deletion of the electromagnetic records (including the system in which the electromagnetic records cannot be corrected or deleted).
Requirement for proper bookkeeping	(1) In the case where the preservation obligor has corrected or deleted the matters of the electromagnetic records related to transaction information of electronic transactions (limited to the matters regarding the amount) and recorded them in electromagnetic records of the national tax-related account books, etc., the preservation obligor must receive, transmit and preserve the electromagnetic records by the 'specified computer processing system' which is able to confirm the fact and details of the correction or deletion of the electromagnetic records (including the system that cannot record in the electromagnetic records of the national tax-related account books, etc. after correction or deletion).

Requirement for proper bookkeeping	(2) The preservation obligor must ensure the mutual confirmation of the relationship between the matters of the electromagnetic records related to transaction information of electronic transactions (limited to the matters normally described in important documents such as invoices and delivery documents, etc.) and the matters recorded in the electromagnetic records of the national tax-related account books, etc.
------------------------------------	--

(*1) With regard to 'requirement to prevent falsification of electronic transaction information' and (1) of 'requirement for proper bookkeeping' in the table above, the preservation obligor must also ensure the confirmation that the receipt, transmission and preservation of the electromagnetic records related to transaction information of electronic transactions has been carried out by the 'specified computer processing system' listed in each requirement.

(*2) By virtue of the 2025 tax reform, an operational measure will also be provided to clarify the scope of application of the increase in heavy penalty tax by 10 percent.

[Definition of key terms]

Specified electromagnetic Records	<ul style="list-style-type: none"> Electromagnetic records related to transaction information of electronic transactions that have been preserved in accordance with the preservation requirements Electromagnetic records related to transaction information of electronic transactions that have been preserved regardless of the preservation requirements in the case where the preservation obligor proves that the preservation obligor was unable to preserve the electromagnetic records in accordance with the preservation requirements due to a disaster or other unavoidable reasons, or in the case where the competent tax office finds that there are reasonable grounds for not being able to preserve the electromagnetic records in accordance with the preservation requirements
Specified computer processing system	Computer processing system that meets the 'standards specified by the National Tax Agency'
Standards specified by the National Tax Agency	<p>The system has the function to preserve any of the following electromagnetic records (limited to the 'specified electromagnetic records') in accordance with the above [Requirements] including the requirement of (*1):</p> <ul style="list-style-type: none"> Electromagnetic records related to transaction information of electronic transactions provided in accordance with the specifications of electromagnetic records related to the matters to be stated in purchase statements or qualified invoices managed by the Digital Agency Electromagnetic records related to transaction information of exchange transactions conducted by a financial institution, etc. in which funds related to deposit accounts or savings accounts are transferred based on entrustment by depositors or savers who have opened such accounts at any of the financial institutions, etc.

The above amendments will be applied to national taxes for which the statutory filing due date, etc. is on or after 1 January 2027.

KPMG Tax Corporation

Tokyo Office
Izumi Garden Tower,
1-6-1 Roppongi, Minato-ku,
Tokyo 106-6012
TEL : +81 (3) 6229 8000
FAX : +81 (3) 5575 0766

Osaka office
Osaka Nakanoshima Building 15F,
2-2-2 Nakanoshima, Kita-ku,
Osaka 530-0005
TEL : +81 (6) 4708 5150
FAX : +81 (6) 4706 3881

Nagoya office
Dai Nagoya Building 26F,
28-12 Meieki 3-chome, Nakamura-ku,
Nagoya 450-6426
TEL : +81 (52) 569 5420
FAX : +81 (52) 551 0580

Kyoto Office
Nihon Seimei Kyoto Yasaka Building 7F,
843-2 Higashi Shiokoji-cho,
Shiokoji-dori Nishinotoin-higashiiru, Shimogyo-ku,
Kyoto 600-8216
TEL : +81 (75) 353 1270
FAX : +81 (75) 353 1271

Hiroshima Office
Hiroshima Kogin Building 7F,
2-1-22 Kamiya-cho, Naka-ku,
Hiroshima 730-0031
TEL : +81 (82) 241 2810
FAX : +81 (82) 241 2811

Fukuoka Office
Kamiyo Watanabe Building 8F,
1-12-14 Tenjin, Chuo-ku,
Fukuoka 810-0001
TEL : +81 (92) 712 6300
FAX : +81 (92) 712 6301

info-tax@jp.kpmg.com
kpmg.com/jp/tax-en

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG Tax Corporation, a tax corporation incorporated under the Japanese CPTA Law and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.