

Incentives & Support for Foreign Financial Corporations setting up Operations in Japan

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In brief

With the objective of strengthening Japan's financial markets and enhancing its attractiveness as a global financial hub, the Financial Services Agency (**FSA**) and local governments, in particular the Tokyo Metropolitan Government (**TMG**), have introduced various initiatives to attract foreign financial corporations and professionals (in particular, foreign asset managers) to Japan. A selection of initiatives are highlighted as follows.

In detail

1. Foreign financial corporation business establishment subsidy program

The TMG's program¹ targets foreign corporations engaged in asset management or FinTech businesses. Subsidies are provided to cover certain costs related to the establishment of new business operations in Tokyo including:

- (1) Consultation expenses – fees paid to experts for services such as registration and qualification and issue of license for the engagement of the corporation's financial instrument business, consultation on legal and tax matters;
- (2) Personnel recruitment expenses – fees paid to employment placement business providers; and
- (3) Office initial expenses – costs incurred when moving into an office.

The maximum is limited to 50% of the actual expenses subject to an overall cap of JPY7.5m. A corporation can only apply once and requires a commitment to continue its business operations in Tokyo for two years after the year of establishment.

2. Subsidies to support growth of operations of foreign financial corporations

Beside the above program, the TMG also grants subsidies² to foreign corporations engaged in the asset management or FinTech businesses to cover costs necessary for their growth, including:

¹ Details of the program are outlined in this website: <https://www.seisakukikaku.metro.tokyo.lg.jp/en/pgs/gfct/nurturing-players/establishment-subsidy.html>

² Details of the subsidies are outlined in this website: <https://www.seisakukikaku.metro.tokyo.lg.jp/en/pgs/gfct/nurturing-players/assist.html>

- (1) Office rents – located in Tokyo that are necessary for the operation of the corporation’s main business;
- (2) Consultation expenses – fees paid to external experts for advice or guidance on knowledge or coping methods necessary for the promotion of business growth or solutions for problems incurred during the operation of the main business; and
- (3) Purchase costs of equipment and fixtures – costs for the acquisition of equipment and fixtures installed and used at the office in Tokyo necessary for carrying out the main business.

The maximum is limited to 50% of the actual expenses incurred by a corporation subject to an overall cap of JPY10m. An applicant can only apply for the subsidy once in each fiscal year and requires a commitment to continue its business operations in Tokyo for at least two years after the year of establishment.

3. One-stop English support services

In general practice, foreign asset management corporations must undergo discussions in Japanese with various contact points of the FSA and the Local Finance Bureaus (**LFBs**) when establishing licensed business operations in Japan.

On January 12, 2021, the FSA and the LFBs jointly established the Financial Market Entry Office (**FMEO**) as a centralised consultation center to provide a “one-stop” English support services for pre-application consultation, registration procedures and on-going operations. Online communication via video conferencing is also available.

FMEO also serves as a contact point for any enquiries on procedures under the financial laws and regulations relevant to the establishment of business in Japan by all types of foreign financial business operators.

4. Simplification of market entry procedures

Under existing regulations, asset management corporations serving foreign professional investors (i.e. institutional investors) are required to be registered with the FSA in order to conduct asset management business in Japan, and such registration process often takes a substantial period of time to complete even for corporations with proven track record overseas.

The FSA is seeking to propose a simplified registration system for asset managers targeting foreign professional investors by introducing a pre-registration entry program for corporations with authorisation by regulatory bodies and proven track records overseas and a simplified entry program for general partner managers with overseas qualified clients.

5. Relaxation of residency status

With the aim to create a more attractive environment for foreign professionals considering relocating to Japan, various initiatives have been introduced as part of the reform package known as the “Comprehensive Economic Measures to Secure People’s Lives and Livelihoods toward Relief and Hope” passed by the Cabinet on December 8, 2020 to relax the entry barriers for foreigners migrating to Japan.

The following highlights items especially relevant for foreign professionals engaged in the asset management business:

- (1) When seeking to apply for the highly-skilled professional employment visa, a bonus point category for preferential treatment is added for foreign professionals engaged in the asset management businesses;

- (2) Spouses of those with highly-skilled professional visa can now work full-time without a separate working visa under certain conditions; and
- (3) An exceptional measure is introduced for foreigners to enter Japan as falling within a “temporary visitor” for short stays for the purpose of preparing the establishment of corporations, without the necessity of returning to their home country prior to the commencement of the business being formed in Japan under certain conditions.

6. FinCity.Tokyo

In order to boost the attractiveness of Tokyo’s financial ecosystem and enhance its profile as a world-leading global financial city, the Organization of Global Financial City Tokyo (branded as FinCity.Tokyo)³ was established on April 1, 2019 with members comprising financial institutions, operating companies, industry groups and government agencies. It places emphasis on liaising between members and facilitating dialogue and cooperation among the members; facilitating dialogue, exchange, and cooperation with overseas financial organizations, industry sectors, and groups involved in promotional activities for the financial sector; attracting overseas financial institutions to Japan, etc. In addition, FinCity.Tokyo also presents statements and recommendations to relevant governmental bodies and agencies for enhancing the attractiveness of Tokyo as the top-class global financial city.

The takeaway

With the recent uncertainties in the economic, political and social situations, shaping Japan, in particular Tokyo, into a global financial hub for foreign corporations and professionals becomes a core consideration to Japan’s policymaking. Various Government agencies such as FSA, TMG, etc. are putting efforts in encouraging foreign financial businesses and talents to start up and/or expand their Japanese presence by enhancing accessibility via easier regulator measures, providing industrial tax incentives/subsidies, removing language barriers, promoting social diversity, etc. Going forward, we would expect more comprehensive policies and measures benefiting foreign corporations and professionals, being introduced by the FSA and the local governments.

³ More details of FinCity.Tokyo can be found in this website: <https://fincity.tokyo/en/>

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

PwC Tax Japan

Otemachi One Tower, 1-2-1 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan

www.pwc.com/jp/e/tax

Financial Services Tax Group

Hiroshi Takagi Partner	Akemi Kito Partner	Yuka Matsuda Partner
Stuart Porter Partner	Adam Handler Partner	Nobuyuki Saiki Partner
Kenji Nakamura Partner	Satoshi Matsunaga Partner	Akiko Hakoda Partner
Takashi Nonaka Partner	Kyoko Imamura Director	Nobuyoshi Hiruma Director
Mikio Yasutake Director	Mayumi Nishikawa Director	Kohei Kobayashi Director
Seigo Sugiyama Director	Kazunori Aoki Director	Daisuke Kawasaki Director
Kotaro Fujino Director	Shunji Suzuki Director	Rob Kissner Director

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