

Japan tax alert

Ernst & Young Shinnihon Tax



Potential delay in releasing Japan's 2013 tax reform proposals may not have significant effect

Executive summary

On 16 November 2012, Japan's Prime Minister Noda dissolved the Lower House, resulting in necessitating a general election to be held on 16 December 2012. It is expected that 2013 tax reform proposals would likely be postponed until early next year, which could cause further delay in enactment into the law. However, as it is anticipated that the proposals primarily do not focus on significant corporate tax matters, such delay may not have significant impact on the current structure and future tax planning ideas.

Legislative procedures of tax reform proposals in Japan

In general, tax reform proposals are released in the middle of December and become effective on 1 April in the following year as a new tax law, which generally applies to taxable years beginning on or after 1 April. For the 2013 tax reform proposals, however, the delay in a release is highly anticipated since Prime Minister Noda dissolved the Lower House on 16 November 2012 in return for the opposition parties' agreement to reduce a number of their seats in the Lower House. The dissolution results in holding a general election on 16 December 2012. Considering the political change, it is not likely the tax reform proposals would be released before the year end.

This could also have a domino effect on the remaining steps and may cause substantial delays in passing the reform proposals.

But based on discussions held in the government tax system study council, the 2013 proposals do not seem primarily to relate to significant corporate matters. Consequently, such delay does not appear to have significant effect on current corporate taxation and cross-border structural and future planning ideas.

Comments or general inquiries regarding this tax alert may be directed to our Corporate Communications team at tax.marketing@jp.ey.com.

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