

Financial Services Tax News

2026 Japan Tax Reform Proposals: Financial Services Industry & Real Estate Market

December 2025

In brief

On December 19, 2025, the Japanese government released their 2026 Tax Reform Proposals (“2026 Tax Reform Proposals”), commonly known as Taiko. Draft legislation implementing these proposals will be presented to the Japanese parliament (Diet) in early 2026.

This Newsletter provides a brief and immediate summary highlighting significant developments of interest to Japan’s financial services industry and real estate market.

For the text of the Taiko (in Japanese), refer to the following link:

https://storage2.jimin.jp/pdf/news/policy/212129_1.pdf

A Japanese language version of this Financial Services Tax News is separately released and may be accessed through the following link:

<https://www.pwc.com/jp/ja/knowledge/news/tax-financial-services/2025-12.html>

A broader summary of the 2026 Tax Reform Proposals is published separately in our Japan Tax Update in Japanese and English. These may be accessed through the following links:

<https://www.pwc.com/jp/ja/knowledge/news/tax-jtu/20251222.html>

In detail

1. Revisions to special provisions for taxation of foreign partnership members

The following measures will be taken regarding the special provisions for the taxation of foreign partners of Investment Business Limited Partnerships or similar foreign partnerships with general partners in Japan (commonly known as the ‘Fund PE Income Exemption’).

- (1) The following relieving amendments regarding the application requirements of this special provision will be introduced.

- ① The upper limit of the investment ratio by a foreign limited partner in the investment partnership will be raised from less than 25% to less than 50%, with a condition that the investment partnership has a certain form of limited partnership advisory committee.

- ② The requirement that a limited partner does not engage in the management and operation of the investment partnership will be revised to exclude approval of conflict-of-interest transactions from the scope of activities that may be deemed as management and operation of the investment partnership (currently, such as approval of self-dealing transactions may be deemed as management and operation of the investment partnership).
 - ③ The requirement that the limited partner does not have income attributable to permanent establishments other than income attributable to the business of the investment partnership will be abolished.
- (2) The contents of the application form of the special provisions will also be revised.

2. Revisions to taxation methods related to crypto asset transactions

The following measures will be taken regarding crypto asset transactions, subject to the amendments to the Financial Instruments and Exchange Act ('FIEA') and other laws.

- (1) If a resident transfers crypto assets (limited to crypto assets registered in the Registry of Financial Instruments Business Operators, hereinafter referred to as 'Specified Crypto Assets') to those who engage in a 'Crypto Asset Trading Business', the gain from the transfer will be subject to separate taxation at a rate of 20.315% (inclusive of income tax national income of 15%, surtax of 2.1% and local inhabitant tax of 5%). Under certain conditions, losses incurred as a result of transfers of Specified Crypto Assets can be carried forward for three years to offset capital gains derived from transferring other Specified Crypto Assets.
- (2) Note: The above amendments will apply to transfers of Specified Crypto Assets made on or after January 1 of the year following the year in which the amendment to the FIEA comes into effect ('Application Start Date'). The transfer of crypto assets will continue to be exempt from consumption tax as a transfer of similar to securities (currently, it is considered to be similar as a means of payment). For the purpose of calculating the taxable sales ratio of consumption tax, an amount equivalent to 5% of the consideration for the transfer of crypto assets is included in the amount of consideration for the transfer of assets. In addition, crypto asset lending will be exempt from consumption tax.

Note: The above amendments apply to transfers of crypto assets made on or after the Application Start Date.

- (3) In addition to the above, necessary measures will be taken, such as making income derived from derivatives transactions and ETFs related to crypto assets subject to separate taxation.

3. Revisions to the Combined Tax System for Foreign Subsidiaries (CFC Tax Regime), etc.

Regarding the special provisions for taxation of income related to foreign affiliates of domestic corporations (commonly known as the 'CFC Tax Regime'), special provisions will be introduced for dissolved partially-eligible foreign affiliates or foreign financial subsidiaries. In addition, the asset ratio requirements related to the special provisions for paper companies will be eliminated when the amount of total assets is zero (for details, please refer to the Japan Tax Update).

Note: The above amendments will apply to fiscal years beginning on or after April 1, 2026 of foreign affiliates.

4. Expansion of NISA

The following measures will be introduced for NISA (Tax-exempt account for small amounts of listed stocks or securities).

- (1) The lower age limit for opening a tax-exempt account will be abolished. The target age for cumulative investments (for individuals under 18 years old) will be expanded, allowing

withdrawals by legal guardians in certain cases. After the individual has reached the age of 18, his account will be moved to one under the existing NISA regime.

- (2) Investment trust products composed of certain stock indices for the domestic market or stock indices from developed and emerging countries covering certain regions will be added to the target for cumulative investments. In order to meet the asset management needs of a wide range of generations, investment trusts with bonds accounting for more than 50% of assets under management will be added to the target.

5. Raising tax on exceptionally high levels of income

The income threshold will be lowered to JPY165 million (currently JPY330 million) and the minimum tax rate will be raised to 30% (currently 22.5%).

Note: The above amendments will apply to income tax from 2027 onwards.

6. Special Provisions for Taxation of Investment Corporations (Measures Related to Renewable Energy Power Generation Facilities)

Regarding measures related to renewable energy power generation facilities under the special taxation regulations for investment corporations, the deadline for acquiring renewable energy power generation facilities will be extended by five years (until March 31, 2031). The target renewable energy power generation facilities will be limited to facilities that convert solar, wind, hydro, or geothermal power to electricity and their ancillary equipment.

7. Extension of Tax-Exempt Measures for Interest of Cross-Border Repo Transactions

The deadline for applying tax-exempt measures on interest on bond repurchase agreements conducted by specified foreign corporations with specified financial institutions, etc. will be extended by a further three years (until March 31, 2029).

8. Extension of the Registration Tax Reduction Measures for Transfer of Land Ownership

The deadline for applying the reduced tax rates of registration tax for registration of transfer of ownership through the sale and purchase of land will be extended by a further three years (until March 31, 2029).

Let's talk

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

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E-learning

PwC Tax Japan launched a new e-learning program called Tax Academy in October 2022, to support those wishing to develop their skills in the international tax field. For tax professionals outside Japan, the 'Introduction to Japanese taxes' series within Tax Academy provides a basic outline of the Japanese tax system, including corporate tax and consumption tax, and covers key points of international tax practice in English.

Please click here for details and to apply:

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