

1. Economic revitalization with/post COVID-19

(1) Tax measures to strengthen industrial competitiveness

- **[New tax measure to promote Digital Transformation (DX)]** Establish a measure to allow tax credit (5%, 3%) or accelerated depreciation (30%) for companies which transform their business by developing a "*connectable*" digital environment (e.g. cloud computing).
- **[Reform of R&D tax credit to maintain active R&D]** For companies which increase R&D investment even under an adverse business environment, the upper limit of tax credits will be raised. The tax credit rate will be reformed to increase incentives for R&D, and the lower limit of the tax credit rate will be lowered.
- **[Tax reform to spur wage hike]** In response to the deteriorated employment environment during the pandemic, tax incentive for wage hike and investment will be replaced in consideration of facilitating expansion of employment and education/training supports.
- **[Special provision on the deduction limit for loss carryforwards]** For companies which make investments in the area of Carbon Neutral (CN), DX, business restructuring/reorganization, etc. even under an adverse business environment, allow tax deduction for loss carryforwards, up to the amount of such investments, of maximum 100% of their income, for up to 5 years.

(2) Tax measures for development of a Global Financial Center

- Performance-based compensation paid to executives of unlisted non-family companies, etc., whose main business is investment management, will be included in deductible expenses under certain conditions.
- When a foreign national residing in Japan for work, etc. dies, the foreign property inherited by a family member residing abroad will not be subject to inheritance tax, regardless of the period of residence.
- It will be clarified that "carried interest" distributed to a fund manager is taxed, in certain cases, at the separate and flat rate of 20% imposed on financial income like capital gains.

1. Economic revitalization with/post COVID-19 (Continued)

(3) Extension of tax credit for housing loans

- The application period of the special 13-years tax credit for housing loans will be extended by 1 year to cover residents moving in by the end of 2022, and, as an economic measure, the area requirement will be relaxed (50m² or more → 40m² or more) for those with a total income of 10 million yen or less.

2. Forging a Digital Society

- **[Reform of R&D tax credit to promote digitalization of the private sector]** R&D expenses for software provided in a cloud environment, etc. will be subject to the R&D tax credit.
- **[Digitalization of administrative procedures for tax]** The obligation to seal in the national tax-related documents will be abolished with a few exceptions. The procedure for electronically storing book documents will be streamlined, and the procedures and requirements for the scanner storage system will be relaxed, while taking necessary measures to prevent falsification of electronic data.

3. Decarbonization of Society

- **[New tax measure to promote CN investment]** Establish a measure to allow tax credit (10%, 5%) or special depreciation (50%) for advanced investment with high decarbonization effect (i.e. investment in production equipment for compound power semiconductors, etc. or investment in promoting decarbonization of production processes).
- **[Revision of automobile taxation]** Revise the tax break of motor vehicle tonnage tax for eco-friendly cars by, for example, switching to the new fuel efficiency standards in order to promote dissemination of automobiles with better fuel efficiency performance, while considering not to increase the overall burden on automobile users.

4. Others

- **[Taxation related to IR (Integrated Resort) - To be finalized after FY2022]** In order to support international competitiveness of IR businesses, casino income of non-residents will be exempted from tax. (That of residents will be taxed as is the case with domestic public gambling.)