

## *Estate Taxation Highlights*

# Assisting Taxation of Tohoku Earthquake

Issue 5, April 2011



.....  
This newsletter provides a summary on the Act on taxation of assisting suffered people from Tohoku Earthquake, which passed the Diet on April 27, 2011. Before making any decision, you should consult your PwC contact with all the pertinent facts relevant to your particular situation.  
.....

### **Outline of Act on taxation of assisting suffered people from Tohoku Earthquake in relation to estate taxation**

Zeirishi-Hojin PricewaterhouseCoopers wishes to express its sympathy for all those affected by the Tohoku Earthquake and related events. We are praying for the victims and wishes for early recovery and reconstruction in the affected area.

In the process of discussing recovery and reconstruction of the affected area of Tohoku Earthquake, the Act on taxation of assisting suffered people regarding special valuation will be applicable to lands in the designated areas and certain unlisted shares. Further, the Act specified the special treatments with regard to the extended filing due date.

On April 28, 2011 certain details of the Act were announced in the web site of National Tax Agency ("NTA").

This newsletter provides an outline of the taxation of assisting suffered people in relation to estate taxation.

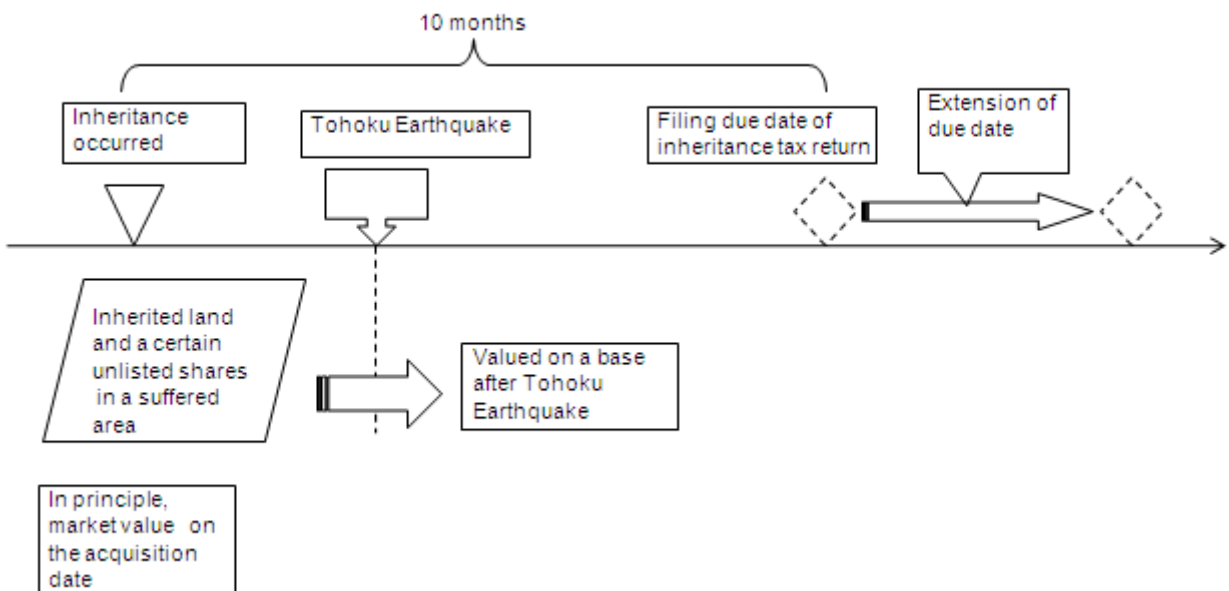
**1. Special treatment of valuation of lands and unlisted shares, and extension of due date of tax filing**

For an inheritance or a gift occurred on or before March 10, 2011 and the due date of filing the tax return for such inheritance or gift received on or after March 11, 2011, certain unlisted shares and lands within a designated areas may be valued on the basis after Tohoku Earthquake and the due date of filing for such inheritance or gift tax return will be extended to January 11, 2012. For certain suffered people other than the case above, the due date of filing for inheritance or gift tax return will be extended to a designated date.

- The above “designated areas” refer to an affected area that is designated by the Minister of Finance as an area suffered from Tohoku Earthquake. The NTA web site announced that those areas are referred to Aomori prefecture, Iwate prefecture, Miyagi prefecture, Fukushima prefecture, Ibaraki prefecture, Tochigi prefecture, Chiba prefecture, Tokamachi city and Tunan town, Uonuma county in Niigata prefecture and Sakae village, Mizuuchi county in Nagano prefecture.
- The above “designated date” will be determined by the Minister of Finance in considering the situation of Tohoku Earthquake. The “designated date” is anticipated the later of (i) the end of the ten months from the date of Tohoku Earthquake or (ii) the extended filing due date determined by Act on General Rules on National Taxes, Article 11.
- Certain unlisted shares is referring to shares of a company whose market value of certain movable assets and the like situated in the designated areas over all the assets held by the company is 30% or more. The equation below that was in the special tax treatment on Hanshin Awaji Earthquake may be used to determine whether the underlying shares fall within the definition of a certain unlisted shares:

$$\frac{\text{(Market value of movable assets and the like* situated in a designated area)}}{\text{(Market value of all the assets an underlying company owns)}} \geq 30\%$$

\*(Note) movable assets and the like include movable assets (excluding cash and securities), real estate, rights on real estate and stumpage.



(The above figure is provided for the first meeting of 2011 Tax Commission (Zeisei Chosakai))

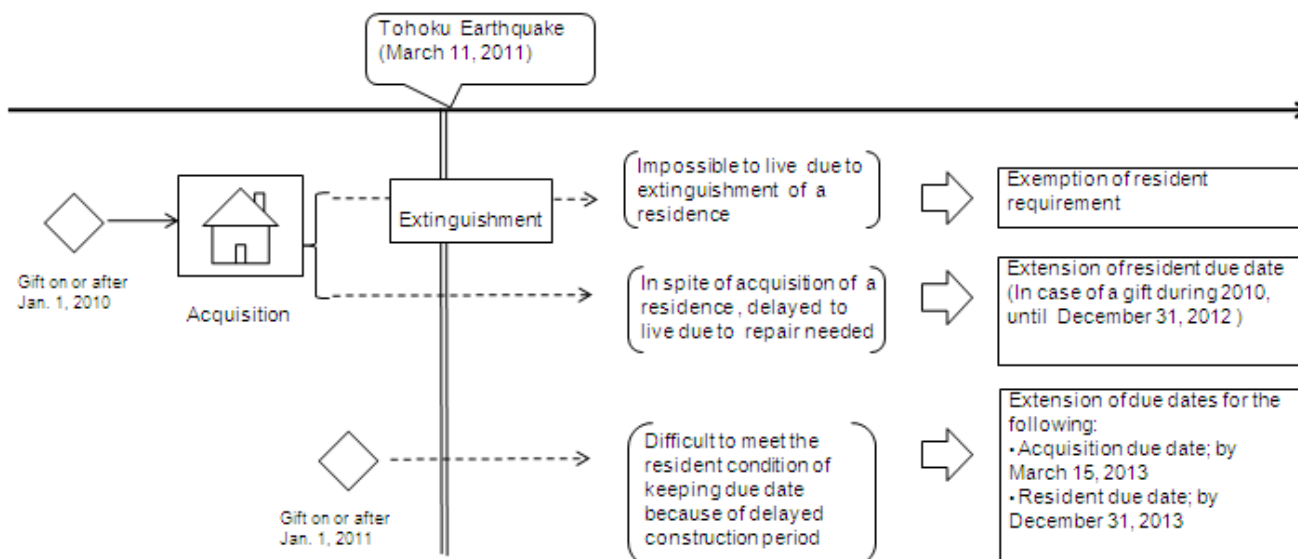
(Reference of Act on Relief and Exemption for Natural Disaster)

For the above case, the special treatment would be applicable if the damage (in value) that affects the building value may be deducted from the original building value for the inheritance tax and gift tax purposes.

## 2. Special treatment of gift tax, such as exemption of resident requirement regarding gifted fund for acquisition of a residence and other

In relation to exemption of gift tax in the case of receipt of gifted fund for acquisition of a residence from a lineal ascendants and special treatment of gift tax settlement at the time of inheritance (*Sozokuji Sisan Kazei*) in the case of receipt of gifted fund for acquisition of a residence from certain donors, the following treatments may apply:

- a. For the period between January 1, 2010 and March 10, 2011, where a donee was gifted fund for acquisition of a residence that was newly built, acquired or refurbished (“newly built”) and is reasonably certain to live in it without delay and under the application of the special treatment of gift tax, the resident requirement may be exempt if the newly built residence is extinguished.
- b. For the period between January 1, 2010 and December 31, 2010, where a donee was gifted fund for acquisition of a newly built residence and is reasonably certain to live in it after March 15, 2011 without delay and under the application of the special treatment of gift tax, resident due date will be extended to December 31, 2012, if such newly built residence was not livable due to an unavoidable event caused by the Tohoku Earthquake.
- c. For the period between January 1, 2011 and March 10, 2011, where a donee was gifted fund for acquisition of a residence that will be newly built, ( even if this donee is not able to build a residence by March 15, 2012 due to an unavoidable event caused by the Tohoku Earthquake), the special treatment of gift tax may still be applicable and the due date of building, acquiring or refurbishing a residence will be extended to March 15, 2013.



(The above figure is provided for the first meeting of 2011 Tax Commission (*Zeisei Chosakai*))

## 3. Other tax relief for suffered people

- a. Registration tax
- b. Real estate acquisition tax
- c. Property tax

**For more information, please consult your international tax representative or contact any of the following members listed below:**

**Zeirishi-Hojin PricewaterhouseCoopers**

Kasumigaseki Bldg. 15F, 2-5 Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-6015

Telephone: 81-3-5251-2400, <http://www.pwc.com/jp/tax>

<b>Partner</b>	Kazuya Kobayashi	81-3-5251-2752	<a href="mailto:kazuya.kobayashi@jp.pwc.com">kazuya.kobayashi@jp.pwc.com</a>
	Toshio Hotchi	81-3-5251-2876	<a href="mailto:toshio.hotchi@jp.pwc.com">toshio.hotchi@jp.pwc.com</a>
<b>Manager</b>	Takahito Otobe	81-80-3756-3249	<a href="mailto:takahito.t.otobe@jp.pwc.com">takahito.t.otobe@jp.pwc.com</a>
	Yoko Shionoya	81-80-3592-6068	<a href="mailto:yoko.shionoya@jp.pwc.com">yoko.shionoya@jp.pwc.com</a>
	Hiroko Suzuki	81-80-3592-6100	<a href="mailto:hiroki.x.suzuki@jp.pwc.com">hiroki.x.suzuki@jp.pwc.com</a>
	Yoshitaka Hamaoka	81-6-7670-0952	<a href="mailto:yoshitaka.hamaoka@jp.pwc.com">yoshitaka.hamaoka@jp.pwc.com</a>

PwC Japan Tax (Zeirishi-Hojin PricewaterhouseCoopers) is one of the largest professional tax corporations in Japan with about 540 people. 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.

PwC firms provide industry-focused assurance, tax and advisory services to enhance value for their clients. More than 161,000 people in 154 countries in firms across the PwC network share their thinking, experience and solutions to develop fresh perspectives and practical advice. See [pwc.com](http://pwc.com) for more information.

This document has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this document without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this document, and, to the extent permitted by law, Zeirishi-Hojin PricewaterhouseCoopers, its employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this document or for any decision based on it.

© 2011 Zeirishi-Hojin PricewaterhouseCoopers. All rights reserved.

In this document, "PwC" refers to Zeirishi-Hojin PricewaterhouseCoopers, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.