

Japan tax newsletter

Ernst & Young Tax Co.

2020 Tax reform outline - Taxation related to finance and real estate

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The 2020 tax reform outline (hereinafter, "Outline") was released on 12 December 2019 from the LDP/Komeito ruling coalition.

This alert provides an introduction to major reforms specific to finance- and real estate-related tax rules, financial institutions and insurance companies contained in the Outline.

For a general overview of the Outline, please refer to Japan tax newsletter "2020 Japan tax reform outline" dated 13 February 2020.

Please note that the contents of this newsletter may be revised in response to future Diet deliberations concerning the reform bill.

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1. Revisions of the NISA program and the Junior NISA program

(1) Tax measure pertaining to the NISA program¹

- a. The period in which installment-type NISA² accounts may be opened will be extended by 5 years to 31 December 2042.
- b. In accordance with the expiry of the period in which ordinary NISA³ accounts may be opened under the current rules, a tax-exemption measure (the New NISA program) pertaining to specified tax-exempt cumulative investment agreements (tentative name) will be introduced and individual investors will be able to choose between the new NISA program and the installment-type NISA program stipulated under the current rules.

The aforementioned tax-exempt cumulative investment agreement (tentative name) refers to an agreement relating to the regular and continuous purchase of beneficiary interests of publicly-offered stock investment trusts concluded between a financial instruments business operator and a resident for the purpose of becoming eligible for exemption from individual income taxes and individual inhabitants taxes. This agreement must include clauses pertaining to specified cumulative investment accounts (tentative name) and specified tax-exempt management accounts (tentative name).

Individual income taxes and individual inhabitants taxes are not levied on dividends and capital gains on publicly-offered stock investment trusts held in the specified cumulative investment accounts (tentative name) and dividends and capital gains on listed shares held in

Overview of the New NISA program and comparison between a New NISA account and an installment-type NISA account

	New NISA account (tentative name) (5-year period beginning in 2024)	Selection of a single account type	Installment-type NISA account (extended by 5 years from the current rules)
Maximum annual investment amount	Second tier (specified tax-exempt management accounts (tentative name)): JPY1,020,000 million First tier (specified cumulative investment accounts (tentative name)): JPY200,000 <ul style="list-style-type: none"> ▸ For the purpose of having more citizens take advantage of installment-type and diversified investments, individuals will generally be required to make a first-tier installment-type investment prior to use of the second-tier tax exemption. ▸ As an exception, from the perspective of increasing the supply of cash available for economic growth (especially the nurturing of long-term shareholders), individuals who have opened NISA accounts in the past or experienced investors will not be required to make a first-tier installment-type investment, if they only invested in listed shares under the second-tier. 		JPY400,000
Tax-exemption period	Second tier: 5 years First tier: 5 years (after expiry, individuals may make a transfer to installment-type NISAs)		20 years
Period during which accounts may be opened	By 2028 (5-year measure) (By 2023 for ordinary NISAs under the current rules)		By 2042 (5-year extension) (By 2037 under the current rules)
Qualified investment products	Second tier: Listed shares and publicly-offered stock investment trusts (Note) First tier: Same as installment-type NISAs (specified publicly-offered stock investment trusts suitable for installment-type and diversified investments)		Specified publicly-offered stock investment trusts suitable for installment-type and diversified investments

*Note: Provided that the investment portfolio excludes leveraged investment trusts and, of listed shares, securities to be delisted and securities under supervision (*Prepared based on materials published by the Financial Services Agency of Japan)*

1 Tax exemption measure for dividend income and capital gains on share transfers from small investments in listed shares in tax-exempt accounts
 2 Tax exemption measure pertaining to tax-exempt cumulative investment agreements
 3 Tax exemption measure pertaining to tax-exempt listed share management agreements

specified tax-exempt management accounts (tentative name). The amount of capital losses incurred from transfers etc. will be deemed as not having been incurred from the perspective of the application of provisions of laws and regulations concerning individual income taxes and individual inhabitants taxes.

- c. Revisions stipulating that applications for tax-exemption status will no longer be accepted on or after 1 April 2021, and which merge the procedures to open new tax-exempt accounts into the simplified account opening procedures, will be implemented. (The requisite transitional measures will be implemented in concern to tax-exemption status granted in relation to an application submitted prior to 1 April 2021.)
- d. With regard to certain documents, such as the notification in the change of financial instruments business operator and the notification concerning closure of a tax-exempt account, revisions will be implemented to permit submission of electromagnetic records in which are recorded electromagnetic information required to be included in the aforementioned documents in place of the submission of the aforementioned documents.

(2) Measure pertaining Junior NISA⁴ programs

- a. The period during which accounts for minors can be opened will not be extended, and will expire as planned.
Furthermore, in accordance with this expiry, individuals will be allowed, on dates on or after 1 January 2024, to cash out the full amount of listed shares and cash placed in taxable accounts for minors and accounts for minors without the imposition of withholding tax.
- b. With regard to certain documents, such as the notification concerning closure of an account for a minor and the request for departure from the country and transfer of investments, revisions will be implemented to permit submission of electromagnetic records in which are recorded electromagnetic information required to be included in the aforementioned documents in place of the submission of the aforementioned documents.

2. Tax measures pertaining to crypto-asset derivative transactions

The following tax measures will be introduced in line with the enforcement of the Act Amending the Payment Services Act⁵.

(1) Tax measure pertaining to the special provisions on the taxation of miscellaneous income from futures transactions

Miscellaneous income from crypto-asset derivative transactions will be excluded from the scope of special provisions on the taxation of miscellaneous income from futures transactions and will no longer be deductible as carry forward losses incurred from the settlement of differences of futures transactions.

(2) Tax measure for payment record regulations regarding futures transactions

- a. Financial instruments business operators that have been entrusted with crypto-asset derivative transactions are required to submit to the district director of the local tax office, payment records that include information concerning the total amount of realized gains or losses generated from the settlement of differences of crypto-asset derivative transactions for a given year by 31 January of the year following the year in which falls the settlement date.
- b. With regard to the settlement of differences of crypto-asset derivative transactions conducted during the period from the enforcement date of the Act Amending the Payment Services Act to 31 December 2020, submission of payment records relating to futures transactions will not be required, and the sending of notifications from companies settling the differences of futures transactions will also not be required.

⁴ Tax exemption measure for dividend income and capital gains on share transfers from small investments in listed shares in accounts for minors

⁵ Act Partially Amending the Act concerning Payment Services to Address the Diversification of Financial Transactions Accompanying the Development of Information and Communications Technology

(3) Revisions of the scope of eligibility of tax-exemption regulations for interest on margins for OTC derivative transactions

Crypto-asset derivative transactions will be excluded from the scope of over-the-counter (OTC) derivative transactions eligible for application of these regulations.

Financial derivative transactions that are eligible for application of the above tax measures are limited to certain specified transactions within the scope of the listed derivative transactions or OTC derivative transactions defined under the Financial Instruments and Exchange Act (i.e. futures, options, etc.).

Since crypto-asset derivative transactions have hitherto not been included in the derivative transactions defined by the Financial Instruments and Exchange Act, they were not deemed as financial derivative transactions eligible for the aforementioned special provisions and tax-exemption regulations. However, due to the amendment of the Financial Instruments and Exchange Act accompanying the enforcement of the Act Amending the Payment Services Act, crypto-assets would be characterized as financial instruments under the Financial Instruments and Exchange Act; if the current tax laws were applied as-is, then crypto-asset derivative transactions would be considered eligible for the aforementioned special provisions and tax-exemption regulations.

Therefore, this year's Outline states that necessary revisions will be carried out with regard to the scope of financial derivative transactions eligible for the aforementioned special provisions and tax-exemption regulations, so that the scope of eligible transactions after the amendment of the Financial Instruments and Exchange Act will remain the same as the scope of eligible transactions prior to the amendment.

Moreover, accompanying the enforcement of the Act Amending the Payment Services Act, the following reforms will be carried out: (i) The definition of financial Instruments under the Financial Instruments and Exchange Act will include crypto-assets; (ii) of the rights to receive distributions of profit from crypto-assets, specified electronically recorded transfer rights will be included in the securities listed under Article 2, paragraph (1) of the Financial Instruments and Exchange Act; and (iii) the name, "virtual currencies," will be changed to "crypto-assets." Therefore, in addition to the aforementioned Outline, interested parties are advised to note and consider the implications of any forthcoming announcements concerning the revision of tax laws and regulations.

Furthermore, due to the revisions of the scope of eligibility of tax-exemption regulations for interest on margins for OTC derivative transactions, a portion of financial derivative transactions defined by the Financial Instruments and Exchange Act will no longer be eligible for the aforementioned tax-exemption regulations, and therefore, interested parties are advised to determine whether these revisions will have an impact on efficiency and the burden of administrative processes pertaining to transactions with foreign financial institutions.

3. Introduction of special provisions for offsetting gains and losses pertaining to real estate income derived from foreign pre-owned buildings

(1) In the calculation of real estate income, if the amount of taxable income in relation to foreign real estate is negative, losses attributable to the depreciation expenses of foreign pre-owned buildings shall be deemed to have not been incurred, and said amounts will not be permitted to be offset against salary income and business income.

A foreign pre-owned building refers to a building located overseas used by individuals or companies for business purposes that is acquired by an individual and used for operations that generate real estate income for said individual and which utilize one of the following methods in the calculation of the number of useful lives in years used in the calculation of the relevant building's depreciation expenses, which are included as necessary expenses in the calculation of real estate income:

- (i) With regard to assets whose statutory useful lives in years have all elapsed, the method of using, as the number of useful lives in years, the number of years equivalent to 20% of the aforementioned statutory useful lives in years
- (ii) With regard to assets whose statutory useful lives in years have partially elapsed, the method of using, as the number of useful lives in years, the number of years calculated by firstly deducting the number of years elapsed from the statutory useful lives in years of the aforementioned assets and secondly by adding to that first amount, the number of years equivalent to 20% of the number of years elapsed

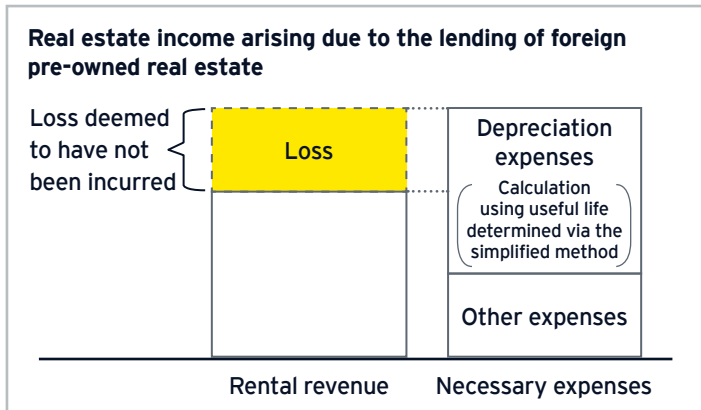
(iii) The method of using, as the number of useful lives in years, the number of years that the asset is usable after said asset was first used for income-generating purposes

(Excluding cases when documents that clearly indicate that the useful lives in years of the foreign pre-owned building being used is the useful lives in years pursuant to laws or regulations of the country in which said building is located or other specified documents that prove that the number of years said building is usable are appropriate, are attached.)

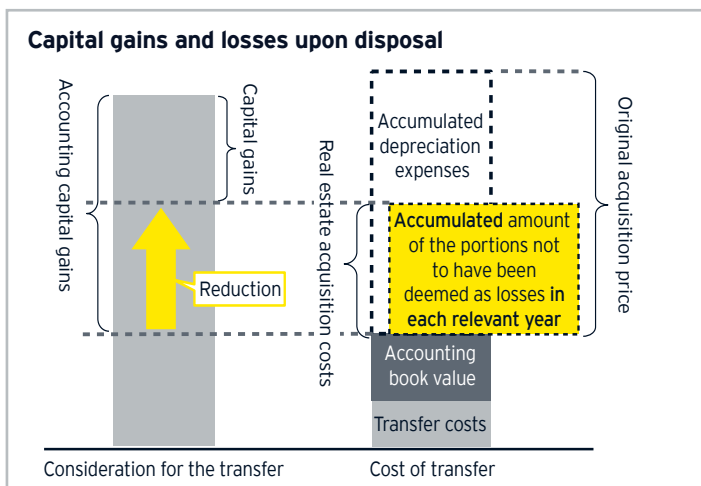
In the calculation of real estate income, the "amount of foreign real estate losses" refers to the amount of losses incurred as a result of leasing the foreign pre-owned building.

In the event that real estate income is generated from real estate, etc. located overseas other than the aforementioned foreign pre-owned buildings, and if, in the calculations, there are amounts remaining after deducting the aforementioned amount of losses from the amount of real estate income generated from the aforementioned real estate, etc. located overseas, then that remaining amount will be considered as "the amount of foreign real estate losses."

(2) In the calculation of capital gains on the transfer of a foreign pre-owned building in the case when the provisions of (1) above apply, revisions and other necessary measures will be implemented so that the amount of the depreciation expense-equivalents not to have been deemed as losses incurred pursuant to (1) above must be excluded from the cumulative amount of depreciation expenses that can be deducted from the acquisition costs of that building.



Source: Ministry of Finance documents



Source: Prepared based on materials published by the Ministry of Finance

This reform will apply to individual income taxes for 2021 and thereafter.

The number of useful lives in years used for the depreciation of an acquired pre-owned building from a tax perspective is the number of years calculated using the estimation method (method of estimating the usable period of the aforementioned building) regardless of whether that building is located in Japan or overseas. If estimating the usable period is difficult, then use of the number of years calculated using the simplified method pursuant to tax laws is permitted.

The useful lives in years of pre-owned buildings as calculated via the simplified method pursuant to tax laws at times fall greatly below the actual usable periods of such buildings in the relevant foreign country, particularly in the US and Europe, and a difference exists between the Japanese real estate market and the real estate markets of such foreign countries in that the fair value of buildings located in the US and Europe do not decrease as much as they do in Japan even after their useful lives in years have elapsed.

Consequently, attention had been called to the fact that losses generated via the recording of depreciation expenses which exceed rental revenue were being used to suppress income tax amounts via the offsetting of such losses with income from other sources.

This reform will therefore act to rectify the taxation of foreign real estate income.

4. Simplification of corporate number notifications

In the event that a company has notified relevant parties of specified matters or has submitted specified a notification in accordance with the Income Tax Act, etc. (hereinafter as “notification(s)”), and if the relevant party that received the notification has carried out the following procedures, then the following measures in relation to the company providing the notification will be implemented.

Procedures that must be carried out by the party receiving the notification	Measures proposed in the Outline
Confirmation of the name, head office address and corporate number of the company providing the notification as announced pursuant to provisions of the My Number Act ⁶	Presentation of personal identification documents required when providing notification will not be required
Confirmation of the name and head office address of the company providing the notification by receiving registration information via transmission from a designated company defined by the Act on Provision of Registration Information through Telecommunication Lines	Presentation of a certificate of registered information required when providing notification will not be required
Preparation of an account book that includes the corporate number and other relevant information of the company providing the notification	Provision of a notification of the corporate number of the company providing the notification or entry of the corporate number of said company in a notification form to the party receiving the notification will not be required

Other necessary measures will also be established.

Under the current tax laws, financial institutions such as securities firms and banks cannot obtain corporate numbers if they do not receive corporate number notifications from clients. On the other hand, since corporate numbers are announced to the general public through corporate number websites etc., there are expectations that reforms proposed in the Outline will contribute to the smooth execution of number notification obligations through utilization of corporate number websites and reduce the administrative burden of financial institutions.

5. Revisions accompanying the review of Japanese accounting standards regarding fair value measurement

On 4 July 2019, the Accounting Standards Board of Japan (ASBJ) and the Japanese Institute of Certified Public Accountants (Accounting Practice Committee) released ASBJ Statement No. 30, “Accounting Standard for Fair Value Measurement” and ASBJ Guidance No. 31, “Implementation Guidance on Accounting Standard for Fair Value Measurement,” which are scheduled to be applied from the start date of consolidated fiscal years and fiscal years starting on or after 1 April 2021. (Early application is also possible.)

Due to the introduction of the aforementioned “Accounting Standard for Fair Value Measurement,” the following revisions will be implemented.

These revisions will be applied to corporate taxes for fiscal years ending on or after 1 April 2020.

With regard to the fair values of the following instruments during fiscal years which contain any date between the period starting from the aforementioned date to 31 March 2021, transitional measures will be established to enable the calculation of fair values pursuant to the provisions of the current rules.

- ▶ Listed or unlisted securities without any publicized closing price as of the final date of a given fiscal year (excluding equity and/or capital contributions)
- ▶ Short-term trading commodities, etc. without any publicized closing price as of the final date of a given fiscal year (excluding virtual currencies)

⁶ Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures

Item	Content of the revision
a. Fair values of securities held for trading purposes	(i) The fair value of listed securities ⁷ without any publicized closing price as of the final date of a given fiscal year is the price calculated by employing a reasonable method based on the most recently publicized closing price.** (Under the current rules, the most recently publicized closing price is considered the fair value.) (ii) The fair value of securities other than (i) above ⁸ (excluding equity and/or capital contributions) is the price calculated by employing a reasonable method based on the final trading price, interest rate, or other indicators as of the final date of the fiscal year during which a public announcement was made regarding securities that resemble the aforementioned securities in question.**
b. Reasons for recording valuation losses on securities ⁹	Revisions will be implemented so that the scope of securities for which valuation losses can be recorded due to a significant fall in prices will come to include securities described in a. (i) and (ii) above.
c. Fair values of short-term trading commodities (excluding virtual currencies)	Revisions equivalent to those of a. above will be implemented.
d. Inclusion of unrealized gains or losses on derivative transactions in taxable income	Documents which include the following matters must be preserved. ▶ Reasons for employing a reasonable method used in the calculations of deemed realized gains or losses on unsettled derivative transactions (excluding amounts settled using the final market prices of listed derivative transactions, etc.) ▶ Other matters that served as the basis of the aforementioned calculations.
e. Monetary claims for which provisions are recorded in the allowance for doubtful debts	Bonds will be excluded from monetary claims for which provisions are posted in the allowance for doubtful debts. (The same revisions will be implemented for individual income taxes.)

(**) Preservation of documents which contain the reasons for employing the reasonable method to calculate the price and other matters that served as the basis of the aforementioned calculations will be required.

Since the contents of the above Outline are revisions accompanying the application of the fair value measurement accounting standards, it is thought that these revisions will be enacted in light of the content of the fair value measurement accounting standards.

Revisions will be enacted stipulating matters that, pursuant to tax laws, must be included in the documents that are required to be preserved concerning fair values of listed and unlisted securities, and deemed realized gains or losses on unsettled derivative transactions. Therefore, interested parties will likely need to heed the details of future announcements concerning the relevant laws and regulations to assess whether there will be any differences between the aforementioned and details of documentation requirements that will be established in the operation of fair value measurement accounting standards.

6. Treatment of deemed realized gains or losses on derivative transactions between companies in the same tax consolidation group

With regard to inclusion of the unrealized gains or losses on derivative transactions in taxable income, such gains or losses on the deemed settlement of derivative transactions conducted between companies in the same tax consolidation group (excluding those designated as hedge instruments) will be disregarded for the purposes of the calculation of consolidated taxable income.

⁷ Refers to securities traded in a securities exchange, over-the-counter traded securities, tradable securities and other securities whose prices are publicly announced (Article 119-13, item (i), (ii) and (iii) of the Ordinance for Enforcement of the Corporation Tax Act).

⁸ Article 119-13, item (iv) of the Ordinance for Enforcement of the Corporation Tax Act

⁹ Article 33, paragraph (2) of the Corporation Tax Act and Article 68, paragraph (1), item (ii) of the Ordinance for Enforcement of the Corporation Tax Act

Gains or losses on the deemed settlement of derivative transactions conducted between companies in the same tax consolidation group are generally required to be offset in the calculation of consolidated taxable income; as there, however, remains the potential that such amounts will not be offset in the event there are discrepancies in the amounts of gains or losses on deemed settlements due to discrepancies between consolidated companies in terms of fair value measurement policies, the valuation model or data utilized, or due to differences between consolidated companies in the timing of the introduction of accounting standards regarding fair value measurement, the Outline proposes the establishment of the necessary measures.

Furthermore, as the Outline proposes revisions which will transform the current consolidated taxation regime into a group profit and loss sharing regime, interested parties will need to attend to forthcoming announcements concerning the laws and regulations which define the treatment of the aforementioned deemed gains or losses on settlement under the group profit and loss sharing regime.

7. Rectification of the input consumption tax credit regulations pertaining to the acquisition of residential rental buildings

(1) Application of the input tax credit regulations will not be permitted in concern to consumption taxes pertaining to the acquisition of residential rental buildings (excluding buildings that will clearly not be used in the lending of a dwelling and that are categorized as specified high-value assets). However, those portions of residential rental buildings which will clearly not be used in the lending of a dwelling will continue to be eligible for application of the input tax credit regulations.

Specified high-value assets refer to inventory assets for which consideration paid, excluding taxes, per transaction equaled JPY10 million or more or fixed assets which are eligible for adjustments (i.e., buildings other than inventory assets and facilities installed in buildings for which consideration paid, excluding taxes, per transaction equaled JPY1 million or more).

In the case of residential rental buildings that are not eligible for application of the input tax credit regulations as a result of the aforementioned revisions, but that are transferred or leased for purposes other than for the lending of a dwelling between the period starting from the purchase date to the final date of the taxable period which contains the date when 3 years or more has elapsed since the first date of the taxable period which contains said purchase date, adjustments must be made by adding to the input tax credits of the taxable period which contains the transfer date or the relevant taxable periods, the amount calculated according to the transfer ratio and non-residential rental ratio during the previous 3 years.

This reform will be applied to residential rental buildings purchased on or after 1 October 2020. However, this reform will not apply to purchases of residential rental buildings made on or after 1 October 2020 based on agreements concluded on or before 31 March 2020.

(2) Even when the purposes for lending are not clearly stated in the agreement pertaining to the lending of a dwelling, consumption taxes will be exempted in relation to leases for which provision for use as a residence is evident through the condition of the building that is being leased.

This reform will be applied to leases concluded on or after 1 April 2022.

- (3) Cases when the adjustment measure for the consumption taxes of inventories (hereinafter, "adjustment tax measure for inventories") is applied in the event a taxpayer is not exempted from tax-paying obligations over specified high-value assets, which are considered inventories etc., will be added to the scope of cases eligible for the tax measure restricting application of the tax-exemption regulations for small-sized businesses and the simplified taxation rules in the event specified high-value assets are purchased.

This reform will apply to cases when the adjustment tax measure for inventories is applied on or after 1 April 2020.

- (4) Other necessary measures will also be established.

Since the rental revenue of residential condominiums and apartments are considered non-taxable sales, the acquisition costs of residential rental buildings are considered taxable purchases corresponding to the relevant non-taxable sales, and therefore consumption taxes thereof are not eligible as input tax credits.

However, there have been many incidents in which taxpayers have tried to receive refunds by applying for input tax credits of consumption taxes in relation to the acquisition costs of residential rental buildings by intentionally increasing the ratio of taxable sales against total sales by increasing the value of taxable sales over a long period through the method of conducting a series of contrived gold ingot transactions, which have been considered controversial. This reform, however, will contribute to the rectification of the input tax credit calculation.

8. Revision of the special rules concerning taxation pertaining to investment corporations

(1) Double taxation adjustments in relation to dividends upon application of the CFC rules to investment corporations

A measure will be introduced to treat, in the event an investment corporation is subject to the controlled foreign

corporation (CFC) rules, dividends etc. of the investment corporation as amounts eligible for double taxation adjustments by deeming an amount which corresponds to the portion of foreign corporation taxes levied on the income of a foreign related company that was subject to income inclusion under the CFC rules as the amount of foreign corporation taxes paid by the investment corporation.

This reform will apply to the fiscal years of foreign related companies ending on or after 1 April 2020.

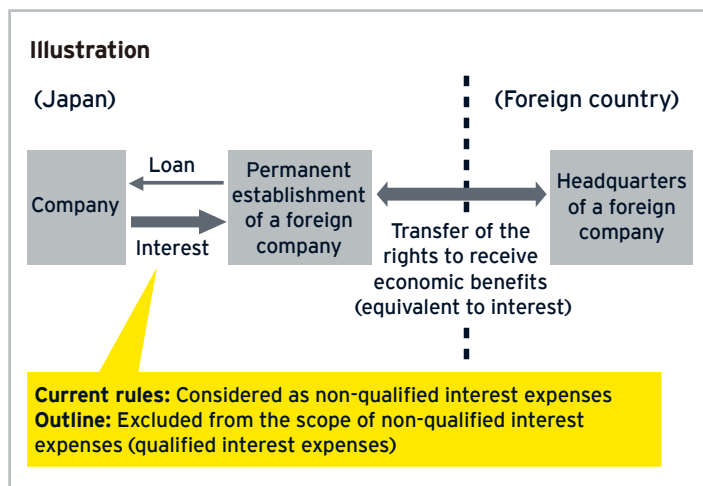
(2) Extension of the application period of the special tax measure for pass-through treatment, in relation to the asset ownership requirement imposed on infrastructure investment corporations

The acquisition period of renewable energy generation facilities specified under the special tax measure pertaining to renewable energy generation facilities listed in the asset ownership requirement, which is one of the pass-through requirements for infrastructure investment corporations, will be extended by 3 years (to 31 March 2022).

9. Revision of the scope of interest expenses not subject to the earnings stripping rules

When it is agreed in advance that the economic benefits in relation to receivables held by a permanent establishment (PE) of a foreign company will be transferred to its foreign headquarters etc., the amount of interest paid by a domestic company to the PE will be excluded from the scope of non-qualified interest expenses.

Due to the revisions of the earnings stripping rules implemented by the 2019 tax reforms, interest paid via domestic unrelated parties are excluded from the scope of non-qualified interest expenses. However, the 2020 Outline proposes further revisions to exclude interest paid via PEs (e.g., branches) from the scope of non-qualified interest expenses.



and the application period will be extended by 3 years (1 year for certain portions of the special tax measure) after the implementation of transitional measures (to 31 March 2023 (to 31 March 2021 for certain portions of the special tax measure)).

(3) Extension of the special measure for the capital-based taxation pertaining to the Banks' Shareholding Purchase Corporation

Since the special measure for the capital-based taxation of the corporate enterprise taxes pertaining to the Banks' Shareholding Purchase Corporation¹¹ will expire at the end of March 2020, its application period will be extended by 3 years.

(4) Extension of the reduction measure of stamp duties levied on real estate purchase and sales agreements

The application period of the special tax measure for the tax rates of stamp duties pertaining to agreements, etc. related to the transfers of real estate will be extended by 2 years (to 31 March 2022).

(5) Extension of the reduction measure of the registration and license taxes pertaining to the increase in capital pursuant to the Deposit Insurance Act

Since the reduction measure for the tax rates of registration and license taxes levied on the registration, etc. of the increase in capital received by financial institutions accompanying the subscription of shares of the financial institutions conducted by the Deposit Insurance Corporation of Japan pursuant to decisions, etc. made by the Prime Minister for the purpose of conducting measures stipulated under (i) of the Deposit Insurance Act¹² will expire in 31 March 2020, the application period will be extended by 2 years.

With regard to loan participation arrangements, one point of contestation, similar to that concerning the channeling of interest paid via a domestic unrelated party, is the question of how the original debtor company could, in practice, ascertain whether it has been agreed in advance that the economic benefits of a loan will ultimately be transferred to the foreign headquarters of the domestic branch which is the lender of record. Interested parties will therefore need to heed forthcoming announcements concerning the relevant laws and regulations.

10. Other reforms

(1) Extension of the suspension measure in relation to specified corporate taxes

Since the measure to suspend corporate taxes levied on pension reserves¹⁰ will expire at the end of March 2020, its application period will be extended by 3 years.

(2) Special tax measure for the replacement of specified assets through purchase

Revisions on the scope of qualified transfer assets and replacement assets through purchase will be implemented

¹⁰ Article 68-4 of the Act on Special Measures Concerning Taxation (ASMT)

¹¹ Article 9, paragraph (3) of the Supplementary Provisions provided at the time the Local Tax Act was formulated: Regulations that stipulate that the amount of stated capital that serves as the taxable base of capital-based taxation be set at JPY1 billion.

¹² Article 80, paragraph (5) of the ASMT: Regulations that stipulate the tax rate of the registration and license tax pertaining to the registration of an increase in capital when conducting a capital increase and the registration and license tax pertaining to the registration of the incorporation of a joint-stock company when a bank holding company is incorporated via share transfer pursuant to provisions set forth in Article 102, paragraph (1), item (i) of the Deposit Insurance Act ("Measures Under Item (i)") and Article 126-2, paragraph (1), item (i) ("Specified Measures Under Item (i)") as 0.0035%, provided that said registration is accepted within 1 year from the decision date.

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