



KPMG Tax Corporation
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KPMG Tax e-Tax News

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TAX UPDATES

2015 TAX REFORM

The 2015 tax reform bills were passed by the National Diet and the amended tax laws were promulgated on 31 March 2015.

Furthermore, the Tokyo Metropolitan Ordinance for Prefectural Taxes to amend the Tokyo business tax rates for a company which is liable for size-based business taxes (broadly, a company whose stated capital is over JPY100 million) was promulgated on 1 April 2015. (Note that Tokyo tax rates to be applied for fiscal years beginning on or after 1 April 2016 have not been determined yet since the amendments to such tax rates are slated to be proposed in the second ordinary session or later ordinary sessions of fiscal year 2015 of the Tokyo Metropolitan Assembly.)

We have set out below the main points of the 2015 tax reform items.

Reduction in the Effective Corporate Tax Rates

By virtue of the amendments, the effective corporate tax rates for a company which is liable for size-based business taxes will be reduced as follows:

	Before amendment	After amendment (fiscal years beginning in the following periods)	
		from 1 April 2015 to 31 March 2016	on or after 1 April 2016
Standard tax rates	34.62%	32.11%	31.33%
Tokyo tax rates	35.64%	33.06%	not determined yet

The Tokyo business tax rates for a company which is liable for size-based business taxes are as follows:

Tokyo - business tax rates (income component)

Taxable base (taxable income)	Before amendment	After amendment (fiscal years beginning in the following periods)	
		from 1 April 2015 to 31 March 2016	on or after 1 April 2016
Under JPY4 million	2.39% (1.69%)	1.755%	not determined yet
From JPY4 million to JPY8 million	3.475% (2.475%)	2.53%	not determined yet
Over JPY8 million	4.66% (3.26%)	3.4%	not determined yet

- The tax rates in parenthesis in the column 'Before amendment' are tax rates applicable for fiscal years beginning before 1 October 2014.
- The reduced tax rates for taxable income of JPY8 million or less are not applicable to companies that have offices in three or more different prefectures.

Tokyo - size-based business tax rates

	Before amendment	After amendment (fiscal years beginning in the following periods)	
		from 1 April 2015 to 31 March 2016	on or after 1 April 2016
Added value component	0.504%	0.756%	not determined yet
Capital component	0.21%	0.315%	not determined yet

Increase in Consumption Tax Rate to 10 Percent

The consumption tax rate will be raised to 10 percent on 1 April 2017, which was postponed by 18 months from the originally planned effective date of 1 October 2015. An 'escape clause' stipulating that an increase in the consumption tax rate should be determined based on the comprehensive consideration of the economic environment was deleted from the tax law.

Other Main Items of the Amendments

Corporate taxation

- Increase in the size-based business tax rates and special measures to minimize rapid increase in tax burden
- Reduction in the deductible amount of tax losses
- Decrease in the excludable ratios of domestic dividends
- Introduction of the special measures for relocations
- Revision to the tax credits for R&D costs
- Relaxation of conditions for the tax credits for salary growth

International taxation

- Revisions to the foreign dividend exclusion system
- Revisions to the anti-tax haven (CFC) rules

Consumption taxation

- Revision to consumption tax treatment of digital services
- Revision to consumption tax treatment of performances by foreign artists and sport persons in Japan

Individual income taxation

- Introduction of exit tax

The following back issue of the [KPMG Japan tax newsletter](#) includes more details of the above items:

[Outline of the 2015 Tax Reform Proposals](#) (6 January 2015)

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