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TAX UPDATE

ELECTRONIC PRESERVATION SYSTEM FOR ACCOUNT BOOKS, ETC. - UPDATE OF ADMINISTRATIVE GUIDELINES AND Q&AS

On 27 December 2021, the amended ministerial ordinance^(*) providing the transitional measures for electronic transactions was promulgated and makes it possible for the preservation obligor to preserve output documents of the electromagnetic records related to transaction information of electronic transactions for the period from 1 January 2022 to 31 December 2023 given the condition that both of the following are satisfied:

- The competent tax office acknowledges unavoidable reasons for the failure of the preservation of the electromagnetic records related to transaction information of electronic transactions in compliance with the preservation requirements under the 2021 tax reform.
- The preservation obligor follows the request for presentation or submission of output documents of the electromagnetic records related to transaction information of electronic transactions (limited to output documents in an orderly form and in a clear state) by the tax authority.

^(*) We set out background information related to the amended ministerial ordinance in the e-Tax News No.255 issued on 27 December 2021.

Corresponding to the above promulgation of the amended ministerial ordinance, on 28 December 2021, the National Tax Agency updated the following information:

■ [Administrative Guidelines and Explanation of the Purpose of the Administrative Guidelines \(Japanese only\)](#)

For example, the Administrative Guidelines and the Explanation of the Purpose of the Administrative Guidelines explain that a preservation obligor is treated as having 'unavoidable reasons' under the transitional measures where the reason why the preservation obligor is unable to preserve the electromagnetic records related to transaction information of electronic transactions in compliance with the preservation requirements

under the 2021 tax reform is because the preparation for a preservation system or internal workflow, etc. has not been completed yet.

■ Q&As for Electronic Transactions (Japanese only)

For example, the Q&As explain that it is sufficient for a preservation obligor to provide the tax authority with the current status and future outlook of the preparation for the preservation of the electromagnetic records related to transaction information of electronic transactions, even if those explanations are not in detail, where the preservation obligor is asked about the 'unavoidable reasons' by the tax authority for why the preservation obligor failed to preserve the electromagnetic records related to transaction information of electronic transactions in compliance with the preservation requirements under the 2021 tax reform.

In addition, the Q&As also make it clear that the output documents of the electromagnetic records related to transaction information of electronic transactions must be preserved at an appropriate location for the period of the statute of limitations for tax audits, etc. in order to present or submit those documents at the tax audit, etc. at the request of the tax authority.

<Reference information>

On 28 December 2021, the Ministry of Finance also released a new page (Japanese only) on its website in which the transitional measures are explained with pictures including the comparative table of the prior and the amended article of the ministerial ordinance providing the transitional measures.

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