



# KPMG Japan Tax Newsletter

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## NEW TAX MEASURES INTRODUCED BY THE 'EMERGENCY ECONOMIC MEASURES FOR COVID-19'

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In response to the spread of Covid-19, the Cabinet decided the 'Emergency Economic Measures for Covid-19' on 7 April 2020.

The 'Emergency Economic Measures for Covid-19' include a variety of measures built upon five pillars: I. Establishment of measures to prevent the spread of Covid-19, improve the healthcare delivery system and the development of treatment; II. Employment and business continuity; III. Restoration of economic activity in the private and public sectors as the next step; IV. Building a resilient economic structure; and V. Preparing for the future. The section '5. Tax measures' within the pillar 'II. Employment and business continuity' propose tax measures for taxpayers who find themselves in a difficult position due to Covid-19 and the measures to prevent its spread.

On 30 April, the 'Act on Temporary Special Provisions for National Tax Laws to Respond to Covid-19' (hereinafter referred to as the 'Covid-19 Special Tax Act') and the 'Act on Partial Amendments to Local Taxes and Other Related Acts' (hereinafter referred to as the 'Revised Local Tax Law'), which form the basis for the tax measures, were enacted and promulgated on the same day, along with related cabinet orders and ministerial ordinances.

This newsletter sets out an overview of the main points of the tax measures for companies introduced under the 'Emergency Economic Measures for Covid-19' based on the above laws, the relevant cabinet orders, ministerial

ordinances and related administrative guidance released by the National Tax Agency.

## I. Grace Period for Tax Payment

### 1. Overview

A special deferment period of one year for the payment of national tax (hereinafter referred to 'Special Grace Period Provision') has been established for taxpayers whose business revenue decreased substantially due to Covid-19.

The Act on General Rules for National Tax contains a provision which allows for a deferral of tax payment in the event substantial losses are realized in a disaster (Article 46 Para 1). This article is the basis for this Special Grace Period Provision.

An overview of the Special Grace Period Provision is as follows (details are provided in 2. below, and thereafter):

Conditions	If a taxpayer qualifies under both of the following provisions, the taxpayer will be deemed to have suffered a substantial loss to property as a result of an earthquake, windstorm, flood, lightning, fire, or other similar disaster as provided in Article 46 Para 1 of the Act on General Rules for National Tax, and shall be granted a grace period for the payment of tax.	
	(i)	The taxpayer's business suffered a substantial decrease in revenue, etc. on or after 1 February 2020 due to Covid-19 and measures to prevent its spread.
	(ii)	The taxpayer is found to be temporarily unable to pay all or part of its national tax liability that is due by the Specified Date (31 January 2021).
Eligible national taxes	Almost all national taxes, whose payment due dates are between 1 February 2020 and 31 January 2021 (excluding stamp duty which is payable by affixing a stamp) → May also be applied retroactively to national taxes that were due on or before 30 April 2020, the enactment date of this law (as well as national taxes that have come due but remain unpaid, which were subject to deferment through other provisions).	
Grace period	A period of one year or less	
Provision of collateral	Not necessary	
Delinquent tax	Exempt	
Application process	In principle, by application which should be filed by the payment due date of the national tax (extended due date in the event an extension to filing and payment due dates for the national taxes has been granted)	

### (1) Requirements of Conditions (i) in the above schedule

#### ■ Decrease in revenue

A 'decrease in revenue' as a result of Covid-19 means a decrease in a taxpayer's business revenue due to Covid-19 and measures to prevent its spread. The following are some examples of reasons for a 'decrease in revenue':

- As a result of the taxpayer, relatives of the taxpayer, or employees, etc. being infected by Covid-19

- As a result of effects of various measures, such as compliance with requests to cancel events or refrain from going out, entry restriction to Japan, and requests for deferment of rent payments

**■ Substantial decrease in revenue**

A ‘substantial decrease in revenue’ means a situation where the ratio of A to B below indicates a decrease of 20 percent or more.

A	Revenue earned in the Base Period (a continuous period of one month or more between 1 February 2020 and the payment due date of the national tax to which the grace period is intended to be applied)
B	Revenue <sup>(*1)</sup> earned in a corresponding period <sup>(*2)</sup> within one year immediately preceding the Base Period mentioned in A

(\*1) If the amount of revenue earned in the corresponding period is unknown, the amount may be computed by dividing the total revenue earned in the one year period immediately preceding the Base Period by 12 and allocating it, or any other method deemed to be appropriate.

(\*2) If there is no period that corresponds to the Base Period, a period up to January 2020 that is close in proximity to the Base Period, or a period that is deemed to be appropriately comparable to the revenue earned in the Base Period may be used instead.

**(2) Eligible national taxes**

The national taxes to which the Special Grace Period Provision may be applied are the following national taxes, for which payment is due by the Specified Date (31 January 2021).

(i)	National tax for which the tax liability is determined on or before the following dates for each of the following categories of national tax (excluding stamp duty which is payable by affixing a stamp, and certain license and registration tax, etc.), for which the payment due date is on or after 1 February 2020, and the amount of which was determined on or before the date the taxpayer made the application for the Special Grace Period Provision:	
(a)	National taxes which are collected through withholding / certain consumption tax etc. that is collected through filing of a return	Last day of the month of the Specified Date: 31 January 2021
(b)	National taxes other than those mentioned in (a)	Specified Date: 31 January 2021
(ii)	Consumption tax amounts which were determined on or before the date the taxpayer made the application, for which the payment due dates are on or after 1 February 2020, relating to transfers, etc. of consumption taxable assets in a tax period which ended on or before Specified Date (31 January 2021)	
(iii)	Estimated tax payments of national tax relating to interim tax returns for income tax, corporation tax, local corporate tax and consumption tax, for which the payment due dates are on or after 1 February 2020	

**(3) Special grace period**

The period of deferral allowed under the Special Grace Period Provision is up to one year from the tax payment due date (deferral is until the filing due date of the final tax return with respect to tax mentioned in (2)(iii) above).

The length of the tax payment grace period will be determined by considering the facts and circumstances of the decrease in the taxpayer’s revenue due to

Covid-19, etc. and the resulting temporary difficulty of the taxpayer to pay all or part of their national tax liability.

**(4) Amount of deferral under Special Grace Period Provision**

Where the taxpayer has difficulty paying all or part of their national tax liability, the amount of tax deferred under the Special Grace Period Provision is the amount of tax that the taxpayer is temporarily having difficulty paying which is calculated by subtracting (ii) (minimum of JPY 0) from (i).

(i)	The national tax amount payable
(ii)	Amount of (a) - (b)
(a)	The amount of cash and deposits held by the taxpayer on the day the taxpayer’s ability to pay the taxes was determined
(b)	Working capital that is required to continue business operations for at least 6 months (where the taxpayer is a company)

**2. Application Process**

A taxpayer that wishes to avail of the Special Grace Period Provision needs to file an application form by the following due date, along with documentation to demonstrate the decrease in revenue suffered as a result of Covid-19 and an inventory of assets.

	<b>Application due date (standard rule)</b>	<b>Provisional measure</b> For national tax, for which the payment due date is before 1 July 2020
Standard rule	Payment due date of the national tax to which the Special Grace Period Provision is intended to be applied	30 June 2020
Special rule	Where the director of the tax office determines that a compelling reason exists, applications filed after the payment due date of the national tax may still be accepted.	Where the director of the tax office determines that a compelling reason exists, applications filed on or after 1 July 2020 may still be accepted.

**3. Other**

**(1) Tax payment method**

The national tax for which payments were deferred under the Special Grace Period Provision may be paid at any time during the grace period.

However, if the taxpayer is unable to pay the taxes within the grace period and is able to apply one of the other tax payment deferral measures (hereinafter, ‘Other Tax Payment Deferral Measures’), the taxpayer may be allowed to pay the taxes owed in instalments.

**(2) Switching from Other Tax Payment Deferral Measures**

If taxes that are eligible for the Special Grace Period Provision are already being deferred pursuant to one of the Other Tax Payment Deferral Measures, it is possible to switch to the Special Grace Period Provision provided the taxpayer applies and is approved.

In the event the payment of taxes is deferred under one of the Other Tax Payment Deferral Measures and is being paid in instalments, and such instalment payment is eligible for the Special Grace Period Provision, delinquent taxes may be refunded provided the taxpayer applies and is approved for the Special Grace Period Provision.

Taxpayers that qualify as detailed above shall be contacted separately by the tax office.

### **(3) Local Tax**

A similar Special Grace Period Provision has been enacted with respect to local taxes.

## **II. Tax Refund by Tax Loss Carryback for Blue-Form Taxpayers**

### **1. Details**

Blue-form tax return filing companies are allowed to claim a tax refund by carrying back tax losses that arise in a fiscal year in which they file a blue form tax return and applying such tax losses to any fiscal year that commenced no longer than one year before the first day of the fiscal year in which the tax loss was generated.

This provision has been suspended for fiscal years ending on or before 31 March 2022, apart from tax losses generated by small and medium-sized companies, etc.<sup>(\*)1</sup> and tax losses incurred during the liquidation, etc.

The Covid-19 Special Tax Act has narrowed the scope of the suspension, allowing blue-form tax return filing companies with stated capital of over JPY100 million but less than or equal to JPY1 billion to carryback tax losses generated in fiscal years ending between 1 February 2020 and 31 January 2022<sup>(\*)2</sup>.

<sup>(\*)1</sup> Refers to public interest companies, etc., cooperatives, etc., or ordinary companies with stated capital of JPY100 million or less (excluding entities which are, as of the end of the fiscal year, under 100 percent control of a large company (companies with stated capital of JPY500 million or more, mutual companies, foreign mutual companies or trustee companies) or whose issued shares are held entirely by multiple large companies that have a 100 percent control relationship), etc.

<sup>(\*)2</sup> Excludes large-scale companies (companies that have stated capital of over JPY1 billion, mutual companies and foreign mutual companies), companies that have a 100 percent control relationship with such large-scale companies, and companies whose issued shares are held entirely by multiple large-scale companies that have a 100 percent control relationship, etc.

### **2. Deadline for Submitting Refund Claim**

In order to qualify for the Tax Refund by Tax Loss Carryback for Blue-Form Taxpayers, a refund claim must be submitted by a certain deadline, which has been relaxed pursuant to the Covid-19 Special Tax Act.

Standard rule	At the time the final tax return is filed for the fiscal year in which the taxpayer wishes to apply for the Tax Refund by Tax Loss Carryback for Blue-Form Taxpayers
Special rule (Provisional measure)	31 July 2020 for companies (excluding certain small and medium-sized companies, etc.) which have filed, before 1 July 2020, the final tax return of the fiscal year in which the Tax Refund by Tax Loss Carryback for Blue-Form Taxpayers will be applied

### III. Special Provision for Change in Consumption Taxpayer Election and Lifting of Limitation on Exemption from Tax Liabilities

Businesses that have been impacted by Covid-19 and the measures to prevent its spread that also satisfy certain requirements (Special Covered Businesses) may apply a special provision pertaining to a change in consumption taxpayer election and the lifting of limitations on exemption from tax liabilities.

#### 1. Special Covered Businesses

Special Covered Businesses are businesses that suffered a substantial decrease in revenue in a certain period between 1 February 2020 and 31 January 2021 due to Covid-19 and the measures to prevent its spread.

A 'substantial decrease in revenue in a certain period' means a situation where the ratio of A to B below indicates a decrease of 50 percent or more.

A	Revenue earned in the Base Period (a continuous period of one month or more between 1 February 2020 and 31 January 2021)
B	Revenue <sup>(*1)</sup> earned in a corresponding period <sup>(*2)</sup> within one year immediately preceding the Base Period mentioned in A

(\*1) If the amount of revenue earned in the corresponding period is unknown, the amount may be computed by dividing the total revenue earned in the one year period immediately preceding the Base Period by 12 and allocating it, or any other method deemed to be appropriate

(\*2) If there is no period that corresponds to the Base Period, a period up to January 2020 that is close in proximity to the Base Period, or a period that is deemed to be appropriately comparable to the revenue earned in the Base Period may be used instead

#### 2. Special Provision for Change in Consumption Taxpayer Election

##### (1) Details

Under normal circumstances, an election to become a consumption taxpayer and an election to revoke consumption taxpayer status is generally effective from the taxable period following the period in which the application form for the election or revocation has been filed.

The special measures put in place allow a Special Covered Businesses to (i) elect to become a consumption taxpayer or (ii) elect to revoke consumption taxpayer status in the current taxable period, which is corresponding to the Specified Taxable Period (the taxable period which includes the period in which the businesses suffered a substantial decrease in revenue due to Covid-19, etc.) or subsequent tax periods, even if the application form for the election or revocation is filed after the commencement of the current taxable period, provided such elections in (i) or (ii) above have become necessary as a result of

Covid-19, etc., and approval has been obtained from the director of the competent tax office.

In addition, the following measures have been established in connection with the election to become a consumption taxpayer or the election to revoke consumption taxpayer status pursuant to the provision above.

- Generally, an election to become a consumption taxpayer cannot be revoked for 2 years ('Continuity of Taxpayer Status Requirement'). However, the Continuity of Taxpayer Status Requirement will not be applied under this provision.
- Generally, where a taxpayer that elected to become a consumption taxpayer purchases specified fixed assets (fixed assets with acquisition cost at least JPY1 million per unit, excluding consumption tax) in a taxable period that commences within 2 years from the date of such election, the taxpayer is not allowed to revoke its consumption taxpayer status for 3 years beginning from the start of the taxable period in which the specified fixed assets are acquired ('Continuity of Taxpayer Status Requirement'). However, the Continuity of Taxpayer Status Requirement will not be applied under this provision.

**(2) Procedure to apply for approval**

In order to apply the provision stated in (1) above, certain forms must be submitted to the director of the competent tax office by the due date stated below:

Election to become a consumption taxpayer	The date 2 months from the day following the last day of the Specified Taxable Period (3 months for a business operated by an individual if the Specified Taxable Period is a tax year that includes 31 December)	
Election to revoke consumption taxpayer status	<ul style="list-style-type: none"> <li>• If the revocation of taxpayer status is to be applied from the Specified Taxable Period</li> <li>• If the last day of the Specified Taxable Period falls on or after the day on which 2 years has elapsed since the first day of the taxable period in which the applicant became a consumption taxpayer by election, and the taxpayer wishes to revoke the consumption taxpayer status from the period(s) after the Specified Taxable Period</li> </ul>	Filing due date of the final tax return for the Specified Taxable Period
	<ul style="list-style-type: none"> <li>• All other cases</li> </ul>	The earlier of the following dates: <ul style="list-style-type: none"> <li>• The day on which 2 years have elapsed since the first day of the taxable period in which the applicant became a taxpayer by election</li> <li>• The last day of the taxable period in which the applicant will revoke the consumption taxpayer status</li> </ul>

### 3. Lifting of Limitation on Exemption from Consumption Tax Liabilities

#### (1) Details

Under normal circumstances, where a Newly Established Company<sup>(\*)1</sup> or a Specified Newly Established Company<sup>(\*)2</sup> that acquires specified fixed assets in a taxable period with no 'base period' (in general, the fiscal year 2 years prior to the current fiscal year for a company) files a tax return using the general method (i.e. it has not elected to use the simplified tax credit method), the company must continue to have consumption taxpayer status for 3 years beginning from the start of the taxable period in which the specified fixed assets are acquired ('Limitation on Tax Exemption Provision').

Under the tax measures established by the Covid-19 Special Tax Act, the Limitation on Tax Exemption Provision will not be applied in the case where a Newly Established Company or a Specified Newly Established Company which falls under the Special Covered Businesses needs to have the Limitation on Tax Exemption Provision lifted in a taxable period on or after the Specified Taxable Period as a result of Covid-19, etc., and the company has obtained an approval from the director of the competent tax office.

(\*)1 A company with no base period and whose stated capital is JPY10 million or more at the beginning of the fiscal year

(\*)2 A newly established company that is controlled by certain persons or meets certain other related criteria at the beginning of the fiscal year

#### (2) Procedure to apply for approval

In order to apply the provision stated in (1) above, certain forms must be submitted to the director of the competent tax office by the due date stated below.

The later of the following dates:

- Filing due date of the final tax return for the Specified Taxable Period
- The last day of the last fiscal year within the fiscal years with no base period

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Note that a similar Limitation on Tax Exemption Provision exists for where a taxpayer purchases high-value assets (inventories and specified fixed assets with acquisition cost of at least JPY10 million per unit) and is subject to certain inventory adjustments for the high-value assets. However, a provision similar to (1) above is also available in such cases, provided approval is obtained from the director of the competent tax office.



#### IV. Tax Measures for Investment in Telework Equipment by Small and Medium-sized Companies, etc.

##### 1. Overview

Where a small and medium-sized company, etc. filing a blue-form tax return obtained approval for the 'business enhancement plan' as stipulated under the 'Small and Medium-sized Enterprises Business Enhancement Act' and has acquired new specified business enhancing assets between the period from 1 April 2017 to 31 March 2021 and put such assets to use in a specified business in Japan, special depreciation or a tax credit shown below will be applied:

Special depreciation	Total acquisition costs can be expensed upfront	
Tax credit <sup>(*)</sup> (capped at 20% of corporation tax liability)	Specified small and medium-sized companies, etc. (i.e. stated capital of JPY30 million or less)	Acquisition cost x 10%
	Small and medium-sized companies, etc.	Acquisition cost x 7%

<sup>(\*)</sup> The amount in excess of the creditable limit can be carried forward for 1 year.

[Definition of terms]

Small and medium-sized companies, etc.	Small and medium-sized companies or agricultural cooperatives, etc. which file blue-form tax returns, other than large-sized companies (companies whose average annual taxable income exceeds JPY1.5 billion in each fiscal year that ended within 3 years before the beginning of the relevant fiscal year, etc.) [Small and medium-sized company] Any of the following companies: (i) Companies with stated capital of JPY100 million or less as of the end of the fiscal year, excluding the following: <ul style="list-style-type: none"> <li>• where at least 50% of the shares (excluding treasury shares) are held by one large-scale company</li> <li>• where at least two-thirds of the shares (excluding treasury shares) are held by two or more large-scale companies</li> </ul> (ii) Companies with no capital or investments whose number of regular employees is 1,000 or less	
	Large-scale company	<ul style="list-style-type: none"> <li>• Companies with stated capital over JPY100 million as of the end of the fiscal year</li> <li>• Companies with no capital or investments whose number of regular employees is over 1,000</li> <li>• A company with a 100 percent control relationship with a large company (i.e. (i) companies with stated capital of JPY500 million or more, (ii) mutual companies and foreign mutual companies whose number of regular employees is over 1,000 and (iii) trustee companies)</li> <li>• A company where the total shares are entirely held directly or indirectly by multiple large companies that have a 100 percent control relationship</li> </ul>
Specified Business	Certain businesses in the manufacturing, construction, agriculture, forestry, fishery, aquaculture, wholesale and retail industries	

## 2. Specified Business Enhancing Assets

The specified business enhancing assets means ‘productive equipment’ like machinery and equipment, tools, furniture and fixtures, building fixtures and software that qualify as ‘business enhancing assets’ and cost at least a certain pre-defined amount<sup>(\*)</sup>. Productive equipment means depreciable assets that are used directly for production, sales, service provision, and other profit-generating activities conducted by the company.

<sup>(\*)</sup> Acquisition cost of JPY1.6 million or more for each unit of machinery and equipment, JPY300,000 or more for each unit of tools, furniture and fixtures, JPY600,000 or more for each building equipment, and JPY700,000 or more for each unit of software.

The business enhancing assets are originally included in the Ordinance for Enforcement of the Small and Medium-sized Enterprise Business Enhancement Act. On 30 April 2020, the Ordinance was amended and enacted, and the following ‘Digitization equipment (Type C)’ (equipment for telework, etc.) was added to the list of the business enhancing assets and included in the scope of this tax provision.

### ■ Business enhancing assets

The following facilities, machinery and equipment or programs, which are stipulated in Article 16 of the Ordinance for Enforcement of the Small and Medium-sized Enterprise Business Enhancement Act, used for production, sales or the provision of services, that are indicated in the company’s approved ‘business enhancement plan’ as the assets which are particularly effective in enhancing the company’s business:

Equipment to improve productivity (Type A)	<ul style="list-style-type: none"> <li>Machinery and equipment, certain tools, furniture and fixtures, and building fixtures which satisfy (i) and (ii) below ((i) only where a previous model does not exist)</li> <li>Certain software that satisfies the conditions in (i)</li> </ul>		
	(i)	Sales commencement period	Machinery and equipment: within last 10 years
			Tools: within last 5 years
			Furniture and fixtures: within last 6 years
			Building fixtures: within last 14 years
		Software: within last 5 years	
(ii)	Improvement in certain business enhancement indicators (productivity rate, energy efficiency rate, accuracy, etc.)	Average improvement of 1% or more per annum compared to previous model	
Equipment to enhance profitability (Type B)	Machinery and equipment, tools, furniture and fixtures, building fixtures and software that are listed in the company’s investment plan, that is expected to achieve an average annual return on investment of 5% or more, which has been confirmed by the Minister of Economy Trade and Industry		
<b>Digitalization equipment (Type C)</b>	Machinery and equipment, tools, furniture and fixtures, building fixtures and software, which make possible remote control, visualization or automation of business processes, that are listed in the company’s investment plan which has been confirmed by the Minister of Economy Trade and Industry		

## V. Special Measure to Reduce Fixed Assets Tax, etc. for Depreciable Assets and Buildings used by Small and Medium-sized Business, etc.

### 1. Details

Under the Revised Local Tax Law, a measure has been enacted that would reduce the taxable base for fixed assets tax and city planning tax for 2021 on buildings<sup>(\*)</sup> and depreciable assets (Special Eligible Assets) which are owned and used in the business of small and medium-sized business, etc. (small and medium-sized business and small and medium-sized company<sup>(\*\*)</sup> excluding operators of certain businesses) which have suffered a decrease in revenue as stated in (i) or (ii) below as a result of Covid-19 and the measures to prevent its spread.

(\*) Limited to buildings whose depreciation amount or depreciation expense is a deductible expense for corporation tax or income tax purposes (includes similar buildings which are held by persons that are not subject to corporation tax or income tax).

(\*\*) Small and medium-sized business means a business operated by an individual whose number of regular employees is no more than 1,000, while a small and medium-sized company is the same as a small and medium sized-company defined in section IV.1.

Business revenue ratio: (a)/(b)	(a): Total revenue earned in a continuous 3 month period between February and October 2020 (b): Total revenue earned in the 3 month period beginning with the date one year before the first date of the period mentioned in (a) above	
Business revenue ratio		Taxable base
(i)	50% or less (The ratio of (a) to (b) indicates a decrease of 50% or more)	zero
(ii)	Greater than 50%, but less than or equal to 70% (The ratio of (a) to (b) is indicates a decrease greater than or equal to 30%, but less than 50%)	Reduced by 50%

### 2. Application Procedure

In order to apply the measure detailed in 1. above, a declaration that the measure is applicable to the Special Eligible Assets, along with certain supporting documentation must be submitted to the mayor of the municipality (in certain cases the prime minister or governor’s office that calculated the taxable basis of the Special Eligible Assets) by 31 January 2021. However, the measure may still be applied even if the declaration is submitted on or after 31 January 2021 if there are unavoidable reasons for the delay.

The filing of a false declaration may be punishable by imprisonment of no more than 1 year, or a fine of not more than JPY500,000.

## VI. Extension and Expansion of Special Measures for Fixed Assets Tax with the aim of Achieving a Productivity Revolution

Where a small and medium-sized business, etc.<sup>(\*)</sup> has an ‘advanced equipment utilization plan’ that is accredited<sup>(\*\*)</sup> in accordance with a ‘basic plan for promoting utilization’ that was formulated by municipal agencies, and such company acquires machinery and equipment that qualify as ‘advanced equipment’ during the period between 6 June 2018 and 31 March 2021, in

accordance with the ‘advanced equipment utilization plan,’ fixed assets tax imposed on such advanced equipment shall be reduced to half or less<sup>(\*3)</sup> for a period of 3 years.

(\*1) Same as the ‘small and medium-sized business, etc.’ as in V. 1. above

(\*2) Accreditation should be possible if the small and medium-sized business, etc. prepares a plan to utilize advanced equipment to increase labor productivity by at least 3 percent compared to that at the end of the most recent fiscal year, and the contents of the ‘advanced equipment utilization plan’ are in line with the ‘basic plan for promoting utilization’ of the municipal agencies in which the advanced equipment is to be put to use.

(\*3) The reduction ratio will be established by municipal ordinances in each municipal agency.

### 1. Extension of the Special Measures

This special measure has been extended for 2 years (until 31 March 2023) due to amendments to the Act on Special Measures for Productivity Improvement on which this special measure is based.

### 2. Expansion of the Special Measures

Advanced Equipment is equipment such as facilities, equipment, machinery, devices or programs which utilized technology that enables the processing of a large amount of information compared to the amount conventionally processed and other advanced technology, and it is essential to introduce such equipment as soon as possible for improvement of the productivity of small and medium-sized business, etc. The scope of advanced equipment is stipulated below, and building structures in A(e) and buildings in B are added under the Revised Local Tax Law.

A	Of the equipment listed in (a)~(e), those that satisfy the conditions (i)~(iii) ((i) and (ii) where a previous model does not exist)			
	(i) It is directly used for production, sales, or the provision of services relating to a product.			
	(ii) It is a model that was sold only during a certain period (see below for sales commencement period)			
	(iii) Average improvement of 1% or more per annum compared to previous model (using indicators such as productivity rate, energy efficiency rate and accuracy)			
		Category	Minimum unit price	Sale commencement period
	(a)	Machinery and equipment	JPY1.6 million	Within last 10 years
	(b)	Tools (tools to measure and inspect)	JPY300,000	Within last 5 years
(c)	Furniture and fixtures	JPY300,000	Within last 6 years	
(d)	Building fixtures (those subject to tax as a depreciable asset)	JPY600,000	Within last 14 years	
(e)	<b>Building structures</b>	<b>JPY1.2 million</b>	<b>Within last 14 years</b>	
B	<b>A building with acquisition cost of at least JPY1.2 million which satisfies both (i) and (ii) below</b>			
	(i) It is directly used for the production, sales, or provision of services relating to a product.			
	(ii) It has been acquired for the purpose of utilizing the Advanced Equipment (with an acquisition cost of at least JPY3 million).			

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