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TAX UPDATE

EMERGENCY ECONOMIC MEASURES FOR COVID-19 – CABINET DECISION

The Cabinet decided the 'Emergency Economic Measures for COVID-19' on 7 April 2020 and announced the details on the website of the Cabinet Office on the same day (Japanese only).

The 'Emergency Economic Measures for COVID-19' proposes various measures based on five pillars due to the spread of the coronavirus infection (I. Establishment of measures to prevent the spread of coronavirus infection and the system for providing medical care, and development of remedies for coronavirus, II. Maintenance of employment and continuation of business, III. Recovery of the economic activities by public and private sectors as next steps, IV. Construction of a strong economic structure and V. Preparation for the future). New tax measures are also proposed in '5. Tax Measures' of 'II. Maintenance of employment and continuation of business' as follows:

<National Tax>

The contents of the proposed tax measures for national tax are announced on the website of the Ministry of Finance (Japanese only).

(1) Grace period for the tax payment

For almost all national taxes, for which the payment due dates fall between 1 February 2020 and 31 January 2021, regardless of individual or company, the deferral of the national tax payment will be permitted for one year or less without provision of collateral and payment of the delinquent tax as far as revenue is decreased by 20% compared with that in the prior year during any one month or longer period between February 2020 and the original payment due date selected at the taxpayer's discretion and it is difficult to pay national taxes.

(2) Tax refund by tax loss carry back

The scope of eligible companies for tax refund by tax loss carry back (current scope is limited to companies whose stated capital is JPY100 million or less) will be expanded to companies whose stated capital is JPY1 billion or less.

(3) Tax reduction for capital investment in teleworking etc. for a small and medium-sized company

The capital investment in teleworking will be added to the scope of the certain tax rules related to tax relief for capital investment (special depreciation or tax

credits) for a small and medium-sized company.

(4) Application of the donation deduction to a person who gives up a refund right to claim the admission fee due to the cancelation of the culture, art or sports events

Where the audiences etc. give up their refund right to claim the admission fee of a culture, art or sports event, the admission fee will be subject to the donation deduction (income deduction or tax credits).

(5) Flexibility of the application for the special deduction for housing loans

The flexible treatment about requirements of the application of certain kinds of special deduction for housing loans (the special deduction for housing loans which is introduced to reduce the increase of the tax burden due to the increase in the consumption tax rate and the special deduction for housing loans for a used house) will be allowed.

(6) Special rules for selection of taxable company status for consumption tax

Where sales for any discretionarily selected one month or longer period between 1 February 2020 and 31 January 2021 are decreased significantly (by 50% or more compared with that in prior year), the selection (or cancellation) of the taxable company status for consumption tax after the start of a taxable period will be permitted.

(7) Tax exemption of stamp duty on a contract for a special loan

The stamp duty on a special loan contract between public or private financial institutions and companies, whose business is affected by the coronavirus, will be exempt.

<Local Tax>

The contents of the proposed tax measures for local tax are announced on the website of the Ministry of Internal Affairs and Communications (Japanese only).

(1) Grace period for the tax collection

The deferral of local tax collection will be permitted for one year or less without provision of collateral and payment of the delinquent tax under certain conditions.

(2) Reduction of property tax imposed on depreciable assets and houses for business owned by a small and medium-sized company etc.

The taxable basis of property tax for depreciable assets and houses for business owned by a small and medium-sized company etc. will be reduced to one-half or zero for 2021.

Other than the above, expansion and extension of the special measures of property tax for the realization of productivity improvements and application of the donation deduction for local inhabitant tax to the person who gave up refund rights to claim the admission fee due to the cancelation of the events etc. will be provided.

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