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KPMG Tax e-Tax News

No.85 – November 19, 2014

TAX UPDATES

CONSUMPTION TAX RATE INCREASE – 18 MONTH-POSTPONEMENT

On 18 November 2014, Prime Minister Shinzo Abe commented on the increase in the consumption tax rate in a press conference as follows:

- He has reached a conclusion that an increase in the consumption tax rate to 10 percent should be postponed from October 2015 (stipulated in the law) to April 2017 for 18 months in order to ensure the success of Abenomics.
- As he will not put an 'escape clause' ^(*) for the consumption tax rate increase in April 2017, there will be no further delays.

^(*) An 'escape clause' was included in the Joint Reform of Social Security and Tax Systems Law (promulgated on 22 August 2012) stipulating for the increases in the consumption tax rate to 8 percent and 10 percent. According to the clause, the increases in the consumption tax rate should be determined based on the comprehensive consideration of the economic environment.

Prime Minister Abe also said that he will dissolve the Lower House on 21 November and call an election in December to seek a mandate for his decision to delay the consumption tax rate increase.

Accordingly, an outline of the 2015 tax reform is expected to be announced in next January, although an outline of the tax reform for the coming fiscal year is usually announced in mid-December.

(Note that the consumption tax rate was increased from 5 percent to 8 percent in April 2014 in Japan.)

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