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Tax Update

National Tax Agency — Administrative Guidance and Q&As Related to the Japanese IIR, Japanese UTPR and Japanese QDMTT

In order to implement the Global Minimum Tax under Pillar 2 agreed by the OECD/G20 Inclusive Framework on BEPS, the Japanese Income Inclusion Rule (hereinafter the 'Japanese IIR') was established under the 2023 tax reform, and the Japanese Undertaxed Profits Rule (hereinafter the 'Japanese UTPR') and the Japanese Qualified Domestic Minimum Top-up Tax (hereinafter the 'Japanese QDMTT') were established under the 2025 tax reform, respectively.

By virtue of the 2026 tax reform, amendments were made to the Japanese IIR, Japanese UTPR and Japanese QDMTT based on the agreement on the coexistence of Pillar 2 with the minimum tax regimes of certain jurisdictions, including the United States, that satisfy specified requirements, as well as administrative guidance issued by the OECD.

On 7 August 2026, the National Tax Agency (hereinafter the 'NTA') released the following administrative guidance and Q&As regarding the Japanese IIR, Japanese UTPR and Japanese QDMTT:

1. Administrative Guidance

The NTA released the amended administrative guidance (Japanese only) (hereinafter the 'Japanese Amended AG') reflecting the amendments relating to the Japanese IIR, Japanese UTPR and Japanese QDMTT introduced under the 2026 tax reform.

By virtue of the 2026 tax reform, for example, a special measure was introduced whereby, if the relevant information is provided through the information declaration system (i.e., the GloBE Information Return) for each applicable fiscal year of a Specified MNE Group, etc., the jurisdictional adjusted covered taxes for the applicable fiscal year are treated as including the Jurisdictional Special Tax Credit Equivalent Amount, etc.[*1] for the applicable fiscal year, and the jurisdictional effective tax rate and the current jurisdictional international minimum tax amount, etc. for the relevant jurisdiction are calculated on that basis.

The Japanese Amended AG introduces new guidance relating to the special measure, together with other necessary amendments.

The guidance relating to the special measure applies to the Japanese IIR for applicable fiscal years beginning on or after 1 January 2026 and the remaining guidance applies to the Japanese IIR, etc. for applicable fiscal years beginning on or after 1 April 2026.

(*1) The total amount of the Special Tax Credit Equivalent Amount, etc.(*2) of all constituent companies, etc. located in the jurisdiction (excluding amounts corresponding to qualified refundable tax credits, etc.)

(*2) The amount calculated in a reasonable manner, taking into consideration the laws and regulations relating to covered taxes in the jurisdiction, based on a certain amount corresponding to the relevant category of provisions on special tax credits, etc.

2. Q&As

In December 2023, the NTA released Q&As (Japanese only) related to the Japanese IIR. Since then, it has released several revised editions during 2024 and 2025(*). The NTA has recently released two further revised editions of the Q&As ((1) and (2)), together with a new set of Q&As ((3)) reflecting the amendments introduced under the 2025 and 2026 tax reforms.

(1) Q&As on the Japanese IIR for applicable fiscal years beginning between 1 April 2024 and 31 March 2025 (revised edition)

The previous edition of the Q&As has been updated to include guidance on the so-called 'once out, always out' approach. Under this approach, if the Transitional CbCR Safe Harbour was not applied for any applicable fiscal year in the past, it is generally not available in any subsequent applicable fiscal year, even if one of the conditions of the Transitional CbCR Safe Harbour is satisfied.

Specifically, where there is no jurisdiction with taxing rights over constituent companies, etc. or joint ventures, etc. located in a certain jurisdiction, the conditions for applying the Transitional CbCR Safe Harbour are not satisfied because the Specified MNE Group, etc. is not required to indicate in the GloBE Information Return that it elects to apply the Transitional CbCR Safe Harbour for the jurisdiction for the applicable fiscal year. Accordingly, the Transitional CbCR Safe Harbour is not available for that jurisdiction for the applicable fiscal year. The revised Q&As clarify, however, that such cases are not subject to the 'once out, always out' approach. They also confirm that the same treatment applies to the application of the Transitional CbCR Safe Harbour to an Intermediate Parent Entity, etc. located in another jurisdiction that implements the IIR before Japan.

(2) Q&As on the Japanese IIR for applicable fiscal years beginning between 1 April 2025 and 31 March 2026 (revised edition)

The previous edition of the Q&As has been updated to include guidance on the so-called 'once out, always out' approach similar to that included in the Q&As described in (1).

Furthermore, a new section entitled 'IX. SbS Safe Harbour [Fiscal Years Beginning on or after 1 January 2026]' has been added. This section provides selected excerpts from the Q&As described in (3) regarding the SbS Safe Harbour, which is available for applicable fiscal years beginning on or after 1 January 2026.

(3) Q&As on the Japanese IIR, Japanese UTPR and Japanese QDMTT for applicable fiscal years beginning on or after 1 April 2026

The set of Q&As has been prepared by incorporating the following changes and other updates into the Q&As described in (2). It summarizes the tax treatment for applicable fiscal years beginning on or after 1 April 2026 with respect to questions and issues relating to the Japanese IIR, Japanese UTPR and Japanese QDMTT.

- A new section entitled 'VIII. SbS Safe Harbour' has been added to the guidance on the Japanese IIR, together with additional explanatory guidance and a Q&A relating to the SbS Safe Harbour. Furthermore, the section 'IX. Transitional CbCR Safe Harbour' has been revised to reflect the one-year extension of the applicable period under the 2026 tax reform, and guidance similar to that included in the Q&As described in (1) has also been incorporated.
- New sections regarding the Japanese UTPR and Japanese QDMTT have been added. These sections provide explanatory guidance on the Japanese UTPR and Japanese QDMTT, which are effective for applicable fiscal years beginning on or after 1 April 2026, together with new Q&As.

(*) We set out information concerning the previous editions of the Q&As in the following e-Tax News:

- Q&As released in December 2023
  e-Tax News No.297 'Q&As on Japanese Income Inclusion Rule' (issued on 26 December 2023)
- Q&As released in September 2024
  e-Tax News No.317 'Update of Q&As on J-IIR' (issued on 17 September 2024)
- Q&As released in January 2025
  e-Tax News No.326 'Update of Q&As related to J-IIR' (issued on 29 January 2025)
- Q&As released in October 2025
  e-Tax News No.340 'Update of Q&As related to Japanese IIR' (issued on 5 November 2025)

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