



## TAX UPDATE

### OFFICIAL ANNOUNCEMENT FROM NATIONAL TAX AGENCY

#### 1. Update of FAQs about Payment of Costs relating to Work from Home

On 31 May 2021, the National Tax Agency updated the 'FAQs about payment of costs relating to working from home for withholding income tax purposes' (Japanese only) which were released on 15 January 2021 and updated on 30 April 2021.

In the latest update, the following four FAQs were added:

#### Q3 Environmental improvement goods for work from home

With regard to environmental improvement goods for work from home (partitions in employee's home, curtains, chairs, desks or electronic air cleaners, etc.), the FAQ explains that employees are NOT subject to income taxation where a company lends its goods to employees. On the other hand, employees are subject to income taxation where a company supplies employees with goods (i.e. ownership of goods is transferred to employees).

#### Q4 Purchase costs of consumable goods for work from home

#### Q10 Hotel charges, etc. where employees are suspected of having COVID-19 infection

#### Q11 Outsourcing costs of indoor disinfection or PCR test, etc.

With regard to the following costs, the above three FAQs explain that employees are NOT subject to income taxation where a company makes certain cash payments to employees and settles these costs<sup>(\*)</sup> (or complies with travel expenses policy of a company in Q10):

- Purchase costs of generally necessary consumable goods (masks, soaps, hand sanitizer, paper for disinfection, gloves) for work from home (Q4)
- Generally necessary costs for work, such as usage charges or transportation fee, where a company allows employees to work at a location other than the company's office (Q10)

- Generally necessary costs for work, such as costs of indoor disinfection for work from home or PCR test at the request of a company (Q11)

It is also explained that employees are subject to income taxation where the payment is for the costs other than generally necessary costs for work or employees do not need to reimburse cash received in advance by a company even if such cash is not spent for generally necessary costs for work by employees.

(\*) Q5 explains two methods for the settlement of the costs. One is that a company temporarily makes advance payments of certain cash to employees and makes settlement of the costs with employees. Another is that a company makes settlement of the costs with employees after those employees purchase goods on behalf of a company.

## 2. Update of FAQs relating to COVID-19

On 31 May 2021, the National Tax Agency updated the 'FAQs about the tax treatments for the tax filing and tax payment procedures, etc. relating to COVID-19' (Japanese only) which have been updated several times since the original release on 25 March 2020.

In the latest update, the following FAQ was added:

### ■ 5 Tax Treatments relating to COVID-19

#### Q9-5. Tax treatment where a company pays costs for employees to prevent the spread of infection

The FAQ explains the individual income tax treatments for employees and the corporate income tax treatments for companies relating to situations where a company pays costs for employees to prevent the spread of infection. The contents of the individual income tax treatments for employees are almost the same as the above '1. FAQs about payment of costs relating to work from home'. The corporate income tax treatments for company are that the payment of the costs for employees to prevent the spread of infection is deductible as supplies expenses, travel expenses or salary expenses in principle.

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