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## KPMG Tax e-Tax News

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### TAX UPDATES

#### JAPANESE GOVERNMENT – ANNOUNCEMENT OF LOWERING EFFECTIVE CORPORATE TAX RATE

On 24 June 2014, the Cabinet of the Japanese government approved the “Basic Policies for the Economic and Fiscal Management and Reform 2014”.

The following are included as part of the ‘Reform of the Corporate Tax System’ in the “Basic Policies for the Economic and Fiscal Management and Reform 2014”:

- The government aims to lower the effective corporate tax rate to the 20 percent range (i.e. 20 - 30 percent) within several years, by starting reductions from the next fiscal year.
- Detailed plans to secure permanent funding sources by expanding the taxable base will be discussed further to be announced by the end of 2014.

The ‘Reform of the Corporate Tax System’ is aimed at making Japan a more attractive place to do business and making Japanese companies more competitive by lowering the current effective tax rate of 35.64 percent (for a Tokyo-based company whose paid-in capital is over JPY100 million) which is higher than that of other major foreign countries.

It is understood that a 1 percent decrease in the effective corporate tax rate will require approximately JPY 500 billion in additional government funding. Various matters (e.g. expansion of size-based taxation system, reductions in tax incentives, reduction in benefits from the Dividends Received Deduction and revision of depreciation) have been on the table as part of the discussion on how to expand the taxable base to secure the funding sources and such discussion will continue to the end of this year.

## 【Announcement from the Cabinet Office】

- [Outline of the Basic Policies for the Economic and Fiscal Management and Reform 2014 \(Provisional Translation\) \(PDF 91KB\)](#)
- [Key Points of the Basic Policies for the Economic and Fiscal Management and Reform 2014 \(Provisional Translation\) \(PDF 957KB\)](#)

## 【Related information】

- [KPMG International: Corporate and Indirect Tax Rate Survey 2014](#)  
(Released on 28 April 2014)
- KPMG International [“Tax rates online”](#) (An online tool providing corporate tax rates, indirect tax rates and individual income tax rates for various countries)

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