



TAX UPDATE

2021 TAX REFORM RELATED INFORMATION

1. Amendments to the Electronic Preservation System for Account Books, etc. — FAQ

The National Tax Agency (NTA) has been providing various information (Japanese only) regarding the amendments to the electronic preservation system for account books, etc.^(*) under the 2021 tax reform on its website.

On 12 November 2021, the NTA released additional FAQs (Japanese only) and supplemental explanations, which will be reflected into the latest FAQs about (i) preservation system for national tax-related account books and documents by electromagnetic records, (ii) scanner preservation system for national tax-related documents and (iii) preservation system for electromagnetic records related to transaction information of electronic transactions (July 2021 edition) reflecting the amendments under the 2021 tax reform.

^(*) For details, please refer to the KPMG Japan Tax Newsletter '[2021 Tax Reform Proposals — Amendments to the Electronic Preservation System](#)' issued on 26 January 2021.

2. Amendments to the Performance-linked Compensation — Promulgation of Cabinet Order Specifying the Effective Date

By virtue of the 2021 tax reform, subject to the amendment of the 'Financial Instruments and Exchange Act' (Act), the measures were introduced to enable deduction of certain performance-linked compensation for directors of an unlisted non-family company, etc., whose main business is investment management^(*).

The amendments are applied to each fiscal year beginning in the period from 1 April 2021 to 31 March 2026 and ending on or after the effective date of the amended Act, which was promulgated on 26 May 2021.

On 10 November 2021, the Cabinet Order specifying the effective date of the amended Act was promulgated and the effective date is set as 22 November 2021.

(*) For details, please refer to the KPMG Japan Tax Newsletter [‘Outline of the 2021 Tax Reform Proposals’](#) issued on 18 December 2020.

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