

Japan Tax Update

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PwC Japan Tax Newsletter

PricewaterhouseCoopers Tax (Zeirishi-Hojin PricewaterhouseCoopers) is one of the largest professional tax corporations in Japan with more than 500 staff.

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The intention of this Japan Tax Update is to provide only an outline of extension of application for the Special Taxation Measures Law as proposed in the draft bill of 2008 tax reform and does not constitute the provision of advice or professional consulting of any kind. Before making any decision or taking any action, you should consult your usual PwC contact with all the pertinent facts relevant to your particular situation.

The Special Taxation Measures Law portion of the Proposed 2008 Tax Reform

The Draft of the 2008 Tax Reform ("The Law to Make Partial Amendment on The Individual Tax Law and Others") ("Draft Reform") was approved by the Cabinet and submitted to the Diet for approval on January 23, 2008. The Draft Reform contained several tax concessions that, unless extended, would have expired on March 31, 2008.

In order to avoid the disruption arising from the temporary lapse of these tax concessions, the Diet approved the certain provisions (the "Transitional Tax Reform Laws") dated 31 March 2008 which would have otherwise expired on March 31, 2008.

This Newsletter provides an outline of some of the more important items included within the Draft Reform and their status in the Transitional Tax Reform Laws.

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1. Items on the Special Taxation Measures Law which are included in the Transitional Tax Reform Laws and remain effective until May 31, 2008.

Main Items on the Special Taxation Measure which would have expired on 31 March 2008 are listed on the attached schedule. The items highlighted in yellow are Special Taxation Measures Laws included in the Transitional Tax Reform Laws and remain effective until May 31, 2008.

2. Items on the Special Taxation Measures Law which is not included in the Transitional Tax Reform Laws

It is not clear yet on the applicability of items in the Special Taxation Measures Law that expired on March 31, 2008 and which were not included in the Transitional Tax Reform Law (i.e., the items not highlighted in yellow). While it is impossible to predict at this time, it is possible that subsequently when the Diet approves the 2008 Tax Reform such provisions may be retroactive in some form to April 1, 2008.

If you have any questions, please contact:

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	No. of Article	Description	Draft of 2008 Tax Reform	
			Extended or Expired?	Expiration date
Individual Income Tax Law	6	Special application for taxation on interest on Eurobonds and others	2 years extension	Issued until March 31, 2010
	7	Non-taxation on interest from deposits and others being accounted at the Japan Offshore Market	Permanently applied	Abolishment of the expiration date (March 31, 2008)
	37-11	Special application for taxation on capital gains and others on sales of shares in listing company and others	Expired	Sold until December 31, 2008
	37-14	Non-taxation on capital gains on sales of shares in certain listing company and others	Expired	Sold until December 31, 2007
	41-13	Non-taxation on premium of Eurobonds	2 years extension	Issued until March 31, 2010
	42-2(1)	Special application on interest on buy-back transaction of bonds performed by foreign financial institutions and others	Permanently applied	Abolishment of the expiration date (March 31, 2008)
Corporation Tax Law	42-4(9) 68-9(9)	Special tax credit for research and development	2 years extension with wider scope	For the fiscal year beginning until March 31, 2010
	42-5(1) 68-10(1)	Special depreciation or tax credit for acquisition of equipment for promotion of restructuring for demand and supply of energy	2 years extension	Acquired until March 31, 2010
	42-6(1) 68-11(1)	Special depreciation or tax credit for acquisition of machine equipment by small and medium sized company and others	2 years extension	Acquired until March 31, 2010
	42-11(1) 68-15(1)	Special depreciation or tax credit for acquisition of IT equipment and others	2 years extension	Acquired until March 31, 2010
	42-12 68-15-2	Special tax credit for increased education and training cost	Expired	Expired at March 31, 2008
	55(1) 68-43(1)	Reserves for loss in overseas investment	2 years extension	Reserved until March 31, 2010
	61-4(1) 68-66(1)	Non tax deductibles for entertainment expenses	2 years extension	For the fiscal year beginning until March 31, 2010
	62(1) 68-67(1)	Special application of taxation on payment for secret purposes	2 years extension	Paid until March 31, 2010
	66-13(1) 68-98(1)	Non application of refund from carry-back of tax loss carryforwards	2 years extension	For the fiscal year beginning until March 31, 2010
	67-5(1) 68-102-2(1)	Special application of deductible expenses for acquisition of minor depreciable assets by small and medium sized company	2 years extension	Acquired until March 31, 2010
	67-11(1)	Non-taxation on interest from deposits and others being accounted at the Japan Offshore Market	Permanently applied	Abolishment of the expiration date (March 31, 2008)
	67-16(2)	Non taxation on interest and others on transfer of bonds (Interest and others on Eurobonds)	2 years extension	Issued until March 31, 2010
	67-16(5)	Non taxation on interest and others on transfer of bonds (interest on buy-back transaction of bonds)	Permanently applied	Abolishment of the expiration date (March 31, 2008)
	68-2(1) 68-109	Non application of special tax rate on the family corporation for small and medium sized company which carry out business restructuring	Expired	Expired for the year ended after April 1, 2008
	68-4	Non taxation on the pension reserves of the pension fund	3 years extension	For the fiscal year beginning until March 31, 2011
Registration Tax Law	72	Reduction of tax rate for registration of transfer of land ownership by the sales transaction	1 year extension	Registered until March 31, 2009
	81	Reduction of tax rate for registration of transfer of real estate ownership by the corporation split	Change in tax rate	Acquired until March 31, 2009
	83-3(1)	Reduction of tax rate for registration of certain real estate ownership from asset liquidation by the SPE	2 years extension	Acquired until March 31, 2010