4 October 2013

KPMG Japan tax newsletter

Increase in the Consumption Tax Rate and Outline of Tax Reform Proposal to Stimulate Business Investment

On 1 October 2013, the Japanese government formally decided to increase the current consumption tax rate from 5 percent to 8 percent from 1 April 2014 as originally scheduled.

They also released a paper entitled 'Policies to Prepare for an Increase in the Consumption Tax Rate,' which details an economic stimulus package intended to mitigate backlash from the increase in the consumption tax rate and the risk of a short term business downturn, as well as to encourage sustainable economic growth in the future. The economic stimulus package includes the implementation of certain tax incentives, which were introduced in the 'Outline of Tax Reform Proposal to Stimulate Business Investment' (the Proposal). This was also issued by the ruling coalition on 1 October 2013.

Furthermore, both the paper and the Proposal include a statement to consider abolishing the Special Reconstruction Corporation Tax a year ahead of the original schedule.

We have set out below information on the government decision regarding the increase in the consumption tax rate and the main points of the Proposal.

Please note that 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. The final tax reform could differ from the Proposal depending on the outcome of discussions in the Diet.

(The bill for the Industrial Competitiveness Enhancement Act referred to in this newsletter will be submitted to an extraordinary session of the Diet held in autumn this year. Details of the Act will come out later this year.)

I. Increase in the Consumption Tax Rate (Final Confirmation)

On 1 October 2013, the Japanese government formally announced an increase in the consumption tax rate from 5 percent to 8 percent, effective 1 April 2014.

This decision was made based on the comprehensive consideration of the economic environment, etc. in accordance with the Joint Reform of Social Security and Tax Systems Law (promulgated on 22 August 2012) which included a provision for the increase in the consumption tax rate.

The consumption tax rate is scheduled to increase in 2 steps as outlined below. However, whether the consumption tax rate will be raised to 10 percent as scheduled will be considered again prior to implementation.

Until 31 March 2014	From 1 April 2014 to 30 September 2015	From 1 October 2015 onwards
5% (current tax rate)	8% [effective date: 1 April 2014]	10% [effective date: 1 October 2015]
	↑ Decision made to implement	↑ To be considered before implementation

Note that certain transitional measures have been put into place, pursuant to which the old tax rate of 5 percent will be applied to certain transactions carried out on or after 1 April 2014.

II. Tax Reform Proposal to Stimulate Business Investment

1. Reduction in Effective Corporate Tax Rate (Abolition of Special Reconstruction Corporate Tax)

The Proposal indicates that the Special Reconstruction Corporation Tax imposed on companies (both Japanese companies and foreign companies) may be abolished one year earlier than previously announced. A decision will be made by the end of December this year.

If the Special Reconstruction Corporation Tax is abolished a year ahead of schedule, the applicable periods for Special Reconstruction Taxes and the effective corporate tax rate (including local taxes) will be as follows:

[Applicable periods for Special Reconstruction Taxes]

	Tax base x Tax rate		Applicable periods	
			Current tax law	Proposal
Special Reconstruction Corporation Tax	Japanese corporation tax liability for the fiscal year	x 10%	Fiscal years beginning from 1 April 2012 to 31 March 2015 (3 years)	Fiscal years beginning from 1 April 2012 to 31 March 2014 (2 years)
Special Reconstruction Income Tax	Japanese income tax (including withholding tax)	x 2.1%	From 1 January 2013 to 31 December 2037 (25 years)	No change

[Effective corporate tax rate (Proposal)]

	Fiscal years beginning before 1 April 2014	Fiscal years beginning on or after 1 April 2014
Corporation tax	25.5%	25.5%
Special Reconstruction Corporation Tax	2.55% (25.5% x 10%)	-
Special Local Corporate Tax	4.292%	4.292%
Business tax	3.26%	3.26%
Prefectural and municipal tax	5.28% (25.5% x 20.7%)	5.28% (25.5% x 20.7%)
Total	40.882%	38.332%
Effective tax rate	38.01% (40.882% x 100/107.55)	35.64% (38.332% x 100/107.55)

(The above effective tax rates take into account the tax deductibility of Special Local Corporate Tax and business tax payments, and are calculated using Tokyo tax rates applied to a company whose paid-in capital is over JPY100 million.)

2. Tax Credits for Salary Growth

The rules concerning tax credits for salary growth that were introduced under the 2013 tax reform as a temporary 3-year measure for fiscal years commencing between 1 April 2013 and 31 March 2016 will be extended for 2 years, and it is proposed that the relevant conditions will be amended.

Under the current tax credit system, a blue-return filing company will be able to apply the tax credit provided all of the following conditions are met:

[Conditions]

(i)	[Salary payments(*1) in the current year] ≧ [Salary payments in the base year(*3)] x 105%
(ii)	[Salary payments in the current year] ≧ [Salary payments in the preceding year]
(iii)	[Average salary payments(*4) in the current year] ≧ [Average salary payments in the preceding year]

(*1) 'Salary payments' refers to salary paid to domestic employees(*2) which are deductible in calculating the company's income for each fiscal year.

(*2) 'Domestic employees' refers to employees (excluding employees who have a special relationship with directors or who have status as directors) working at offices located in Japan, who are listed in a wage ledger prescribed by the Labor Standards Act.

(*3) 'Base year' refers to the fiscal year preceding the first fiscal year commencing on or after 1 April 2013.

(*4) 'Average salary payments' refers to the average of salary paid to domestic employees (excluding the amount paid to day laborers).

[Tax credit]

[Salary payments in the current year – Salary payments in the base year] x 10%

The credit is limited to 10 percent (20 percent for small and medium-sized companies(*)) of the corporation tax liability amount for the fiscal year.

(*) Small and medium-sized companies for the purpose of this rule are defined as follows:

- Companies with paid-in capital of JPY100 million or less (as at the end of the fiscal year), excluding the following cases:
  - (i) at least 50 percent of the shares are held by one large-scale company (a company whose paid-in capital is over JPY100 million); or
  - (ii) at least two-thirds of the shares are held by two or more large-scale companies
- Companies with no capital whose number of regular employees is 1,000 or less

(1) Amendment to required increase in the amount of salary paid

It is proposed that condition (i) above, which requires an increase of 5 percent or more in the amount of salary paid compared to the base year, will be relaxed as indicated below:

Applicable periods	Current tax law	Proposal
Fiscal years beginning before 1 April 2015	[Salary payments in the current year] ≧ [Salary payments in the base year] x 105%	[Salary payments in the current year] ≧ [Salary payments in the base year] x 102%
Fiscal years beginning between 1 April 2015 and 31 March 2016		[Salary payments in the current year] ≧ [Salary payments in the base year] x 103%
Fiscal years beginning between 1 April 2016 and 31 March 2018		[Salary payments in the current year] ≧ [Salary payments in the base year] x 105%

(2) Amendment of the conditions for average salary payments

It is also proposed that condition (iii) above will be amended as follows:

	Current tax law	Proposal
Conditions	[Average salary payments in the current year] ≧ [Average salary payments in the preceding year]	[Average salary payments in the current year] > [Average salary payments in the preceding year]
Average salary payments	The average of salary paid to domestic employees (excluding the amount paid to day laborers)	The average of salary paid to continuously employed people(*)

(*) 'Salary paid to continuously employed people' refers to salary paid to domestic employees who are insured persons under the National Employment Insurance Scheme. Note that the amount of salary paid to employees who are employed based on the continuous employment system under the Act on Stabilization of Employment of Elderly Persons should be excluded from salary paid to continuously employed people.

(3) Timing of application

These amendments will be applied for fiscal years ending on or after 1 April 2014.

Note that there is a transitional measure whereby the new relaxed conditions will be applied retroactively. Specifically, in cases where all the amended conditions are met in a fiscal year beginning on or after 1 April 2013 and ending before 1 April 2014 but a tax credit is not applied, an amount equivalent to the tax credit calculated based on the amended conditions for the fiscal year can be added to the amount of tax credit for the fiscal year which includes 1 April 2014. In such case, the creditable limit will also be increased (taking into account the duration of the prior fiscal year).

3. Special Measures for Promotion of Investment in Productivity Improvement Facilities

When a blue-return filling company acquires certain Productivity Improvement Facilities that constitute production facilities(*) and puts them into use for business in Japan during the period from the effective date of the Industrial Competitiveness Enhancement Act to 31 March 2017, the company will be entitled to apply either special depreciation or a tax credit.

(*) 'Production facilities' means facilities consisting of depreciable assets directly used for business. For example, a head office building, boarding house, office furniture/fixtures and welfare facilities would not be treated as production facilities.

(1) Productivity Improvement Facilities

'Productivity Improvement Facilities' means 'High-Technology Facilities' and 'Facilities to Improve Production Line/Operation' to be defined under the Industrial Competitiveness Enhancement Act. The following charts indicate the scope of such facilities and the minimum acquisition cost requirements for the special depreciation and the tax credit:

[High-Technology Facilities]

<table>
<tr><th colspan="4">High-Technology Facilities</th><th rowspan="3">Minimum acquisition cost requirements</th></tr>
<tr><th colspan="2">Facilities</th><th colspan="2">Conditions</th></tr>
<tr><th>Type of depreciable assets</th><th>Details of applicable assets (Based on Appendix 1 of the Ministerial Ordinance for statutory useful lives, except 4 and 6)</th><th>State-of-the-art (must be the latest model released during the following period(*1))</th><th>Effective in improving productivity</th></tr>
<tr><td>1. Machinery</td><td>(Not limited)</td><td>Within 10 years(*2)</td><td rowspan="5">The productivity (production volume, accuracy, energy efficiency, etc. per unit of time) should increase by 1% or more on an annual basis compared to the older model.</td><td>• JPY1,600,000 or more per unit</td></tr>
<tr><td>2. Tools</td><td>Roller</td><td>Within 4 years</td><td rowspan="2">• JPY1,200,000 or more per unit
or
• JPY300,000 or more per unit, with total acquisition costs in a fiscal year of JPY1,200,000 or more</td></tr>
<tr><td>3. Furniture /fixtures
((e) is available only for small and medium-sized companies.)</td><td>(a) Display shelf and display case with refrigerating machine
(b) Air conditioner or heater
(c) Refrigerator, washing machine or other similar electric/gas equipment
(d) Certain types of ice box and cold storage unit
(e) Server (where purchased with software (OS))
(f) Testing equipment or measurement instrument</td><td>Within 6 years</td></tr>
<tr><td>4. Buildings</td><td>Heat insulation material and insulated window</td><td rowspan="2">Within 14 years</td><td>• JPY1,200,000 or more per unit</td></tr>
<tr><td>5. Attachments to buildings</td><td>(a) Electrical facility and lighting (other than battery power-supply facility)
(b) Air conditioning, heating, ventilation or boiler facility</td><td>• JPY1,200,000 or more per unit
or
• JPY600,000 or more per unit, with total</td></tr>
</table>

	(c) Elevator (d) Arcade or awning facility (blind only) (e) Film to protect from sunlight			acquisition costs in a fiscal year of JPY1,200,000 or more
6. Software (available only for small and medium-sized companies)	Software which collects/analyzes information on operational status of a facility and directs the facility	Within 5 years	(Not required)	• JPY700,000 or more per unit or • JPY300,000 or more per unit, with total acquisition costs in a fiscal year of JPY700,000 or more

(*1) If the company acquires a model released in that fiscal year or in the previous year, such asset is treated as meeting this condition.

(*2) The second latest model for machinery with built-in software released within 10 years is acceptable for small and medium-sized companies(*3).

(*3) Although not specified in the Proposal, it is presumed that 'small and medium-sized companies' for the purpose of this rule will be the same as those described in section '2. Tax Credits for Salary Growth'.

[Facilities to Improve Production Line/Operation]

Facilities to Improve Production Line/Operation		Minimum acquisition cost requirements
Facilities	Productivity improvement condition	
1. Machinery	The Return on Investment (ROI) described in an Investment Plan approved by the Bureau of Economy, Trade and Industry is 15% or more (5% or more for small and medium-sized companies).	• JPY1,600,000 or more per unit
2. Tools		• JPY1,200,000 or more per unit or • JPY300,000 or more per unit, with total acquisition costs in a fiscal year of JPY1,200,000 or more
3. Furniture /fixtures		
4. Buildings		• JPY1,200,000 or more per unit
5. Attachments to buildings		• JPY1,200,000 or more per unit or • JPY600,000 or more per unit, with total acquisition costs in a fiscal year of JPY1,200,000 or more
6. Structures		• JPY1,200,000 or more per unit
7. Software		• JPY700,000 or more per unit or • JPY300,000 or more per unit, with total acquisition costs in a fiscal year of JPY700,000 or more

(2) Special depreciation/Tax credit

[Fixed assets other than buildings and structures]

	Purchased from the effective date of the Industrial Competitiveness Enhancement Act to 31 March 2016	Purchased from 1 April 2016 to 31 March 2017
Special depreciation	Acquisition cost – Ordinary depreciable limit (i.e. total acquisition costs can be expensed upfront.)	Acquisition cost x 50%
Tax credit	Acquisition cost x 5% (capped at 20% of the corporation tax liability for the fiscal year)	Acquisition cost x 4% (capped at 20% of the corporation tax liability for the fiscal year)

[Buildings and structures]

	Purchased from the effective date of the Industrial Competitiveness Enhancement Act to 31 March 2016	Purchased from 1 April 2016 to 31 March 2017
Special depreciation	Acquisition cost – Ordinary depreciable limit (i.e. total acquisition costs can be expensed upfront.)	Acquisition cost x 25%
Tax credit	Acquisition cost x 3% (capped at 20% of the corporation tax liability for the fiscal year)	Acquisition cost x 2% (capped at 20% of the corporation tax liability for the fiscal year)

Where a company acquires qualified facilities for the purpose of this rule during the period from the effective date of the Industrial Competitiveness Enhancement Act to 31 March 2014 and puts them into use for business in a fiscal year ending on or before 31 March 2014, the company will be entitled to the equivalent of either the special depreciation or the tax credit for such assets in the fiscal year which includes 1 April 2014.

4. Tax Incentives for Investment in Facilities by Small and Medium-sized Companies

Tax incentives for small and medium-sized companies filling a blue-form tax return will be expanded as follows:

Note that 'small and medium-sized companies' for the purpose of following rules are the same as those described in section '2. Tax Credits for Salary Growth'.

(1) Special depreciation or tax credit for specific equipment

[Current tax law]

Under the current tax law, where a small and medium-sized company acquires specific equipment and puts it into use for certain business in Japan during the designated period, the company is eligible for either special depreciation or a tax credit.

Designated period	From 1 June 1998 to 31 March 2014
Specific equipment	(a) Machinery with acquisition cost of JPY1,600,000 or more (b) Certain tool and furniture/fixtures with acquisition cost of JPY1,200,000 or more (c) Certain software with acquisition cost of JPY700,000 or more (d) Trucks over 3.5 tons of gross weight (e) Ship for coastal shipping business, etc.
Special depreciation	Acquisition cost(*) x 30% (*) 75% of the acquisition cost for '(e) ship for coastal shipping business'
Tax credit	【Small and medium-sized companies with paid in capital of JPY 30 million or less】 Acquisition cost(*) x 7% (capped at 20% of the corporation tax liability for the fiscal year) (*) 75% of the acquisition cost for '(e) ship for coastal shipping business' 【Small and medium-sized companies with paid in capital in excess of JPY30 million】 Not applicable

[Proposal]

Pursuant to the Proposal, the following amendments are proposed:

- The designated period will be extended until 31 March 2017.
- Where a small and medium-sized company acquires specific equipment that falls within the definition of 'Productivity Improvement Facilities' discussed in section '3. Special Measures for Promotion of Investment in Productivity Improvement Facilities' and puts them into use for business during the period from the effective date of the Industrial Competitiveness Enhancement Act to 31 March 2017, the special depreciation and tax credit will be expanded as follows:

Special depreciation	Acquisition cost – Ordinary depreciable limit (i.e. total acquisition costs can be expensed upfront.)
Tax credit	【Small and medium-sized companies with paid in capital of JPY 30 million or less】 Acquisition cost x 10% 【Small and medium-sized companies with paid in capital in excess of JPY30 million】 Acquisition cost x 7%

Where a small and medium-sized company acquires Productivity Improvement Facilities during the period from the effective date of the Industrial

Competitiveness Enhancement Act to 31 March 2014 and puts them into use for business in the fiscal year ending on or before 31 March 2014, the company will be entitled to the equivalent of either the special depreciation or the tax credit for such assets in the fiscal year which includes 1 April 2014.

(2) One-time deduction for less expensive assets

If a small and medium-sized company acquires a depreciable asset, the acquisition cost of which is less than JPY300,000, until 31 March 2014 and puts it into use for business in Japan, such acquisition cost is fully tax deductible provided it is recorded as an expense for accounting purposes.

Under the Proposal, this rule will be extended by 2 years until 31 March 2016.

5. Tax Credits for R&D Costs

Regarding the additional tax credits which are temporary measures under the tax credit system for R&D costs, the applicable period will be extended for 3 years. In addition, the tax credit system for incremental R&D costs will be changed to a system that allows for a further tax credit in response to the percent increase. An outline of these amendments is as follows:

[Tax credits for R&D costs]

<table>
<tr><th></th><th colspan="2">Current tax law</th><th colspan="2">Proposal</th></tr>
<tr><td rowspan="3">Permanent measure</td><td colspan="2">[Tax credit on total R&D costs]</td><td colspan="2" rowspan="3">No changes</td></tr>
<tr><td colspan="2">(1) Amount of tax credit
R&D costs x 8-12%</td></tr>
<tr><td colspan="2">(2) Maximum tax credit
Corporation tax liability x 20%
(30% for fiscal years beginning between 1 April 2013 and 31 March 2015)</td></tr>
<tr><td rowspan="6">Temporary measures</td><td colspan="2">[Additional tax credits]
Applicable for fiscal years beginning before 1 April 2014</td><td colspan="2">Applicable for fiscal years beginning before 1 April 2017 (i.e. extended by 3 years)</td></tr>
<tr><td colspan="2">(1) Amount of tax credit: (i) or (ii)</td><td colspan="2"></td></tr>
<tr><td rowspan="2">(i) Tax credit for incremental R&D costs(*1)</td><td rowspan="2">Incremental R&D costs(*2) x 5%</td><td>5% < Percent increase(*4) < 30%</td><td>Incremental R&D costs x Percent increase</td></tr>
<tr><td>30% ≦ Percent increase</td><td>Incremental R&D costs x 30%</td></tr>
<tr><td>(ii) Tax credit for R&D costs in excess of 10% of average sales proceeds</td><td>[R&D costs − Average sales proceeds x 10%] x Tax credit ratio</td><td colspan="2">No changes</td></tr>
<tr><td colspan="2">(2) Maximum tax credit
Corporation tax liability x 10%</td><td colspan="2">No changes</td></tr>
</table>

(*1) 'Tax credit for incremental R&D costs' is applicable only when the R&D costs for the current fiscal year are greater than the R&D costs in each of the prior 2 fiscal years.

(*2) 'Incremental R&D costs' is calculated as follows:
[R&D costs for the current fiscal year] − [Annual average of R&D costs for the prior 3 fiscal years(*3)]

(*3) 'Annual average of R&D costs for the prior 3 fiscal years' is calculated as follows:

$$\frac{\text{R\&D costs for the fiscal years beginning in the prior 3 calendar years}}{\text{Number of the above fiscal years}}$$

(*4) 'Percent increase' means the ratio of Incremental R&D costs to Annual average of R&D costs for the prior 3 fiscal years.

6. Tax Measures to Promote Business Restructuring

(1) Investment Loss Reserve for Specified Business Restructuring

When a company that obtains certification of a Specified Business Restructuring Plan under the Industrial Competitiveness Enhancement Act acquires Specified Shares/Loans in/to a Specified Company organized/reorganized under the Specified Business Restructuring referred to in such Plan and accumulates an Investment Loss Reserve for Specified Business Restructuring to provide for potential losses suffered from share-price reduction/bad debt, the company will be entitled to claim a tax deduction for a portion of the Investment Loss Reserve.

The details of this new measure are as follows:

Applicable company	A blue-return filing company that obtains certification of a Specified Business Restructuring Plan under the Industrial Competitiveness Enhancement Act during the period from the effective date of the Act to 31 March 2017
Specified Shares/Loans	• Shares in the Specified Company acquired at incorporation/via increase in capital, mergers, vertical corporate divisions or contribution in kind • Loans to the Specified Company
Applicable fiscal year	Fiscal years in which the applicable company acquires the Specified Shares/Loans
Deductible amount	Acquisition cost of the Specified Shares/Loans(*1) x 70%(*2) (*1) The Specified Shares/Loans must be acquired during the Applicable Accumulation Period (and not before the Specified Business Restructuring) and must be continuously held until the end of the fiscal year in which they are acquired. (*2) For the fiscal year in which the Specified Business Restructuring is conducted, 70% of the book value of the Specified Shares/Loans acquired before the Specified Business Restructuring is also included provided they are continuously held until the end of that fiscal year.
Applicable Accumulation Period	10-year period from the date the applicable company obtains certification of a Specified Business Restructuring Plan (However, if the Specified Company reports operating profits for 3 consecutive fiscal years, the Applicable Accumulation Period is the period up to the end of the last fiscal year of the 3 consecutive fiscal years.)

The following amount of the Reserve is required to be reversed over 5 years and constitutes taxable income from the fiscal year following the fiscal year in which the Applicable Accumulation Period terminates.

Reversal amount	Balance of reserve as at the end of the fiscal year in which the Applicable Accumulation Period terminates	x	$\frac{\text{Number of months in each fiscal year}}{60}$

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This new measure will be applicable for fiscal years ending on or after 1 April 2014. When an applicable company acquires Specified Shares/Loans for the period between the effective date of the Industrial Competitiveness Enhancement Act and 31 March 2014 (in fiscal years ending before 1 April 2014), the applicable company will be entitled to claim a deduction equivalent to the reserve in the fiscal year including 1 April 2014.

(2) Reduction of registration tax

When an enterprise obtains certification for a Business Restructuring Plan, a Specified Business Restructuring Plan or a Small and Medium-Sized Enterprise Succeeding Business Revitalization Plan under the Industrial Competitiveness Enhancement Act during the period from the effective date of the Act to 31 March 2016, the registration tax rate on the establishment of a company or acquisition of real property, etc. will be reduced as follows:

Types of registration		Tax base	Standard tax rate	Reduced tax rate
Incorporation or capital increase of a Kabushiki Kaisha (KK)		Amount of capital/capital increase	0.7%	0.35%
Incorporation or capital increase of a KK due to merger		Amount of capital/capital increase	0.15%	0.1%
	Excess portion over the amount of capital of the merged company	Amount of capital/capital increase	0.7%	0.35%
Incorporation or capital increase of a KK due to corporate division		Amount of capital/capital increase	0.7%	0.5%
Transfer of ownership at incorporation of a company	Real property	Value of real property	2.0%	1.6%
	Ship	Value of ship	2.8%	2.3%
Transfer of ownership due to merger	Real property	Value of real property	0.4%	0.2%
	Ship	Value of ship	0.4%	0.3%
Transfer of ownership due to corporate division	Real property	Value of real property	2.0%	0.4%
	Ship	Value of ship	2.8%	2.3%

7. Tax Measure to Promote Investment into Business Ventures

When a company acquires shares in a Specified Business Venture through an Investment Limited Partnership (ILPS) that obtains certification of a Specified Business Venture Plan under the Industrial Competitiveness Enhancement Act and accumulates an Investment Loss Reserve for the Specified Business Venture to provide for potential losses suffered from share-price reduction, the company will be entitled to claim a tax deduction for a portion of the Investment Loss Reserve. The details of this new measure are as follows:

Applicable company	A blue-return filing company that is a limited partner of an ILPS that obtains certification of a Specified Business Venture Plan under the Industrial Competitiveness Enhancement Act where the investment in the ILPS is made on or after the date of the certification (A qualified institutional investor, whose book value of shares categorized as 'other securities' is over JPY2 billion as at the beginning of the fiscal year in which the ILPS agreement is concluded, will be eligible only when the expected investment amount into the ILPS is JPY200 million or more.)
Applicable ILPS	An ILPS that obtains certification of a Specified Business Venture Plan under the Industrial Competitiveness Enhancement Act during the period from the effective date of the Act to 31 March 2017
Applicable fiscal year	Fiscal years including any day during the period from the date of the certification to the end of the term of the ILPS
Deductible amount	Book value of the shares(*) in the Specified Business Venture as of the end of each applicable fiscal year x 80% (*) The shares must be acquired during the period from the date of the certification to the end of the term of the ILPS.

The Reserve is required to be reversed and constitutes taxable income in the following fiscal year of the accumulation of the reserve. Therefore, both the accumulation and reversal of the reserve will be carried out every year from the second year for the term of the ILPS.

* * *

This new measure will be applicable for fiscal years ending on or after 1 April 2014.

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