

# Financial Services Tax News

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## PwC Japan Tax Newsletter

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## Real Property Taxation - Extension of Reduced Tax Rates for Transfer Taxes

Following the release of the 2008 Japanese tax reform proposals in December 2007, the draft national tax laws and local tax laws were released by the Ministry of Finance and the Ministry of Internal Affairs and Communications, respectively, in January 2008. The draft laws are to be submitted to the Diet for review and once approved by the Diet the laws will be published.

The 2008 tax reforms contain various amendments to the real estate transfer tax rates, including an extension of the effective period for the current concessionary rates. Summarized below is an outline of the current reduced transfer tax rates for real estate transactions, the proposed amendments and extensions of these rates as described in the 2008 tax reforms.

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## Registration tax on real property

### Ordinary corporation

The reduced registration tax rates on the transfer of ownership of land by sale and entrustment of ownership of land will be extended for three years from March 31, 2008 to March 31, 2011 and the reduced rate will be increased gradually as follows:

		to March 31, 2009	from April 1, 2009 to March 31, 2010	from April 1, 2010 to March 31, 2011	from April 1, 2011
Transfer of ownership by sale	Land	1.0%	1.3%	1.5%	2.0%
	Building	2.0%			
Entrustment of ownership	Land	0.2%	0.25%	0.3%	0.4%
	Building	0.4%			
Initial registration of ownership	Land	0.4%			

### TMK and J-REIT

The reduced registration tax rates on the transfer of ownership of real property by sale by a Tokutei Mokuteki Kaisha ("TMK") or a Japanese Real Estate Investment Trusts ("J-REIT") will be extended for two years from March 31, 2008 to March 31, 2010 and the reduced rate will be increased gradually as follows:

	to March 31, 2009	from April 1, 2009 to March 31, 2010	from April 1, 2010
Transfer of ownership by sale	0.8%	0.9%	same as ordinary corporation

## Real property acquisition tax

### Ordinary corporation

The reduced real property acquisition tax rates outlined below are applied on the acquisition of land and buildings. When the land is acquired for residential purposes on or before March 31, 2009, the tax base of such land for the purposes of the real property acquisition tax is reduced to one half ("1/2 tax-base-exception"). The reduced rates of real property acquisition tax on the acquisition of buildings for non-residential purposes will be abolished on March 31, 2008.

		to March 31, 2008	to March 31, 2009	from April 1, 2009
Land	Residential	1.5% * 1		4.0%
	Non-residential	3.0%		4.0%
Building	Residential	3.0%		4.0%
	Non-residential	3.5%	4.0%	

\* 1 : application of 1/2 tax-base-exception 3.0%×1/2

## TMK and J-REIT

Provided certain conditions are met, when real property is acquired by a TMK or a J-REIT on or before March 31, 2009, the tax base for the purposes of the real property acquisition tax is reduced to one third. In addition to the 1/3 tax base reduction, the reduced rate of 3% for land and residential buildings and the 1/2-tax-base-exemption for land described above are also applied on acquisitions made by a TMK or a J-REIT, on or before March 31, 2009.

For the acquisition of the properties by TMK or J-REIT, the effective tax rates for the property acquisition tax are summarized as below:

		to March 31, 2008	to March 31, 2009	from April 1, 2009
Land	Residential	0.5% * <sup>1</sup>		same as ordinary corporation
	Non-residential	1.0% * <sup>2</sup>		same as ordinary corporation
Building	Residential	1.0% * <sup>3</sup>		same as ordinary corporation
	Non-residential	1.167% * <sup>4</sup>	1.333% * <sup>5</sup>	same as ordinary corporation

\* 1 :  $3.0\% \times \frac{1}{3} \times \frac{1}{2}$

\* 2 :  $3.0\% \times \frac{1}{3}$

\* 3 :  $3.0\% \times \frac{1}{3}$

\* 4 :  $3.5\% \times \frac{1}{3}$

\* 5 :  $4.0\% \times \frac{1}{3}$

**For more detailed information, please do not hesitate to your financial tax services representative or any of the following members:**

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