

Financial Services Tax News

February 2009

PwC Japan Tax Newsletter

The Tax Practice of PricewaterhouseCoopers Japan (Zeirishi-Hojin PricewaterhouseCoopers) is one of the largest professional tax corporations in Japan with more than 580 people. Within this practice, our Financial Services Tax Group is comprised of approximately 100 professionals, dedicated specifically to advising the financial services industry. In addition to tax compliance services our tax professionals are experienced in providing tax consulting advice in all aspects of domestic/international taxation including financial and real estate, transfer pricing, M&A, group reorganization, global tax planning, and the consolidated tax system to clients in various industries.

The firms of the PricewaterhouseCoopers global network (www.pwc.com) provide industry-focused assurance, tax and advisory services to build public trust and enhance value for clients and their stakeholders. More than 155,000 people in 153 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

This Tax News is provided for general guidance only, 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.

Zeirishi-Hojin PricewaterhouseCoopers
Financial Services
Kasumigaseki Bldg., 15F
2-5 Kasumigaseki 3-chome
Chiyoda-ku, Tokyo 100-6015
Telephone: 81-3-5251-2400
<http://www.pwc.com/jp/tax>

*connectedthinking

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

Following the release of the 2009 Japanese tax reform proposals in December 2008, the draft national tax laws and local tax laws were released, respectively, by the Ministry of Finance on January 23, 2009 and the Ministry of Internal Affairs and Communications on January 27, 2009. The draft laws are to be submitted to the Diet for review and provided approved by the Diet the laws will be effective.

The 2009 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 2009 tax reforms

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 through March 31, 2013, and the reduced rate will be increased gradually as follows:

		to March 31, 2011	from April 1, 2011 to March 31, 2012	from April 1, 2012 to March 31, 2013	from April 1, 2013
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 rate 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 one further year to March 31, 2010 as follows:

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

Real property acquisition tax

Ordinary corporation

The reduced real property acquisition tax rate of 3% on the acquisition of land and buildings for residential purposes will be extended through March 31, 2012. Under the current tax law, the tax base for purposes of the real property acquisition tax is reduced to one half when land for residential use is acquired prior to April 1, 2009 (the "1/2 tax-base-exception"). The 2009 tax reforms will extend the 1/2 tax-base-exception through March 31, 2012.

		to March 31, 2012	from April 1, 2012
Land	Residential	1.5% * ¹	4.0%
	Non-residential	3.0%	4.0%
Building	Residential	3.0%	4.0%
	Non-residential	4.0%	

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

TMK and J-REIT

Under the current tax law, the tax base for purposes of the real property acquisition tax is reduced to one third when real property is acquired by a TMK or a J-REIT prior to April 1, 2009 provided that certain conditions are met (the "1/3 tax-base-exception"). The 2009 tax reforms will extend the 1/3 tax-base-exception through March 31, 2011. In addition to the 1/3 tax-base-exception for real property, the reduced rate of 3% for land and residential buildings and the 1/2-tax-base-exemption for land described above will also apply to acquisitions made by a TMK or a J-REIT.

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

		to March 31, 2011	from April 1, 2011
Land	Residential	0.5% ^{*1}	same as ordinary corporation
	Non-residential	1.0% ^{*2}	same as ordinary corporation
Building	Residential	1.0% ^{*3}	same as ordinary corporation
	Non-residential	1.333% ^{*4}	same as ordinary corporation

*¹ : 3.0%×1/3×1/2

*² : 3.0%×1/3

*³ : 3.0%×1/3

*⁴ : 4.0%×1/3

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

Zeirishi-Hojin PricewaterhouseCoopers

Financial Services
Kasumigaseki Bldg. 15F
2-5 Kasumigaseki 3-chome
Chiyoda-ku, Tokyo 100-6015
Telephone: 81-3-5251-2400
<http://www.pwc.com/jp/tax>

Partner	Sachihiko Fujimoto	81-3-5251-2423	sachihiko.fujimoto@jp.pwc.com
	Katsuyo Oishi	81-3-5251-2565	katsuyo.oishi@jp.pwc.com
	Yuka Matsuda	81-3-5251-2556	yuka.matsuda@jp.pwc.com
	Tetsuo Iimura	81-3-5251-2834	tetsuo.iimura@jp.pwc.com
	Akemi Kitou	81-3-5251-2461	akemi.kitou@jp.pwc.com
	Hiroshi Takagi	81-3-5251-2788	hiroshi.takagi@jp.pwc.com
	Raymond Kahn	81-3-5251-2909	raymond.a.kahn@jp.pwc.com
	Stuart Porter	81-3-5251-2944	stuart.porter@jp.pwc.com
Managing Director	Marc Lim	81-3-5251-2867	lim.marc@jp.pwc.com
Senior Manager	Kenji Nakamura	81-3-5251-2589	kenji.nakamura@jp.pwc.com
	Yoko Kawasaki	81-3-5251-2450	yoko.kawasaki@jp.pwc.com
	Kimihito Takano	81-3-5251-2698	kimihito.k.takano@jp.pwc.com
	Nobuyuki Saiki	81-3-5251-2570	nobuyuki.saiki@jp.pwc.com
Manager	Akiko Hakoda	81-3-5251-2486	akiko.hakoda@jp.pwc.com
	Mami Sasaki	81-3-5251-2471	mami.sasaki@jp.pwc.com
	Kyoko Imamura	81-3-5251-2855	kyoko.imamura@jp.pwc.com
	Satoshi Matsunaga	81-3-5251-2586	satoshi.matsunaga@jp.pwc.com
	Soichi Toyama	81-3-5251-6212	soichi.toyama@jp.pwc.com
	Takashi Nonaka	81-3-5251-2417	takashi.nonaka@jp.pwc.com
	Hiroko Suzuki	81-3-5251-2156	hiroko.x.suzuki@jp.pwc.com
	Kotaro Fujino	81-3-5251-2036	kotaro.fujino@jp.pwc.com
	Koichiro Ito	81-3-5251-6525	koichiro.ito@jp.pwc.com
	Nobuyoshi Hiruma	81-3-5251-2871	nobuyoshi.hiruma@jp.pwc.com
	Miyuki Kajiwara	81-3-5251-2520	miyuki.m.kajiwara@jp.pwc.com
	Daniel Lutz	81-3-5251-6640	daniel.lutz@jp.pwc.com